

SOLON COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS,  
BASIC FINANCIAL STATEMENTS,  
SUPPLEMENTARY INFORMATION  
AND SCHEDULE OF FINDINGS

JUNE 30, 2010

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SOLON COMMUNITY SCHOOL DISTRICT  
 Officials  
 June 30, 2010

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
(Before September 2009 Election)		
Dave Asprey	Board President	2009
Lianne Westcot	Board Member	2009
Dean A. Martin	Board Member	2010
Laura Reed	Board Member	2010
Tim Brown	Board Member	2011
(After September 2009 Election)		
Dave Asprey	Board President	2013
Tim Brown	Board Member	2011
Dean A. Martin	Board Member	2011
Dick Schwab	Board Member	2013
Lianne Westcot	Board Member	2013
<b>School Officials</b>		
Darrell Smith	Superintendent	2010
Pat Moore	Business Manager/Treasurer	Indefinite
Kristine Studt	District Secretary	Indefinite
C. Joseph Holland	Attorney	Indefinite

# KAY L. CHAPMAN, CPA PC

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Muscatine, Iowa 52761  
563-264-1385

## Independent Auditor's Report

To the Board of Education  
Solon Community School District

I have audited the accompanying financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of Solon Community School District, Solon, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Solon Community School District as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated February 25, 2011 on my consideration of Solon Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 14 and 48 through 50 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Solon Community School District's basic financial statements. Other supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements. In my opinion, the information set forth in the supplementary information for each of the seven years in the period ended June 30, 2010 appearing in Schedule 7, is fairly stated, in all material respects in relation to the basic financial statements from which it has been derived.

*Kay L. Chapman, CPA PC*

Kay L. Chapman, CPA PC  
February 25, 2011

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Solon Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2010 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$10,411,358 in fiscal 2009 to \$10,243,305 in fiscal 2010 and General Fund expenditures decreased from \$10,275,181 in fiscal 2009 to \$10,229,940 in fiscal 2010. The District's General Fund balance increased from \$1,209,808 in fiscal 2009 to \$1,223,173 in fiscal 2010, a 1% increase. It is important to note that although the fund balance did increase, approximately \$176,359 are dollars which are categorical and are reserved specifically for those purposes. Taking this into account the prior year (FY09) actual unreserved, undesignated fund balance would have been \$1,096,696 and FY10 would be \$1,046,814. This represents a 4% decrease in the unreserved, undesignated fund balance.
- Although General Fund revenues decreased for FY10, it is important to note that there were some areas that had increases. Those areas which saw an increase were: property taxes, open enrollment tuition, special education tuition, transportation fees, textbook rentals, ARRA Stabilization and ARRA IDEA funds. As an across-the-board cut was seen by all school districts in Iowa, the state sources for FY10 decreased significantly. State sources for FY10 decreased, in total, by \$934,972. Of this decrease, \$543,796, is attributed to the 10% ATB cut.
- Expenditures, in total, decreased in the General Fund from FY09 to FY10 by \$45,241. Within the overall decrease, there were functional areas that did show an increase. Areas that increased were: guidance services, library media services, school administration services, administration technology services, and student transportation.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Solon Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending.

Fund financial statements report Solon Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Solon Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the non-major governmental and enterprise funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

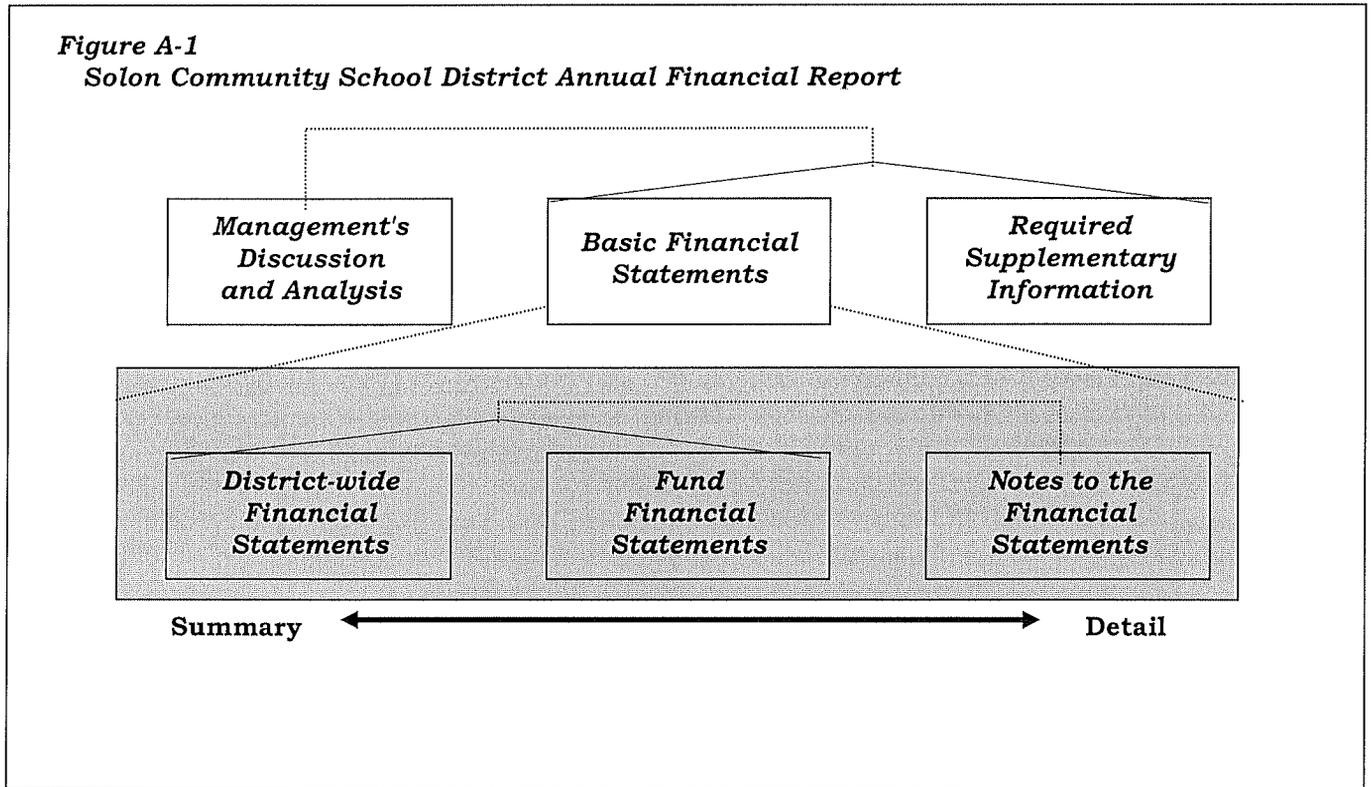


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<b>Figure A-2 Major Features of the Government-wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services, before and after school and preschool program	Instances in which the District administers resources on behalf of someone else, such as the water club program
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## **REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition, before & after school and preschool programs are included here.

#### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Capital Projects Fund and Debt Service Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has three enterprise funds, the School Nutrition Fund, Before & After School Program Fund and Preschool Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) *Fiduciary fund*: The District is the trustee, or fiduciary, for assets that belong to others. This fund consists of a private-purpose trust fund.

- Private-purpose trust fund – The District accounts for outside donations for the maintenance of the Water Club in this fund.

The District is responsible for ensuring the assets reported in the fiduciary fund are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for the fiduciary fund include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2010 compared to June 30, 2009.

Figure A-3  
Condensed Statement of Net Assets

	Governmental Activities		Business Type Activities		Total District		Total Change <u>2009-</u> <u>2010</u>
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	
Current and other assets	\$ 16,914,171	\$ 12,019,075	\$ 305,608	\$ 323,749	\$ 17,219,779	\$ 12,342,824	39.51%
Capital assets	<u>10,771,635</u>	<u>10,010,500</u>	<u>46,572</u>	<u>55,230</u>	<u>10,818,207</u>	<u>10,065,730</u>	7.48%
Total assets	<u>27,685,806</u>	<u>22,029,575</u>	<u>352,180</u>	<u>378,979</u>	<u>28,037,986</u>	<u>22,408,554</u>	25.12%
Long-term liabilities	12,862,394	7,415,007	-	-	12,862,394	7,415,007	73.46%
Other liabilities	<u>5,788,241</u>	<u>7,298,705</u>	<u>37,578</u>	<u>25,787</u>	<u>5,825,819</u>	<u>7,324,492</u>	-20.46%
Total liabilities	<u>18,650,635</u>	<u>14,713,712</u>	<u>37,578</u>	<u>25,787</u>	<u>18,688,213</u>	<u>14,739,499</u>	26.79%
Net assets							
Invested in capital assets, net of related debt	2,701,391	2,665,500	46,572	55,230	2,747,963	2,720,730	1.00%
Restricted	4,338,521	3,001,806	-	-	4,338,521	3,001,806	44.53%
Unrestricted	<u>1,995,259</u>	<u>1,648,557</u>	<u>268,030</u>	<u>297,962</u>	<u>2,263,289</u>	<u>1,946,519</u>	16.27%
Total net assets	<u>\$ 9,035,171</u>	<u>\$ 7,315,863</u>	<u>\$ 314,602</u>	<u>\$ 353,192</u>	<u>\$ 9,349,773</u>	<u>\$ 7,669,055</u>	21.92%

The District's combined net assets increased by 22%, or \$1,680,718 over the prior year. One of the largest portions of the District's net assets is the restricted net assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$1,336,715, or approximately 45% over the prior year. Encompassed in this increase were reserved funds balances for at-risk, teacher mentor, teacher quality, core curriculum, professional development, with the majority being attributed to capital projects.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$316,770, or approximately 16%.

Figure A-4 shows the changes in net assets for the year ended June 30, 2010 compared to the year ended June 30, 2009.

Figure A-4  
Change in Net Assets

	Governmental Activities		Business Type Activities		Total District		Total Change
	2010	2009	2010	2009	2010	2009	2009-2010
Revenues							
Program revenues							
Charges for service and sales	\$ 1,198,018	\$ 1,022,220	\$ 724,288	\$ 724,476	\$ 1,922,306	\$ 1,746,696	10.05%
Operating grants	1,989,235	1,440,377	88,800	78,694	2,078,035	1,519,071	36.80%
General revenues							
Property tax	5,405,907	5,004,517	-	-	5,405,907	5,004,517	8.02%
Statewide sales, services and use tax	1,356,269	1,377,719	-	-	1,356,269	1,377,719	-1.56%
Unrestricted state grants	3,846,317	4,794,575	-	-	3,846,317	4,794,575	-19.78%
Contributions and donations	117,925	50,585	-	-	117,925	50,585	133.12%
Unrestricted investment earnings	45,896	53,379	4,794	6,263	50,690	59,642	-15.01%
Other	47,073	17,713	-	-	47,073	17,713	165.75%
Special revenue - gain on disposal of capital assets	30,828	82,613	-	-	30,828	82,613	-62.68%
Special item - interest and premium on issuance of bonds	49,626	-	-	-	49,626	-	100.00%
Total revenues	<u>14,087,094</u>	<u>13,843,698</u>	<u>817,882</u>	<u>809,433</u>	<u>14,904,976</u>	<u>14,653,131</u>	1.72%

Governmental activities							
Instruction	7,307,045	7,101,620	-	-	7,307,045	7,101,620	2.89%
Support services	3,469,443	3,443,160	-	-	3,469,443	3,443,160	0.76%
Non-instructional programs	5,450	5,450	856,472	879,830	861,922	885,280	-2.64%
Other expenses	<u>1,585,848</u>	<u>1,360,285</u>	-	-	<u>1,585,848</u>	<u>1,360,285</u>	16.58%
Total expenses	<u>12,367,786</u>	<u>11,910,515</u>	<u>856,472</u>	<u>879,830</u>	<u>13,224,258</u>	<u>12,790,345</u>	3.39%
Change in net assets	1,719,308	1,933,183	(38,590)	(70,397)	1,680,718	1,862,786	-9.77%
Net assets, beginning of year	<u>7,315,863</u>	<u>5,382,680</u>	<u>353,192</u>	<u>423,589</u>	<u>7,669,055</u>	<u>5,806,269</u>	32.08%
Net assets, end of year	<u>\$ 9,035,171</u>	<u>\$ 7,315,863</u>	<u>\$ 314,602</u>	<u>\$ 353,192</u>	<u>\$ 9,349,773</u>	<u>\$ 7,669,055</u>	21.92%

In fiscal 2010, property tax and unrestricted state grants account for 65% of the revenue from governmental activities while charges for service and sales and operating grants account for 99% of the revenue from business type activities.

The District's total revenues were \$14,904,976 of which \$14,087,094 was for governmental activities and \$817,882 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 2% increase in revenues and a 3% increase in expenses. The increase in expenditures was partially funded by additional revenues of charge for sales/service and operations grants.

### Governmental Activities

Revenues for governmental activities were \$14,087,094 and expenses were \$12,367,786 for the year ended June 30, 2010. A few noteworthy increase within the governmental activities revenues were the increase in operating grants, largely due to ARRA stabilization funds and ARRA IDEA Part B Funding. In addition, an increase was shown in the area of contributions & donations.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2010 compared to the year ended June 30, 2009.

Figure A-5

	Total and Net Cost of Governmental Activities						
	Total Cost of Services			Net Cost of Services			
	2010	2009	Change 2009-2010	2010	2009	Change 2009-2010	
Instruction	\$ 7,307,045	\$ 7,101,620	2.9%	\$ 4,606,242	\$ 5,086,871	-9.4%	
Support services	3,469,443	3,443,160	0.8%	3,448,290	3,419,482	0.8%	
Non-instructional programs	5,450	5,450	0.0%	5,450	5,450	0.0%	
Other expenses	<u>1,585,848</u>	<u>1,360,285</u>	16.6%	<u>1,120,551</u>	<u>936,115</u>	19.7%	
Total expenses	<u>\$ 12,367,786</u>	<u>\$ 11,910,515</u>	3.8%	<u>\$ 9,180,533</u>	<u>\$ 9,447,918</u>	-2.8%	

For the year ended June 30, 2010:

- The cost financed by users of the District's programs was \$1,198,018.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,989,235.
- The net cost of governmental activities was financed with \$5,405,907 in property taxes and \$3,846,317 in unrestricted state grants.

### **Business Type Activities**

Revenues for business type activities for the year ended June 30, 2010 were \$817,882 representing a 1% increase over the prior year while expenses were \$856,472, a 2% decrease from the prior year. The District's business type activities include the School Nutrition Fund, Before & After School Fund and Preschool Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

### **INDIVIDUAL FUND ANALYSIS**

As previously noted, Solon Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$10,183,103, well above last year's ending fund balances of \$4,191,847. The majority of the combined fund balance increase can be attributed to the capital projects fund. In March 2010 the District issued \$5,905,000 in SAVE Revenue Bonds. In addition, the fund balance in PPEL increased as the expenditures for FY10 were just a little over half of the revenue taken into the fund.

### **Governmental Fund Highlights**

- The General Fund balance increased from \$1,209,808 to \$1,223,173 as a result of a larger spread between current assets and liabilities. It is important to remember that although the fund balance increased there are restricted funds encompassed within the fund balance referenced.
- The Capital Projects fund balance increased from \$2,308,446 at June 30, 2009 to \$8,037,573 at June 30, 2010. As stated earlier, the District in March 2010 issued SAVE Revenue Bonds. The proceeds are to be used for improvements to the elementary and the middle school.
- The Debt Service Fund balance increased from \$147,898 at June 30, 2009 to \$151,733 at June 30, 2010.

### **Proprietary Fund Highlights**

Enterprise Fund net assets decreased from \$353,192 at June 30, 2009 to \$314,602 at June 30, 2010, representing a decrease of approximately 10%. There was a 7% decrease in total assets for the Enterprise Fund ending June 30, 2010. In addition, total liabilities increased \$11,651 or 44%.

## BUDGETARY HIGHLIGHTS

Over the course of the year, Solon Community School District did not amend its annual budget. The District's revenues were \$676,251 less than budgeted revenues, a variance of less than 4%.

Total expenditures were \$2,395,663 less than budgeted. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should exceed actual expenditures for the year. Additionally, the District did not offer At-Risk funded activities during FY10 and the estimated expenditures for the remodeling projects were not realized until FY11.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2010, the District had invested \$10,818,207, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of approximately 7% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$754,844.

The original cost of the District's capital assets was \$21,171,618. Governmental funds account for \$21,080,720, with the remainder of \$90,898 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress category totaled \$1,050,321 at June 30, 2010 compared to nothing at June 30, 2009.

Figure A-6

	Capital Assets, Net of Depreciation						
	Governmental Activities		Business Type Activities		Total District		Total
	2010	2009	2010	2009	2010	2009	2009-2010
Land	\$ 600,427	\$ 582,068	\$ -	\$ -	\$ 600,427	\$ 582,068	3.15%
Construction in progress	1,050,321	-	-	-	1,050,321	-	100.00%
Buildings and improvements	8,244,350	8,633,050	-	-	8,244,350	8,633,050	-4.50%
Improvements, other than buildings	155,407	183,543	-	-	155,407	183,543	-15.33%
Furniture and equipment	721,130	611,839	46,572	55,230	767,702	667,069	15.09%
Totals	<u>\$ 10,771,635</u>	<u>\$ 10,010,500</u>	<u>\$ 46,572</u>	<u>\$ 55,230</u>	<u>\$ 10,818,207</u>	<u>\$ 10,065,730</u>	7.48%

## Long-Term Debt

At June 30, 2010, the District had \$12,862,394 in general obligation and other long-term debt outstanding. This represents an increase of 74% over last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

The District continues to carry a general obligation bond rating of Aa3 assigned by national rating agencies to the District's debt since 1997. The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5 percent of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$14.5 million.

In April 2010, the District issued \$5,905,000 of statewide sales, services and use tax revenue bonds for a construction project. These bonds are not a general obligation of the District and are payable solely from the proceeds of the statewide sales, services and use tax revenues of the District.

Figure A-7

	Outstanding Long-term Obligations		
	Total		Total
	School District		Change
	2010	2009	2009-2010
General obligation bonds	\$ 6,835,000	\$7,345,000	-6.94%
Revenue bonds	5,905,000	-	100.00%
Compensated absences	22,965	23,180	-0.93%
Early retirement	51,351	41,827	22.77%
Net OPEB liability	<u>48,078</u>	<u>-</u>	100.00%
Total	<u>\$12,862,394</u>	<u>\$7,410,007</u>	73.58%

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several possible upcoming circumstances that could significantly affect its financial health in the future:

- The enrollment has been on an upward trend. The October 2010 certified enrollment count rose by 12.9 students over the October 2009 certified enrollment count. The increase in enrollment, as well as large number of students open enrolling into the District, continually places the potential need for increased staffing. Although the student enrollment is increasing, which also creates an increase in funding; the funding is not currently sufficient to cover our additional needs. Along these same lines, the District also realized as student enrollment continues to grow our facilities/buildings will also need to accommodate the increase. In July 2010 the District began the middle school remodeling project and the elementary expansion and remodeling project is currently underway. Despite the enrollment increase and open enrollment in increase, in coming years the

District will need to address the ATB cut from FY 10, which was mainly weathered with the District's cash on hand.

- The District budgeted \$425,000 for SBRC – Other Cash Reserve. This money is meant to be used to help fund the District's unspent balance.
- Both Johnson & Linn County SAVE ballot measures passed in February 2010 and will help fund the facility needs of the District. The District began receiving funds in FY 2009-2010. Estimates received for the upcoming FY11 budget are \$15,442 Linn County and \$1,354,912.
- It is important to remember that despite the positive impact of financial reductions and an increase in certified enrollment, the District continues to monitor its fiscal practices and financial stability based on the current economy. Based on the current economy and anticipated state funding levels, the District will be examining all areas of expenditures, as well as revenues, to ensure the District's financial stability for years to come.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact District Secretary/Treasurer and Business Manager, Solon Community School District, 301 S Iowa St, Solon, Iowa, 52333.

## Basic Financial Statements

SOLON COMMUNITY SCHOOL DISTRICT  
 Statement of Net Assets  
 June 30, 2010

Exhibit A

<b>Assets</b>	Governmental <u>Activities</u>	Business Type <u>Activities</u>	<u>Total</u>
Cash and cash equivalents			
Cash with fiscal agent	\$ 4,244,583	\$ -	\$ 4,244,583
Other	6,692,872	299,638	6,992,510
Receivables			
Property tax			
Delinquent	34,749	-	34,749
Succeeding year	5,140,743	-	5,140,743
Accounts receivable	111,072	181	111,253
Income surtax	500,318	-	500,318
Due from other governments	183,459	-	183,459
Due from other fund	6,375	3,293	9,668
Inventories	-	2,496	2,496
Non-depreciable capital assets	1,650,748	-	1,650,748
Capital assets, net of accumulated depreciation	9,120,887	46,572	9,167,459
<b>Total assets</b>	<u>27,685,806</u>	<u>352,180</u>	<u>28,037,986</u>
<b>Liabilities</b>			
Accounts payable	397,807	11,948	409,755
Salaries and benefits payable	173,029	15,962	188,991
Accrued interest payable	76,662	-	76,662
Due to other fund	-	9,668	9,668
Deferred revenue			
Succeeding year property tax	5,140,743	-	5,140,743
Long-term liabilities			
Portion due within one year			
General obligation bonds payable	530,000	-	530,000
Termination benefits payable	36,132	-	36,132
Portion due after one year			
General obligation bonds payable	6,305,000	-	6,305,000
Revenue bonds payable	5,905,000	-	5,905,000
Termination benefits payable	15,219	-	15,219
Compensated absences payable	22,965	-	22,965
Net OPEB liability	48,078	-	48,078
<b>Total liabilities</b>	<u>18,650,635</u>	<u>37,578</u>	<u>18,688,213</u>

See notes to financial statements.

SOLON COMMUNITY SCHOOL DISTRICT  
 Statement of Net Assets  
 June 30, 2010

Exhibit A

	Governmental Activities	Business Type Activities	Total
<b>Net Assets</b>			
Invested in capital assets, net of related debt	\$ 2,701,391	\$ 46,572	\$ 2,747,963
Restricted for			
Categorical funding	176,360	-	176,360
Management levy	82,523	-	82,523
Physical plant and equipment levy	486,451	-	486,451
Debt service	75,071	-	75,071
Other special revenue purposes	150,299	-	150,299
Capital projects	3,367,817	-	3,367,817
Unrestricted	1,995,259	268,030	2,263,289
Total net assets	\$ 9,035,171	\$ 314,602	\$ 9,349,773

See notes to financial statements.

**SOLOM COMMUNITY SCHOOL DISTRICT**  
 Statement of Activities  
 For the Year Ended June 30, 2010

Exhibit B

<u>Functions/Programs</u>	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Governmental activities							
Instruction							
Regular instruction	4,897,566	685,317	1,375,646	-	(2,836,603)	-	(2,836,603)
Special instruction	1,440,422	110,341	141,285	-	(1,188,796)	-	(1,188,796)
Other instruction	969,057	383,884	4,330	-	(580,843)	-	(580,843)
	<u>7,307,045</u>	<u>1,179,542</u>	<u>1,521,261</u>	<u>-</u>	<u>(4,606,242)</u>	<u>-</u>	<u>(4,606,242)</u>
Support services							
Student	129,973	-	-	-	(129,973)	-	(129,973)
Instructional staff	418,887	-	-	-	(418,887)	-	(418,887)
Administration	1,243,076	-	-	-	(1,243,076)	-	(1,243,076)
Operation and maintenance of plant	1,208,857	-	-	-	(1,208,857)	-	(1,208,857)
Transportation	468,650	18,476	2,677	-	(447,497)	-	(447,497)
	<u>3,469,443</u>	<u>18,476</u>	<u>2,677</u>	<u>-</u>	<u>(3,448,290)</u>	<u>-</u>	<u>(3,448,290)</u>
	<u>5,450</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,450)</u>	<u>-</u>	<u>(5,450)</u>
Non-instructional programs							
Other expenses							
Facilities acquisition	303,425	-	-	-	(303,425)	-	(303,425)
Long-term debt interest	387,489	-	-	-	(387,489)	-	(387,489)
AEA flowthrough	465,297	-	465,297	-	-	-	-
Depreciation (unallocated) *	429,637	-	-	-	(429,637)	-	(429,637)
	<u>1,585,848</u>	<u>-</u>	<u>465,297</u>	<u>-</u>	<u>(1,120,551)</u>	<u>-</u>	<u>(1,120,551)</u>
Total governmental activities	<u>12,367,786</u>	<u>1,198,018</u>	<u>1,989,235</u>	<u>-</u>	<u>(9,180,533)</u>	<u>-</u>	<u>(9,180,533)</u>

See notes to financial statements.

**SOLOM COMMUNITY SCHOOL DISTRICT**  
 Statement of Activities  
 For the Year Ended June 30, 2010

Exhibit B

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
<b><u>Functions/Programs (continued)</u></b>						
Business type activities						
Non-instructional programs						
Food service operations	\$ 506,944	\$ 88,800	\$ -	\$ -	\$ (41,228)	\$ (41,228)
Before & After program	298,247	-	-	-	(8,495)	(8,495)
Preschool program	51,281	-	-	-	6,339	6,339
Total business type activities	856,472	88,800	-	-	(43,384)	(43,384)
Total	\$ 13,224,258	\$ 2,078,035	\$ -	\$ (9,180,533)	\$ (43,384)	\$ (9,223,917)

**General Revenues**

Property tax levied for					
General purposes					
Debt service					
Capital outlay					
Statewide sales, services and use tax					
Unrestricted state grants					
Contributions and donations					
Unrestricted investment earnings					
Other					
Special item - interest and premium on issuance of bonds					
Special item - gain on disposal of capital assets					
Total general revenues and special items					
Change in net assets					
Net assets, beginning of year					
Net assets, end of year					
	4,126,009	-	-	-	4,126,009
	788,171	-	-	-	788,171
	491,727	-	-	-	491,727
	1,356,269	-	-	-	1,356,269
	3,846,317	-	-	-	3,846,317
	117,925	-	-	-	117,925
	45,896	4,794	-	-	50,690
	47,073	-	-	-	47,073
	49,626	-	-	-	49,626
	30,828	-	-	-	30,828
	10,899,841	4,794	-	-	10,904,635
	1,719,308	(38,590)	-	-	1,680,718
	7,315,863	353,192	-	-	7,669,055
	\$ 9,035,171	\$ 314,602	\$ -	\$ (9,180,533)	\$ 9,349,773

\* This amount excludes the depreciation included in the direct expenses of the various programs.

See notes to financial statements.

SOLON COMMUNITY SCHOOL DISTRICT  
 Balance Sheet  
 Governmental Funds  
 June 30, 2010

Exhibit C

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Nonmajor Special Revenue Funds</u>	<u>Total</u>
<b>Assets</b>					
Cash and pooled investments	\$1,961,389	\$3,780,426	\$145,975	\$ 805,082	\$ 6,692,872
Cash with fiscal agent	-	4,244,583	-	-	4,244,583
Receivables					
Property tax					
Delinquent	24,326	-	5,758	4,665	34,749
Succeeding year	3,618,676	-	790,386	731,681	5,140,743
Accounts receivable	107,584	-	-	3,488	111,072
Income surtax	500,318	-	-	-	500,318
Due from other governments	30,041	153,418	-	-	183,459
Due from other funds	6,375	-	-	-	6,375
Total assets	<u>\$6,248,709</u>	<u>\$8,178,427</u>	<u>\$942,119</u>	<u>\$1,544,916</u>	<u>\$16,914,171</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 214,342	\$ 140,854	\$ -	\$ 42,611	\$ 397,807
Salaries and benefits payable	173,029	-	-	-	173,029
Deferred revenue					
Succeeding year property tax	3,618,676	-	790,386	731,681	5,140,743
Income surtax	500,318	-	-	-	500,318
Other	519,171	-	-	-	519,171
Total liabilities	<u>5,025,536</u>	<u>140,854</u>	<u>790,386</u>	<u>774,292</u>	<u>6,731,068</u>
<b>Fund balances</b>					
Reserved for					
Debt service	-	-	151,733	-	151,733
Categorical funding	176,360	-	-	-	176,360
Unreserved, governmental funds	1,046,813	8,037,573	-	-	9,084,386
Unreserved, special revenue funds	-	-	-	770,624	770,624
Total fund balances	<u>1,223,173</u>	<u>8,037,573</u>	<u>151,733</u>	<u>770,624</u>	<u>10,183,103</u>
Total liabilities and fund balances	<u>\$6,248,709</u>	<u>\$8,178,427</u>	<u>\$942,119</u>	<u>\$1,544,916</u>	<u>\$16,914,171</u>

See notes to financial statements.

SOLON COMMUNITY SCHOOL DISTRICT  
Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Assets  
June 30, 2010

Exhibit D

<b>Total fund balances of governmental funds</b>	<b>\$10,183,103</b>
<b>Amounts reported for governmental activities in the Statement of Net Assets are different because:</b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	10,771,635
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	1,019,489
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(76,662)
Long-term liabilities, including bonds payable, compensated absences, early retirement, termination benefits and other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds	<u>(12,862,394)</u>
<b>Net assets of governmental activities</b>	<b><u>\$ 9,035,171</u></b>

See notes to financial statements.

SOLON COMMUNITY SCHOOL DISTRICT  
 Statement of Revenues, Expenditures and Changes in Fund Balances  
 Governmental Funds  
 For the Year Ended June 30, 2010

Exhibit E

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Nonmajor Special Revenue Funds</u>	<u>Total</u>
Revenues					
Local sources					
Local tax	\$ 3,910,845	\$ 1,356,269	\$ 788,171	\$ 641,497	\$ 6,696,782
Tuition	701,227	-	-	-	701,227
Other	174,707	23,261	5,174	504,515	707,657
State sources	5,027,367	-	-	-	5,027,367
Federal sources	429,159	-	-	-	429,159
Total revenues	<u>10,243,305</u>	<u>1,379,530</u>	<u>793,345</u>	<u>1,146,012</u>	<u>13,562,192</u>
Expenditures					
Current					
Instruction					
Regular	4,890,205	-	-	-	4,890,205
Special	1,422,014	-	-	-	1,422,014
Other	527,326	-	-	463,458	990,784
	<u>6,839,545</u>	<u>-</u>	<u>-</u>	<u>463,458</u>	<u>7,303,003</u>
Support services					
Student	129,267	-	-	-	129,267
Instructional staff	281,024	180,430	-	-	461,454
Administration	1,146,522	-	-	53,904	1,200,426
Operation and maintenance of plant	984,916	-	-	207,627	1,192,543
Transportation	383,369	166,275	-	-	549,644
	<u>2,925,098</u>	<u>346,705</u>	<u>-</u>	<u>261,531</u>	<u>3,533,334</u>
Other expenditures					
Facilities acquisition	-	1,175,489	-	206,922	1,382,411
Long-term debt					
Principal	-	-	510,000	-	510,000
Interest and fiscal charges	-	82,835	279,510	-	362,345
AEA flowthrough	465,297	-	-	-	465,297
	<u>465,297</u>	<u>1,258,324</u>	<u>789,510</u>	<u>206,922</u>	<u>2,720,053</u>
Total expenditures	<u>10,229,940</u>	<u>1,605,029</u>	<u>789,510</u>	<u>931,911</u>	<u>13,556,390</u>

See notes to financial statements.

SOLON COMMUNITY SCHOOL DISTRICT  
 Statement of Revenues, Expenditures and Changes in Fund Balances  
 Governmental Funds  
 For the Year Ended June 30, 2010

Exhibit E

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Nonmajor Special Revenue Funds</u>	<u>Total</u>
Excess (deficiency) of revenues over (under) expenditures	\$ 13,365	\$ (225,499)	\$ 3,835	\$ 214,101	\$ 5,802
Other financing sources					
Sale of equipment and materials	-	-	-	30,828	30,828
Proceeds from issuance of bonds	-	5,954,626	-	-	5,954,626
Total other financing sources	<u>-</u>	<u>5,954,626</u>	<u>-</u>	<u>30,828</u>	<u>5,985,454</u>
Net change in fund balances	13,365	5,729,127	3,835	244,929	5,991,256
Fund balance, beginning of year	<u>1,209,808</u>	<u>2,308,446</u>	<u>147,898</u>	<u>525,695</u>	<u>4,191,847</u>
Fund balance, end of year	<u>\$ 1,223,173</u>	<u>\$ 8,037,573</u>	<u>\$ 151,733</u>	<u>\$ 770,624</u>	<u>\$ 10,183,103</u>

See notes to financial statements.

SOLON COMMUNITY SCHOOL DISTRICT  
 Reconciliation of the Statement of Revenues, Expenditures and  
 Changes in Fund Balances - Governmental Funds  
 to the Statement of Activities  
 For the Year Ended June 30, 2010

Exhibit F

**Net change in fund balances - total governmental funds** \$5,991,256

**Amounts reported for governmental activities in the Statement of Activities are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures and depreciation expense are as follows:

Expenditures for capital assets	\$ 1,506,587	
Depreciation expense	<u>(745,452)</u>	761,135

Certain revenues not collected for several months after year-end are not considered available revenue and are deferred in the governmental funds. 444,448

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments, as follows:

Issued	\$(5,905,000)	
Repaid	<u>515,000</u>	(5,390,000)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:

Early retirement	\$ (9,524)	
Compensated absences	215	
Other postemployment benefits	<u>(48,078)</u>	(57,387)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (30,144)

**Change in net assets of governmental activities** \$1,719,308

See notes to financial statements.

SOLON COMMUNITY SCHOOL DISTRICT  
 Statement of Net Assets  
 Proprietary Funds  
 June 30, 2010

Exhibit G

	Business Type <u>Activities</u> Nonmajor <u>Enterprise</u>	Governmental <u>Activity</u> Internal <u>Service</u>
<b>Assets</b>		
Cash and cash equivalents	\$299,638	\$ 37,024
Accounts receivable	181	-
Due from other fund	3,293	-
Inventories	2,496	-
Capital assets, net of accumulated depreciation	<u>46,572</u>	<u>-</u>
Total assets	<u>352,180</u>	<u>37,024</u>
<b>Liabilities</b>		
Accounts payable	11,948	-
Salaries and benefits payable	15,962	37,024
Due to other funds	<u>9,668</u>	<u>-</u>
Total liabilities	<u>37,578</u>	<u>37,024</u>
<b>Net Assets</b>		
Invested in capital assets	46,572	-
Unrestricted	<u>268,030</u>	<u>-</u>
Total net assets	<u>\$314,602</u>	<u>\$ -</u>

See notes to financial statements.

SOLON COMMUNITY SCHOOL DISTRICT  
 Statement of Revenues, Expenses and Changes in Net Assets  
 Proprietary Funds  
 For the Year Ended June 30, 2010

Exhibit H

	Business Type <u>Activities</u> Nonmajor <u>Enterprise</u>
Operating revenue	
Local sources	
Charges for service	<u>\$724,288</u>
Operating expenses	
Instruction	
Regular	
Salaries	32,650
Benefits	16,094
Supplies	<u>1,636</u>
	<u>50,380</u>
Support services	
Administration	
Purchased services	3,298
Supplies	647
Miscellaneous	<u>10,318</u>
	<u>14,263</u>
Operation and maintenance of plant	
Purchased services	<u>11,715</u>
Non-instructional programs	
Salaries	393,111
Benefits	100,523
Purchased services	18,918
Supplies	258,010
Miscellaneous	160
Depreciation	<u>9,392</u>
	<u>780,114</u>
Total operating expenses	<u>856,472</u>
Operating (loss)	<u>(132,184)</u>
Non-operating revenue	
Interest income	4,794
State sources	4,661
Federal sources	<u>84,139</u>
Total non-operating revenue	<u>93,594</u>
Net (loss)	(38,590)
Net assets, beginning of year	<u>353,192</u>
Net assets, end of year	<u><u>\$314,602</u></u>

See notes to financial statements.

SOLON COMMUNITY SCHOOL DISTRICT  
 Statement of Cash Flows  
 Proprietary Funds  
 For the Year Ended June 30, 2010

Exhibit I

	Business Type <u>Activities</u> Nonmajor <u>Enterprise</u>
Cash flows from operating activities	
Cash received from sale of services	\$ 724,107
Cash payments to employees for services	(542,371)
Cash payments to suppliers for goods and services	<u>(283,673)</u>
Net cash (used in) operating activities	<u>(101,937)</u>
Cash flows from non-capital financing activities	
State grants received	4,661
Federal grants received	<u>80,870</u>
Net cash provided by non-capital financing activities	<u>85,531</u>
Cash flows from capital and related financing activities	
Acquisition of capital assets	<u>(734)</u>
Cash flows from investing activities	
Interest on investments	<u>4,794</u>
Net (decrease) in cash and cash equivalents	(12,346)
Cash and cash equivalents, beginning of year	<u>311,984</u>
Cash and cash equivalents, end of year	<u><u>\$ 299,638</u></u>

**Reconciliation of operating (loss) to net cash  
(used in) operating activities**

Operating (loss)	\$ (132,184)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities	
Depreciation	9,392
Commodities used	12,580
(Increase) in accounts receivable	(181)
(Increase) in inventory	(42)
(Increase) in due from other fund	(3,153)
Increase in accounts payable	8,491
Increase in due to other funds	4,334
(Decrease) in accrued salaries and benefits	<u>(1,174)</u>
Net cash (used in) operating activities	<u><u>\$ (101,937)</u></u>

**Non-cash investing, capital and related financing activities**

During the year ended June 30, 2010 the District received \$12,580 of federal commodities.

See notes to financial statements.

SOLON COMMUNITY SCHOOL DISTRICT  
Statement of Fiduciary Net Assets  
Fiduciary Fund  
June 30, 2010

Exhibit J

	<u>Private Purpose Trust Water Club</u>
<b>Assets</b>	
Cash and pooled investments	\$ 3,368
<b>Liabilities</b>	
Accounts payable	<u>44</u>
<b>Net assets</b>	
Reserved for scholarships	<u><u>\$ 3,324</u></u>

See notes to financial statements.

SOLON COMMUNITY SCHOOL DISTRICT  
 Statement of Changes in Fiduciary Net Assets  
 Fiduciary Fund  
 For the Year Ended June 30, 2010

Exhibit K

	Private Purpose Trust <hr style="width: 100%;"/> Water Club <hr style="width: 100%;"/>
Additions	
Local sources	
Contributions and donations	\$ 1,030
Miscellaneous	1,007
Total additions	<u>2,037</u>
 Deductions	
Support services	
Operation and maintenance of plant	465
Non-instructional programs	
Other enterprise operations	1,244
Total deductions	<u>1,709</u>
 Change in net assets	 328
Net assets, beginning of year	<u>2,996</u>
 Net assets, end of year	 <u><u>\$ 3,324</u></u>

See notes to financial statements.

SOLON COMMUNITY SCHOOL DISTRICT  
Notes to Financial Statements  
June 30, 2010

**Note 1. Summary of Significant Accounting Policies**

The Solon Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the City of Solon, Iowa, and the agricultural territory in Johnson and Linn Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Solon Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. The Solon Community School District has no component units, which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The District reports no major proprietary funds. However, it reports three nonmajor proprietary, enterprise funds. The School Nutrition Fund is used to account for the food service operations of the District, the Before & After School Fund is used to account before and after school daycare operations of the District and the Preschool Fund is used to account for the

preschool operations of the District. Additionally, the District reports a nonmajor proprietary internal service fund to account for employee flexible benefits.

The District also reports a fiduciary fund which focuses on net assets and changes in net assets. The District's fiduciary fund consists of the following:

The Private Purpose Trust Fund is used to account for assets held by the District which benefit individuals through various activities of the Water Club.

#### C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, compensated absences and termination benefits are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary funds of the District apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting

Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value, except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current year and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on

January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2009.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,500
Buildings	\$ 2,500
Improvements other than buildings	\$ 2,500
Intangibles	\$25,000
Furniture and equipment:	
School Nutrition Fund equipment	\$ 500
Other furniture and equipment	\$ 2,500

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

<u>Asset Class</u>	<u>Useful Life</u>
Buildings	50 years
Improvements to buildings	20-50 years
Intangibles	5-10 years
Furniture and equipment	4-12 years

Salaries and Benefits Payable - Payroll taxes withheld from paychecks and insurance benefits, which are payable in July and August, have been accrued as liabilities.

Termination Benefits - District employees meeting certain requirements are eligible for early retirement termination benefits. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The early retirement liability has been computed based on rates of pay in effect at June 30, 2010. The early retirement

liability attributable to the governmental activities will be paid primarily from the Management Fund.

Compensated Absences - District employees accumulate a limited amount of earned but unused sick leave for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements when employees resign or retire. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2010. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax and income surtax receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balance - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Net Assets - Invested in capital assets, net of related debt consists of capital assets net of accumulated depreciation and reduced by the outstanding balance of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets consist of net assets with constraints placed on the use either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The government-wide statement of net assets reports \$568,974 of restricted net assets which is restricted by enabling legislation.

### E. Budgeting and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

#### **Note 2. Cash and Pooled Investments**

The District's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2010, the District had investments in the Iowa Schools Joint Investment Trust Diversified Portfolio which are valued at an amortized cost of \$12,207 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit Risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

#### **Note 3. Due From and Due to Other Funds**

The detail of interfund receivables and payables at June 30, 2010 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor Enterprise Before & After Program	\$ 6,295
General	Nonmajor Enterprise Preschool	80
Nonmajor Enterprise School Nutrition	Nonmajor Enterprise Before & After Program	2,701
Nonmajor Enterprise School Nutrition	Nonmajor Enterprise Preschool	<u>592</u>
Total		<u>\$ 9,668</u>

These amounts are to reimburse for materials and supplies purchased from one fund to another. These amounts will be paid during the year ending June 30, 2011.

**Note 4. Iowa Schools Cash Anticipation Program (ISCAP)**

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co. NA is the trustee for the program.

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. The District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the Series 2009-10A warrants was 2.5%. The interest rate on the Series 2009-10B warrants is a variable rate, calculated daily based upon the Bankers Trust Co. NA prime rate plus 50 basis points with a minimum interest rate of 4.5%. The District did not have any ISCAP advance activity during the year ended June 30, 2010.

During the year ended June 30, 2010, the District paid \$52,673 of interest on the ISCAP warrants.

**Note 5. Capital Assets**

Capital assets activity for the year ended June 30, 2010 was as follows:

	Balance, Beginning of Year	Additions	Deletions	Balance, End of Year
<u>Governmental activities</u>				
Capital assets not being depreciated:				
Land	\$ 582,068	\$ 18,359	\$ -	\$ 600,427
Construction in progress	<u>-</u>	<u>1,050,321</u>	<u>-</u>	<u>1,050,321</u>
Total capital assets not being depreciated	<u>582,068</u>	<u>1,068,680</u>	<u>-</u>	<u>1,650,748</u>
Capital assets being depreciated:				
Buildings and improvements	16,396,240	-	-	16,396,240
Improvements other than buildings	567,957	8,595	-	576,552
Furniture and equipment	<u>2,118,868</u>	<u>429,312</u>	<u>(91,000)</u>	<u>2,457,180</u>
Total capital assets being depreciated	<u>19,083,065</u>	<u>437,907</u>	<u>(91,000)</u>	<u>19,429,972</u>
Less accumulated depreciation for:				
Buildings and improvements	7,763,190	388,700	-	8,151,890
Improvements other than buildings	384,414	36,731	-	421,145
Furniture and equipment	<u>1,507,029</u>	<u>320,021</u>	<u>(91,000)</u>	<u>1,736,050</u>
Total accumulated depreciation	<u>9,654,633</u>	<u>745,452</u>	<u>(91,000)</u>	<u>10,309,085</u>
Total capital assets being depreciated, net	<u>9,428,432</u>	<u>(307,545)</u>	<u>-</u>	<u>9,120,887</u>
Governmental activities capital assets, net	<u>\$ 10,010,500</u>	<u>\$ 761,135</u>	<u>\$ -</u>	<u>\$ 10,771,635</u>
<u>Business type activities</u>				
Furniture and equipment	\$ 90,164	\$ 734	\$ -	\$ 90,898
Less accumulated depreciation	<u>34,934</u>	<u>9,392</u>	<u>-</u>	<u>44,326</u>
Business type activities capital assets, net	<u>\$ 55,230</u>	<u>\$ (8,658)</u>	<u>\$ -</u>	<u>\$ 46,572</u>

Depreciation expense was charged to the following functions:

**Governmental activities**

Instruction	
Regular	\$ 24,855
Special	11,332
Other	12,088
Support services	
Instructional staff	162,840
Administration	6,776
Operation and maintenance of plant	8,509
Transportation	83,965
Non-instructional programs	<u>5,450</u>
	315,815
Unallocated depreciation	<u>429,637</u>
Total governmental activities depreciation expense	<u>\$ 745,452</u>

**Business type activities**

Food service operations	<u>\$ 9,392</u>
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**Note 6. Long-term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2010 are summarized as follows:

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 7,345,000	\$ -	\$ 510,000	\$ 6,835,000	\$ 530,000
Revenue bonds	-	5,905,000	-	5,905,000	-
Compensated absences	23,180	30,030	30,245	22,965	-
Early retirement	41,827	30,437	20,913	51,351	36,132
Net OPEB liability	-	48,078	-	48,078	-
Totals	<u>\$ 7,410,007</u>	<u>\$ 6,013,545</u>	<u>\$ 561,158</u>	<u>\$ 12,862,394</u>	<u>\$ 566,132</u>

Interest costs incurred and charged to expense on all long-term debt was \$387,489 for the year ended June 30, 2010.

Early Retirement Termination Benefits

The District offers a voluntary early retirement plan to its certified and classified employees. Eligible employees must be at least age fifty-five and have completed fifteen years of continuous service to the District. Employees must complete an application, which is required to be approved by the Board of Education.

An employee who is granted voluntary early retirement benefits will be paid an amount equal to a percentage of their salary from the negotiated salary schedule between the District and the Solon Education Association in the last year of employment (exclusive of any extra-duty pay, extended contract pay and fringe benefits). Administrators shall be placed on the lane and step as if their years of experience were as teachers of the District. The percentage shall be calculated as four and two-tenths percent (4.2%) of the salary multiplied by the number of years of service as a professional licensed employee on a regular contract in the District. However, the maximum voluntary early retirement benefit shall be equal to the employee's salary from the salary schedule, exclusive of any extra-duty, extended contract pay and fringe benefits. Part-time employees shall receive a pro rata amount equal to the employee's full-time equivalency during the last year of employment. Early retirement paid during the year ended June 30, 2010 totaled \$20,913.

General Obligation Bonds

Details of the District’s June 30, 2010 general obligation bonded indebtedness are as follows:

Year Ending <u>June 30,</u>	<u>2-1-06 Issue</u>			
	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	3.75%	\$ 530,000	\$ 259,985	\$ 789,985
2012	3.75%	825,000	240,110	1,065,110
2013	3.75%	590,000	209,172	799,172
2014	3.75%	610,000	187,047	797,047
2015	3.75%	635,000	164,172	799,172
2016-2020	3.75-3.95%	3,440,000	445,637	3,885,637
2021	4.0%	205,000	8,200	213,200
Totals		<u>\$ 6,835,000</u>	<u>\$ 1,514,323</u>	<u>\$ 8,349,323</u>

The bond issue of November 1, 1979 is fully retired except for one bond for \$5,000 which was due on June 1, 1999 and has not been submitted for redemption. Attempts to identify the holder of the bond have been unsuccessful. The District will annually budget for the payment of this bond and its interest, based on the premise that redemption could occur in any fiscal year.

Refunded General Obligation Bonds

In a prior year, the District defeased certain general obligation bonds by placing the proceeds of the new bonds in an irrevocable escrow account held by a fiscal agent on behalf of the District. Funds in this escrow account will be used to pay the principal and interest on the refunded general obligation bonds.

Accordingly, the escrow account assets and the liability for the defeased bonds are not included in the District’s financial statements. At June 30, 2010 \$6,860,000 of bonds outstanding are considered to be defeased.

Revenue Bonds

Details of the District’s June 30, 2010 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30, Ending	Bond issue of April 1, 2010			
	Interest Rates	Interest	Principal	Total
2011		\$ 99,992	\$ -	\$ 99,992
2012	2.0%	122,372	1,095,000	1,217,372
2013	2.0%	100,273	1,115,000	1,215,273
2014	2.0%	81,322	780,000	861,322
2015	2.0%	66,473	705,000	771,473
2016-2018	2.3-3.0%	<u>95,224</u>	<u>2,210,000</u>	<u>2,305,224</u>
Totals		<u>\$ 565,656</u>	<u>\$ 5,905,000</u>	<u>\$ 6,470,656</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$5,905,000 of bonds issued in April 2010. The bonds were issued for the purpose of financing a portion of the costs of a remodeling project. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2018. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual interest payments on the bonds are expected to require approximately 85 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$6,470,656. For the current year, no principal or interest was paid on the bonds and total statewide sales, services and use tax revenues were \$1,356,269.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) \$590,500 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account.
- b) Proceeds of the bonds shall be deposited into the Project Account, which is to be used to finance the construction project. Interest earned by the Project Account shall remain in the Project Account and be spent in accordance with the resolution and applicable provisions of the Code.
- c) All proceeds from the statewide sales, services and use tax shall be placed in the Revenue Account.
- d) Monies in the Revenue Account shall be disbursed to make deposits into the Sinking Account to pay the principal and interest requirements of the revenue bonds.
- e) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.
- f) \$33,331 of the proceeds from issuance of the revenue bonds shall be deposited to the Sinking Account to be used solely for the purpose of paying principals and interest on the bonds if insufficient money is available in the Revenue Account.

## **Note 7. Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, IA, 50306-9117.

Plan members were required to contribute 4.30%, 4.10 % and 3.90% of their annual covered salary and the District was required to contribute 6.65%, 6.35% and 6.05% of annual covered payroll for the years ended June 30, 2010, 2009 and 2008 respectively. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$423,765, \$410,117 and \$365,413, respectively, equal to the required contributions for each year.

## **Note 8. Other Postemployment Benefits (OPEB)**

The District implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions during the year ended June 30, 2010.

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 98 active members, of which ten elected no benefit, and five retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy - The contribution requirements of the plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 57,429
Interest on net OPEB obligation	-
Adjustment to annual required contribution	<u>-</u>
Annual OPEB cost	57,429
Contributions made	<u>(9,351)</u>
Increase in net OPEB obligation	48,078
Net OPEB obligation beginning of year	<u>-</u>
Net OPEB obligation end of year	<u>\$ 48,078</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the District contributed \$9,351 to the medical plan. Plan members eligible for benefits contributed nothing of the premium costs for the OPEB obligation.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
06/30/10	\$ 57,429	16.3%	\$ 48,078

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$367,354, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$367,354. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$6.8 million and the ratio of UAAL to covered payroll was 5.4%. As of June 30, 2010, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

#### **Note 9. Risk Management**

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

#### **Note 10. Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media, and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$465,297 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

#### **Note 11. Contingencies**

Grant Funding - The District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government. If expenditures are disallowed by the grantor government due to noncompliance with grant program regulations, the District may be required to reimburse the

grantor government. As of June 30, 2010, significant amounts of grant expenditures have not been audited by granting authorities but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

#### **Note 12. Pending Litigation**

At June 30, 2010, the District was involved in a case of pending litigation. It is difficult to estimate the outcome of the litigation and the potential damages, if any, involved. Therefore, no liability for potential payments has been calculated.

#### **Note 13. New Governmental Accounting Standards Board (GASB) Statements**

The District implemented the following statements during the year ended June 30, 2010:

- GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes standards for the measurement, recognition and display of other postemployment benefits expenses and related liabilities or assets, note disclosures and, if applicable, required supplementary information in the financial reports. The effect of the adoption of this Statement to the District was to record a liability of \$367,354 for the net other postemployment benefit obligation. The actuarial accrued liability is estimated by an actuary to be \$48,078.
- GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This Statement provides guidance regarding how to identify, account for, and report intangible assets. The new standard characterizes an intangible asset as an asset that lacks physical substance, is nonfinancial in nature, and has an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, computer software, water rights, timber rights, patents and trademarks. This standard provides that intangible assets be classified as capital assets (except for those explicitly excluded from the scope of the new standard, such as capital leases). Relevant authoritative guidance for capital assets should be applied to these intangible assets. This Statement had no effect to the District since the District had no intangible assets to be reported as of June 30, 2010.
- GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This Statement will improve how state and local governments report information about derivative instruments in their financial statements. The Statement specifically requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The guidance in the Statement also addresses

hedge accounting requirements. This Statement had no effect to the District. Furthermore, Iowa Code Chapter 128.10 does not authorize districts to invest in derivative instruments.

- GASB Statement No. 58 *Accounting and Financial Reporting for Chapter 9 Bankruptcies*. This Statement provides guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. It establishes requirements for recognizing and measuring the effects of the bankruptcy process on assets and liabilities, and for classifying changes in those items and related costs. The adoption of this statement had no effect to the District.

As of June 30, 2010, the GASB had issued several Statements not yet implemented by the District. The Statements which might impact the District are as follows:

- GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Issued March 2009, will be effective for the District beginning with its year ending June 30, 2011. This Statement is intended to improve the usefulness of information provided to financial report users about fund balances by providing clearer, more structured fund balance clarifications, and by clarifying the definitions of existing governmental fund types. Fund balance information is among the most widely and frequently used information in state and local government financial reports. The GASB developed this standard to address the diversity of practice and the resulting lack of consistency that had evolved in fund balance reporting. To reduce confusion, the new standard establishes a hierarchy of fund balance classification based primarily on the extent to which government is bound to observe spending constraints.
- GASB Statement No. 57 *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, an amendment of GASB Statement No. 43 and No. 45, issued January 2010, will be effective for the District beginning with its year ending June 30, 2012. This Statement addresses issues related to measurement of OPEB obligations by certain employers participating in agent multiple-employer OPEB plans.
- GASB Statement No. 59, *Financial Instruments Omnibus*, issued June 2010, will be effective for the District beginning with its year ending June 30, 2011. This Statement is intended to update and improve existing standards regarding financial reporting of certain financial instruments and external investments pools. Specifically, this Statement provides financial reporting guidance by emphasizing the applicability of SEC requirements to certain external investments pool, addressing the applicability of GASB 53, *Accounting and Financial Reporting for Derivative Instruments*, and applying the reporting provisions for interest-earning investment contracts of GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investments Pools*.

The District's management has not yet determined the effect these Statements will have on the District's financial statements.

Required Supplementary Information

**SOLON COMMUNITY SCHOOL DISTRICT**  
**Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual**  
**All Governmental Funds and Proprietary Funds**  
**Required Supplementary Information**  
**For the Year Ended June 30, 2010**

	Governmental Funds		Enterprise Funds		Total Actual	Budgeted Amounts		Final to Actual Variance
	Actual		Actual			Original	Final	
Revenues								
Local sources	\$ 8,105,666		\$ 729,082		\$ 8,834,748	\$ 8,601,464	\$ 8,601,464	\$ 233,284
State sources	5,027,367		4,661		5,032,028	6,251,661	6,251,661	(1,219,633)
Federal sources	429,159		84,139		513,298	203,200	203,200	310,098
Total revenues	<u>13,562,192</u>		<u>817,882</u>		<u>14,380,074</u>	<u>15,056,325</u>	<u>15,056,325</u>	<u>(676,251)</u>
Expenditures/Expenses								
Instruction	7,303,003		50,380		7,353,383	7,500,500	7,800,000	446,617
Support services	3,533,334		25,978		3,559,312	4,179,433	3,982,025	422,713
Non-instructional programs	-		780,114		780,114	820,000	926,500	146,386
Other expenditures	2,720,053		-		2,720,053	4,308,592	4,100,000	1,379,947
Total expenditures/expenses	<u>13,556,390</u>		<u>856,472</u>		<u>14,412,862</u>	<u>16,808,525</u>	<u>16,808,525</u>	<u>2,395,663</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	5,802		(38,590)		(32,788)	(1,752,200)	(1,752,200)	1,719,412
Net other financing sources	<u>5,985,454</u>		<u>-</u>		<u>5,985,454</u>	<u>-</u>	<u>-</u>	<u>5,985,454</u>
Net change in fund balance	5,991,256		(38,590)		5,952,666	(1,752,200)	(1,752,200)	7,704,866
Balance, beginning of year	4,191,847		353,192		4,545,039	3,821,155	3,821,155	723,884
Balance, end of year	<u>\$10,183,103</u>		<u>\$314,602</u>		<u>\$10,497,705</u>	<u>\$2,068,955</u>	<u>\$2,068,955</u>	<u>\$ 8,428,750</u>

See accompanying Independent Auditor's Report.

SOLON COMMUNITY SCHOOL DISTRICT  
Notes to Required Supplementary Information – Budgetary Reporting  
For the Year Ended June 30, 2010

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment to reallocate expenditures between functions, but did not increase overall expenditures.

SOLON COMMUNITY SCHOOL DISTRICT  
 Schedule of Funding Progress for the  
 Retiree Health Plan  
 Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$367,354	\$367,354	\$ -	\$6,806,546	5.4%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

## Other Supplementary Information

SOLON COMMUNITY SCHOOL DISTRICT  
 Combining Balance Sheet  
 Nonmajor Special Revenue Funds  
 June 30, 2010

Schedule 1

	<u>Student Activity</u>	<u>Management Levy</u>	<u>Physical Plant and Equipment Levy</u>	<u>Total</u>
<b>Assets</b>				
Cash and pooled investments	\$181,351	\$133,737	\$ 489,994	\$ 805,082
Receivables				
Property tax				
Delinquent	-	1,072	3,593	4,665
Succeeding year	-	213,501	518,180	731,681
Accounts receivable	<u>3,488</u>	<u>-</u>	<u>-</u>	<u>3,488</u>
Total assets	<u>\$184,839</u>	<u>\$348,310</u>	<u>\$1,011,767</u>	<u>\$1,544,916</u>
<b>Liabilities and Fund Balances</b>				
Liabilities				
Accounts payable	\$ 34,540	\$ 935	\$ 7,136	\$ 42,611
Deferred revenue				
Succeeding year property tax	<u>-</u>	<u>213,501</u>	<u>518,180</u>	<u>731,681</u>
Total liabilities	34,540	214,436	525,316	774,292
Fund balances				
Unreserved fund balances	<u>150,299</u>	<u>133,874</u>	<u>486,451</u>	<u>770,624</u>
Total liabilities and fund balances	<u>\$184,839</u>	<u>\$348,310</u>	<u>\$1,011,767</u>	<u>\$1,544,916</u>

See accompanying Independent Auditor's Report.

SOLON COMMUNITY SCHOOL DISTRICT  
 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
 Nonmajor Special Revenue Funds  
 For the Year Ended June 30, 2010

Schedule 2

	Student Activity	Management Levy	Physical Plant and Equipment Levy	Total
Revenues				
Local sources				
Local taxes	\$ -	\$ 149,770	\$491,727	\$ 641,497
Other	480,962	17,861	5,692	504,515
Total revenues	<u>480,962</u>	<u>167,631</u>	<u>497,419</u>	<u>1,146,012</u>
 Expenditures				
Current				
Instruction				
Other	463,458	-	-	463,458
Support services				
Administration	-	-	53,904	53,904
Operation and maintenance of plant	16,041	175,737	15,849	207,627
Total support services	<u>16,041</u>	<u>175,737</u>	<u>69,753</u>	<u>261,531</u>
Other expenditures				
Facilities acquisition	-	-	206,922	206,922
Total expenditures	<u>479,499</u>	<u>175,737</u>	<u>276,675</u>	<u>931,911</u>
 Excess (deficiency) of revenues over (under) expenditures	1,463	(8,106)	220,744	214,101
Other financing sources				
Sale of equipment and materials	-	-	30,828	30,828
Net change in fund balances	1,463	(8,106)	251,572	244,929
Fund balances, beginning of year	<u>148,836</u>	<u>141,980</u>	<u>234,879</u>	<u>525,695</u>
 Fund balances, end of year	<u>\$150,299</u>	<u>\$ 133,874</u>	<u>\$486,451</u>	<u>\$ 770,624</u>

See accompanying Independent Auditor's Report.

SOLON COMMUNITY SCHOOL DISTRICT  
 Combining Statement of Net Assets  
 Nonmajor Enterprise Funds  
 June 30, 2010

Schedule 3

	<u>School</u> <u>Nutrition</u>	<u>Before &amp;</u> <u>After</u>	<u>Preschool</u>	<u>Total</u>
<b>Assets</b>				
Cash and cash equivalents	\$155,324	\$109,248	\$35,066	\$299,638
Accounts receivable	181	-	-	181
Due from other fund	3,293	-	-	3,293
Inventories	2,496	-	-	2,496
Capital assets, net of accumulated depreciation	<u>46,572</u>	<u>-</u>	<u>-</u>	<u>46,572</u>
Total assets	<u>207,866</u>	<u>109,248</u>	<u>35,066</u>	<u>352,180</u>
<b>Liabilities</b>				
Accounts payable	3,702	8,080	166	11,948
Salaries and benefits payable	8,428	3,085	4,449	15,962
Due to other funds	<u>-</u>	<u>8,996</u>	<u>672</u>	<u>9,668</u>
Total liabilities	<u>12,130</u>	<u>20,161</u>	<u>5,287</u>	<u>37,578</u>
<b>Net Assets</b>				
Invested in capital assets	46,572	-	-	46,572
Unrestricted	<u>149,164</u>	<u>89,087</u>	<u>29,779</u>	<u>268,030</u>
Total net assets	<u>\$195,736</u>	<u>\$ 89,087</u>	<u>\$29,779</u>	<u>\$314,602</u>

See accompanying Independent Auditor's Report.

SOLON COMMUNITY SCHOOL DISTRICT  
 Combining Statement of Revenues, Expenses and Changes in Fund Net Assets  
 Nonmajor Enterprise Funds  
 For the Year Ended June 30, 2010

Schedule 4

	<u>School</u>	<u>Before &amp;</u>	<u>Preschool</u>	<u>Total</u>
Operating revenue				
Local sources				
Charges for service	\$376,916	\$289,752	\$57,620	\$724,288
Operating expenses				
Instruction				
Regular				
Salaries	-	-	32,650	32,650
Benefits	-	-	16,094	16,094
Supplies	-	-	1,636	1,636
	<u>-</u>	<u>-</u>	<u>50,380</u>	<u>50,380</u>
Support services				
Administration				
Purchased services	-	3,298	-	3,298
Supplies	264	383	-	647
Miscellaneous	5,150	4,267	901	10,318
	<u>5,414</u>	<u>7,948</u>	<u>901</u>	<u>14,263</u>
Operation and maintenance of plant				
Purchased services	11,362	353	-	11,715
Non-instructional programs				
Salaries	195,046	198,065	-	393,111
Benefits	66,967	33,556	-	100,523
Purchased services	-	18,918	-	18,918
Supplies	218,603	39,407	-	258,010
Miscellaneous	160	-	-	160
Depreciation	9,392	-	-	9,392
	<u>490,168</u>	<u>289,946</u>	<u>-</u>	<u>780,114</u>
Total operating expenses	<u>506,944</u>	<u>298,247</u>	<u>51,281</u>	<u>856,472</u>
Operating income (loss)	<u>(130,028)</u>	<u>(8,495)</u>	<u>6,339</u>	<u>(132,184)</u>
Non-operating revenue				
Interest income	4,742	42	10	4,794
State sources	4,661	-	-	4,661
Federal sources	84,139	-	-	84,139
Total non-operating revenue	<u>93,542</u>	<u>42</u>	<u>10</u>	<u>93,594</u>
Net (loss)	<u>(36,486)</u>	<u>(8,453)</u>	<u>6,349</u>	<u>(38,590)</u>
Net assets, beginning of year	<u>232,222</u>	<u>97,540</u>	<u>23,430</u>	<u>353,192</u>
Net assets, end of year	<u>\$195,736</u>	<u>\$ 89,087</u>	<u>\$29,779</u>	<u>\$314,602</u>

See accompanying Independent Auditor's Report.

SOLON COMMUNITY SCHOOL DISTRICT  
 Combining Statement of Cash Flows  
 Nonmajor Enterprise Funds  
 For the Year Ended June 30, 2010

Schedule 5

	<u>School</u>	<u>Before &amp;</u>	<u>Preschool</u>	<u>Total</u>
	<u>Nutrition</u>	<u>After</u>		
Cash flows from operating activities				
Cash received from sale of services	\$ 376,735	\$289,752	\$57,620	\$ 724,107
Cash payments to employees for services	(267,712)	(227,785)	(46,874)	(542,371)
Cash payments to suppliers for goods and services	(219,967)	(61,335)	(2,371)	(283,673)
Net cash provided by (used in) operating activities	<u>(110,944)</u>	<u>632</u>	<u>8,375</u>	<u>(101,937)</u>
Cash flows from non-capital financing activities				
State grants received	4,661	-	-	4,661
Federal grants received	<u>80,870</u>	<u>-</u>	<u>-</u>	<u>80,870</u>
Net cash provided by non-capital financing activities	<u>85,531</u>	<u>-</u>	<u>-</u>	<u>85,531</u>
Cash flows from capital and related financing activities				
Acquisition of capital assets	<u>(734)</u>	<u>-</u>	<u>-</u>	<u>(734)</u>
Cash flows from investing activities				
Interest on investments	<u>4,742</u>	<u>42</u>	<u>10</u>	<u>4,794</u>
Net increase (decrease) in cash and cash equivalents	(21,405)	674	8,385	(12,346)
Cash and cash equivalents, beginning of year	<u>176,729</u>	<u>108,574</u>	<u>26,681</u>	<u>311,984</u>
Cash and cash equivalents, end of year	<u>\$ 155,324</u>	<u>\$109,248</u>	<u>\$35,066</u>	<u>\$ 299,638</u>

**Reconciliation of operating income (loss) to net cash provided by (used in) operating activities**

Operating income (loss)	\$(130,028)	\$ (8,495)	\$ 6,339	\$(132,184)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation	9,392	-	-	9,392
Commodities used	12,580	-	-	12,580
(Increase) in accounts receivable	(181)	-	-	(181)
(Increase) in inventory	(42)	-	-	(42)
(Increase) in due from other fund	(3,153)	-	-	(3,153)
Increase in accounts payable	3,034	5,291	166	8,491
Increase in due to other funds	-	3,662	672	4,334
Increase (decrease) in accrued salaries and benefits	(2,546)	174	1,198	(1,174)
Net cash provided by (used in) operating activities	<u>\$ (110,944)</u>	<u>\$ 632</u>	<u>\$ 8,375</u>	<u>\$(101,937)</u>

**Non-cash investing, capital and related financing activities:**

During the year ended June 30, 2010 the District received \$12,580 of federal commodities.

See accompanying Independent Auditor's Report.

SOLON COMMUNITY SCHOOL DISTRICT  
 Schedule of Changes in Special Revenue Fund, Student Activity Accounts  
 For the Year Ended June 30, 2010

Schedule 6

Account	Balance, Beginning of Year	<u>Revenues</u>	<u>Expenditures</u>	Intrafund Transfers	Balance, End of Year
Drama	\$ 1,541	\$ 11,405	\$ 8,680	\$ -	\$ 4,266
Yearbook	9,424	5,339	4,496	-	10,267
MS yearbook	4,965	3,100	5,978	-	2,087
Fine arts	882	1,464	635	-	1,711
Honors English	45	-	-	-	45
Win With Reading	60	-	-	-	60
Media Center	233	-	-	-	233
Speech	1,046	1,964	1,135	-	1,875
All athletics	3,503	191,176	195,251	572	-
Athletic director/facilities	1	-	-	-	1
Soccer	469	5,220	5,689	-	-
Cross country	2,186	6,762	6,853	(541)	1,554
Football	28,338	4,189	22,642	-	9,885
Boys basketball	34	801	746	-	89
Baseball	3,435	50,403	47,358	-	6,480
Boys track	1,943	11,589	11,225	-	2,307
Boys golf	-	1,833	1,828	(5)	-
Wrestling	1,745	5,010	3,279	(26)	3,450
Girls basketball	69	7,420	6,068	(181)	1,240
Volleyball	249	-	430	181	-
Girls soccer	1,151	6,100	6,040	-	1,211
Softball	4,338	15,608	12,439	-	7,507
Girls track	1,975	13,658	8,224	(14)	7,395
Girls golf	-	574	588	14	-
Book A Birthday	2	-	-	-	2
Registration	131	4,018	-	-	4,149
High school activities	1,813	1,709	2,255	-	1,267
Padlocks	246	65	-	-	311
Lakeview activities	189	-	-	-	189
Art for education	1	-	-	-	1
Lakeview pictures	413	504	212	-	705
Concessions	4,606	16,849	15,977	-	5,478
Petty cash	43	-	-	-	43

See accompanying Independent Auditor's Report.

SOLON COMMUNITY SCHOOL DISTRICT  
 Schedule of Changes in Special Revenue Fund, Student Activity Accounts  
 For the Year Ended June 30, 2010

Schedule 6

Account	Balance, Beginning of Year	<u>Revenues</u>	<u>Expenditures</u>	Intrafund Transfers	Balance, End of Year
High school pictures	\$ 10,492	\$ 2,699	\$ 2,225	\$ -	\$ 10,966
Computer training classes	1,545	-	-	-	1,545
Summer enrichment	1,216	3,241	4,340	-	117
Middle School band resale	1,050	1,592	959	-	1,683
Middle school student suppli	1,190	1,125	1,396	-	919
Middle school activities	47	1,957	1,845	-	159
District-wide activities	3,726	827	1,071	-	3,482
HS Spartan Fund Run	2	-	-	-	2
HS robotics club	1,880	-	525	-	1,355
Close-up	245	-	39	-	206
Spanish club	5,815	4,458	7,036	-	3,237
Flag corps	30	1,585	1,614	-	1
Lakeview student council	9	-	-	-	9
High school student council	541	3,422	3,601	-	362
Junior high student council	18,112	14,741	16,547	-	16,306
School store	40	-	-	-	40
National Honor Society	120	342	274	-	188
Peer council	320	-	-	-	320
Band	2,853	7,834	8,991	-	1,696
HS Cheerleading	123	5,313	4,163	-	1,273
SADD	835	127	363	-	599
30 days to fitness	32	-	-	-	32
Environmental club	743	112	240	-	615
YAC	218	-	218	-	-
Dance team	599	10,241	10,791	-	49
Science/math boosters	5	-	-	-	5
Vocal music	826	6,937	7,236	-	527
MS cheerleading	5,818	-	-	-	5,818
MS dance team	64	130	-	-	194
"You Can Do It" group	2,255	-	113	-	2,142
HS show choir	649	11,817	11,559	-	907
CMGRP INC	-	15,000	4,213	-	10,787
Pro Life Reserved	-	224	200	-	24

See accompanying Independent Auditor's Report.

SOLON COMMUNITY SCHOOL DISTRICT  
 Schedule of Changes in Special Revenue Fund, Student Activity Accounts  
 For the Year Ended June 30, 2010

Schedule 6

Account	Balance, Beginning of Year	<u>Revenues</u>	<u>Expenditures</u>	Intrafund Transfers	Balance, End of Year
MS show choir	\$ 1,812	\$ 8,915	\$ 10,699	\$ -	\$ 28
GSA gay straight alliance	423	185	608	-	-
Senior class	2,200	1,598	1,828	514	2,484
Junior class	2,757	8,051	6,919	(2,716)	1,173
HS wrestling cheerleaders	2,410	1,612	1,858	-	2,164
FBLA	189	74	-	-	263
Graduate class contributions	2,569	43	-	2,202	4,814
Totals	<u>\$ 148,836</u>	<u>\$ 480,962</u>	<u>\$ 479,499</u>	<u>\$ -</u>	<u>\$ 150,299</u>

See accompanying Independent Auditor's Report.



# KAY L. CHAPMAN, CPA PC

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563-264-1385

Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance  
with Government Auditing Standards

To the Board of Education  
Solon Community School District

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Solon Community School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated February 25, 2011. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing my audit, I considered Solon Community School District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of Solon Community School District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Solon Community School District's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, I identified certain deficiencies in internal control over financial reporting I consider to be material weaknesses and other deficiencies I consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings as items A and B to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Solon Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Solon Community School District's responses to findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions on the District's responses, I did not audit Solon Community School District's responses and, accordingly, I express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Solon Community School District and other parties to whom Solon Community School District may report, including federal awarding agencies and other pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by the personnel of the Solon Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

*Kay L. Chapman, CPA PC*

Kay L. Chapman, CPA PC  
February 25, 2011

SOLON COMMUNITY SCHOOL DISTRICT  
Schedule of Findings  
For the Year Ended June 30, 2010

**Part I. Findings Related to the Financial Statements**

INSTANCES OF NON-COMPLIANCE

No matters were noted.

INTERNAL CONTROL

- A. Segregation of Duties - The limited number of accounting personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities. I noted that the same individual performs the following duties: recording and processing cash receipts, preparing checks and bank reconciliations, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although I noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

Recommendation - I realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review the operating procedures of the District to obtain the maximum internal control possible under the circumstances.

Response - We will review our procedures and implement changes to improve internal control, as we deem necessary.

Conclusion - Response accepted.

- B. Financial Statement Preparation - Financial statement preparation is the responsibility of the District. At the present time, District personnel do not have the skills necessary to prepare the District's financial statements and related note disclosures in compliance with generally accepted accounting principles (GAAP). This is not an unusual situation for small governmental entities.

Recommendation - The business manager should consider obtaining additional GAAP training through reading relevant accounting literature and/or attending professional education courses. Since GAAP reporting and disclosures change constantly, the business manager should consider taking training annually to stay up-to-date on GAAP reporting and disclosure requirements. The District should also obtain current governmental accounting, reporting and disclosure reference materials and update them as new pronouncements become effective.

SOLON COMMUNITY SCHOOL DISTRICT  
Schedule of Findings  
For the Year Ended June 30, 2010

Response - We believe that the business manager has sufficient knowledge to perform her daily duties and take responsibility for the annual financial statements and footnote disclosure in compliance with GAAP, as prepared by the auditor. We certainly understand the need for continuing education classes for all of our staff, including the business manager. However, we have a limited budget and must continually prioritize needs. We will investigate alternatives, but believe that it would not be an efficient use of District funds to get and maintain the necessary training for the business manager to comply with this recommendation. Nor do we consider hiring additional staff possessing these skills to be a feasible option.

Conclusion - Response accepted.

**Part II. Other Findings Related to Required Statutory Reporting:**

1. Certified Budget - Expenditures for the year ended June 30, 2010 did not exceed the amended amounts budgeted.
2. Questionable Expenditures - I noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
3. Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
4. Business Transactions - No business transactions between the District and District officials were noted.
5. Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
6. Board Minutes - I noted no transactions requiring Board approval which had not been approved by the Board.
7. Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
8. Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
9. Deposits and Investments - I noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

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 Schedule of Findings  
 For the Year Ended June 30, 2010

10. Certified Annual Reports - The Certified Annual Report was certified timely with the Department of Education.
11. Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
12. Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales, services and use tax are as follows:

Beginning balance		\$ 2,308,446
Revenues		
Statewide sales services, and use tax revenue	\$ 1,356,269	
Interest earned	23,261	
Debt issuance for school infrastructure	<u>5,954,626</u>	7,334,156
Expenditures/transfers out		
School infrastructure		
Land and improvements	\$ (13,086)	
Buildings and improvements	(1,162,403)	
Equipment	(346,705)	
Debt service for school infrastructure		
Revenue debt issuance costs	<u>(82,835)</u>	<u>(1,605,029)</u>
Ending balance		<u><u>\$ 8,037,573</u></u>

The statewide sales, services and use tax revenue received during the year ended June 30, 2010 is equivalent to a reduction in the following levies:

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
Debt service levy	\$ 0.33902	\$ 99,992
Physical plant and equipment levy	\$ 4.25932	<u>1,256,277</u>
		<u><u>\$ 1,356,269</u></u>

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Schedule of Findings  
For the Year Ended June 30, 2010

13. Outstanding Bond Coupon - The District has a 1979 General Obligation Series Bond coupon outstanding for \$5,000 plus accrued interest of \$1,350.

Recommendation - The District should consult the Iowa Department of Education regarding disposition of this matter.

Response – District sent a check to Great Iowa Treasure Hunt on October 11, 2010. This issue has been resolved.

Conclusion - Response accepted.

SOLON COMMUNITY SCHOOL DISTRICT  
Audit Staff  
June 30, 2010

This audit was performed by

Kay Chapman, CPA  
Tammy Calvert, staff accountant