



**Mary Taylor, CPA**  
Auditor of State



**SOLON CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Solon City School District  
Cuyahoga County  
33800 Inwood Road  
Painesville, Ohio 44129

To the Board of Education:

We 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 City School District, Cuyahoga County, (the District), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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. We believe our audit provides a reasonable basis for our opinions.

In our 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 City School District, Cuyahoga County, as of June 30, 2008, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2009, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of federal awards receipts and expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the schedule of federal awards receipts and expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

February 26, 2009

**SOLON CITY SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**for the Fiscal Year Ended June 30, 2008**  
**Unaudited**

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The discussion and analysis of the Solon City School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key financial highlights for 2008 are as follows:

- In total, net assets increased \$2,875,373. Net assets of governmental activities increased \$2,872,917. Net assets of business-type activities increased \$2,456.
- General revenues accounted for \$69,566,648 or 92 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$6,007,107 or 8 percent of total revenues of \$75,573,755.
- Total assets of governmental activities decreased by \$840,900 as taxes receivable decreased by \$3,341,724 and equity in pooled cash and cash equivalents increased by \$1,173,138 and capital assets, net of depreciation, increased by \$1,317,060.
- The School District had \$70,819,209 in expenses related to governmental activities; only \$4,249,846 of these expenses were offset by program specific charges for services, grants, or contributions. General revenues in governmental activities (primarily taxes) of \$69,537,280 were adequate to provide for these programs.
- Among major funds, the general fund had \$65,014,281 in revenues and \$60,880,216 in expenditures. The general fund's fund balance increased \$4,103,455, from \$6,198,348 to \$10,301,803, due to the increase of intergovernmental revenues.

**Using this Annual Financial Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the School District as a financial whole, or as an entire operating entity.

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. For governmental funds, these statements tell how services were financed in the short term, as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds, with all other nonmajor funds presented in total in one column. In the case of the Solon City School District, the general fund is by far the most significant fund.

**SOLON CITY SCHOOL DISTRICT  
Management's Discussion and Analysis  
for the Fiscal Year Ended June 30, 2008  
Unaudited**

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***Reporting the School District as a Whole***

*Statement of Net Assets and Statement of Activities*

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2008?" The Statement of Net Assets and Statement of Activities answer this question. These statements include *all assets* and *all liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the *financial position* of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the Statement of Net Assets and Statement of Activities, the School District is divided into two distinct kinds of activities:

- Governmental Activities - Most of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, and extracurricular activities.
- Business-Type Activities - These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The School District's adult and community education programs, food service, and uniform school supplies are reported as business-type activities.

***Reporting the School District's Most Significant Funds***

*Fund Financial Statements*

The analysis of the School District's major funds begins on page 13. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund, debt service fund, and permanent improvement fund.



**SOLON CITY SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**for the Fiscal Year Ended June 30, 2008**  
**Unaudited**

*Governmental Funds* Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and Statement of Activities) and governmental *funds* is reconciled in the financial statements.

*Proprietary Funds* Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match.

**The School District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net assets for 2008 compared to 2007:

**Table 1 - Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
<b>Assets</b>						
Current and						
Other Assets	\$ 78,384,681	\$ 80,542,641	\$ 57,306	\$ 45,754	\$ 78,441,987	\$ 80,588,395
Capital Assets	48,172,214	46,855,154	84,596	111,759	48,256,810	46,966,913
<b>Total Assets</b>	<u>\$126,556,895</u>	<u>\$127,397,795</u>	<u>\$ 141,902</u>	<u>\$ 157,513</u>	<u>\$ 126,698,797</u>	<u>\$127,555,308</u>
<b>Liabilities</b>						
Long-Term Liabilities	\$ 32,635,145	\$ 31,281,606	\$ 91,853	\$ 98,109	\$ 32,726,998	\$ 31,379,715
Other Liabilities	50,339,067	55,406,423	73,097	84,908	50,412,164	55,491,331
<b>Total Liabilities</b>	<u>82,974,212</u>	<u>86,688,029</u>	<u>164,950</u>	<u>183,017</u>	<u>83,139,162</u>	<u>86,871,046</u>
<b>Net Assets</b>						
Invested in Capital						
Assets, Net of Debt	24,323,449	21,526,757	84,596	111,759	24,408,045	21,638,516
Restricted	11,093,598	10,415,102	0	0	11,093,598	10,415,102
Unrestricted (Deficit)	8,165,636	8,767,907	(107,644)	(137,263)	8,057,992	8,630,644
<b>Total Net Assets</b>	<u>\$ 43,582,683</u>	<u>\$ 40,709,766</u>	<u>\$ (23,048)</u>	<u>\$ (25,504)</u>	<u>\$ 43,559,635</u>	<u>\$ 40,684,262</u>

Total assets decreased \$856,511. Total liabilities decreased by \$3,731,884, due, in part, to a decrease in deferred revenue of \$4,279,934.

Total net assets of the School District's governmental activities increased by \$2,872,917 and total assets decreased by \$840,900. Unrestricted net assets for governmental activities decreased by \$602,271.

**SOLON CITY SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**for the Fiscal Year Ended June 30, 2008**  
**Unaudited**

Table 2 shows the changes in net assets for fiscal year 2008 compared to fiscal year 2007.

**Table 2 - Change in Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
<b>Revenues</b>						
Program Revenues:						
Charges for Services	\$ 2,453,185	\$ 2,177,930	\$ 1,614,136	\$ 1,583,025	\$ 4,067,321	\$ 3,760,955
Operating Grants and Contributions	1,777,836	1,892,342	143,125	132,565	1,920,961	2,024,907
Capital Grants and Contributions	18,825	27,609	0	0	18,825	27,609
General Revenues:						
Property Taxes	53,488,811	56,486,975	0	0	53,488,811	56,486,975
Income and Other Taxes	0	1,592	0	0	0	1,592
Payment in Lieu of Taxes	524,274	504,093	0	0	524,274	504,093
Grants and Entitlements	14,079,103	11,256,215	0	0	14,079,103	11,256,215
Investment Earnings	1,218,276	1,529,591	6,772	751	1,225,048	1,530,342
Other	226,816	33,927	22,596	6,030	249,412	39,957
<b>Total Revenues</b>	<b>73,787,126</b>	<b>73,910,274</b>	<b>1,786,629</b>	<b>1,722,371</b>	<b>75,573,755</b>	<b>75,632,645</b>
<b>Program Expenses</b>						
Instruction:						
Regular	35,612,175	32,105,650	0	0	35,612,175	32,105,650
Special	7,072,159	6,560,779	0	0	7,072,159	6,560,779
Vocational	717,965	636,471	0	0	717,965	636,471
Other	453,966	336,590	0	0	453,966	336,590
Support Services:						
Pupil	4,348,900	4,119,745	0	0	4,348,900	4,119,745
Instructional Staff	691,593	1,817,543	0	0	691,593	1,817,543
Board of Education	56,883	266,430	0	0	56,883	266,430
Administration	3,295,078	3,031,235	0	0	3,295,078	3,031,235
Fiscal	1,442,366	1,474,725	0	0	1,442,366	1,474,725
Business	989,822	1,065,794	0	0	989,822	1,065,794
Operation and Maintenance of Plant	6,725,972	7,058,099	0	0	6,725,972	7,058,099
Pupil Transportation	3,459,852	3,192,374	0	0	3,459,852	3,192,374
Central	1,016,368	999,123	0	0	1,016,368	999,123
Operation of Non-Instructional						
Services	388,324	439,088	0	0	388,324	439,088
Extracurricular Activities	2,536,935	2,380,105	0	0	2,536,935	2,380,105
Interest and Fiscal Charges	2,007,570	2,352,322	0	0	2,007,570	2,352,322
Other	3,281	2,148	0	0	3,281	2,148
Food Service	0	0	1,616,760	1,568,156	1,616,760	1,568,156
Uniform School Supplies	0	0	96,830	92,778	96,830	92,778
Adult Education	0	0	165,583	162,429	165,583	162,429
<b>Total Program Expenses</b>	<b>70,819,209</b>	<b>67,838,221</b>	<b>1,879,173</b>	<b>1,823,363</b>	<b>72,698,382</b>	<b>69,661,584</b>
Increase (Decrease) in Net						
Assets before Transfers	2,967,917	6,072,053	(92,544)	(100,992)	2,875,373	5,971,061
Transfers	(95,000)	(27,000)	95,000	27,000	0	0
Insurance Proceeds	0	272,866	0	0	0	272,866
Loss on Impairment	0	(15,000)	0	0	0	(15,000)
Increase (Decrease) in Net Assets	2,872,917	6,302,919	2,456	(73,992)	2,875,373	6,228,927
Net Assets Beginning of Year	40,709,766	34,406,847	(25,504)	48,488	40,684,262	34,455,335
<b>Net Assets End of Year</b>	<b>\$ 43,582,683</b>	<b>\$40,709,766</b>	<b>\$ (23,048)</b>	<b>\$ (25,504)</b>	<b>\$43,559,635</b>	<b>\$40,684,262</b>

**SOLON CITY SCHOOL DISTRICT  
Management's Discussion and Analysis  
for the Fiscal Year Ended June 30, 2008  
Unaudited**

***Governmental Activities***

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by the levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and its value was increased to \$200,000 (and this inflationary increase in value is comparable to other property owners), the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Thus, school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 72 percent of revenues for governmental activities for the School District in fiscal year 2008.

Instruction comprises 62 percent of governmental program expenses. Interest and fiscal charges were 3 percent. Interest and fiscal charges were attributable to the interest on the outstanding bonds and charges by the County Auditor for tax collection processing.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services for fiscal year 2008 and fiscal year 2007. That is, it identifies the cost of these services by tax revenue and unrestricted State entitlements.

**Table 3 - Governmental Activities**

	Total Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2008	Net Cost of Services 2007
Instruction	\$ 43,856,265	\$ 39,639,490	\$ 42,742,760	\$ 38,388,031
Support Services:				
Pupil and Instructional Staff	5,040,493	5,937,288	3,684,025	4,717,116
Board of Education, Administration, Fiscal, and Business	5,784,149	5,838,184	5,656,541	5,728,966
Operation and Maintenance of Plant	6,725,972	7,058,099	6,725,972	7,057,815
Pupil Transportation	3,459,852	3,192,374	3,441,027	3,164,765
Central	1,016,368	999,123	944,626	879,245
Operation of Non-Instructional Service	388,324	439,088	61,190	142,133
Extracurricular Activities and Other	2,540,216	2,382,253	1,305,652	1,309,947
Interest and Fiscal Charges	<u>2,007,570</u>	<u>2,352,322</u>	<u>2,007,570</u>	<u>2,352,322</u>
<b>Total Expenses</b>	<u>\$ 70,819,209</u>	<u>\$ 67,838,221</u>	<u>\$ 66,569,363</u>	<u>\$ 63,740,340</u>

The dependence upon tax revenues for governmental activities is apparent. Approximately 97.5 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 94.0 percent. The community, as a whole, is by far the primary support for the School District's students.

**SOLON CITY SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**for the Fiscal Year Ended June 30, 2008**  
**Unaudited**

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***Business-Type Activities***

Business-type activities include adult/community education, which includes preschool and after school programs, the food service operation, and the sale of uniform school supplies. These programs had operating revenues of \$1,635,732 and expenses of \$1,879,173 for fiscal year 2008. Business activities receive no support from tax revenues.

**The School District's Funds**

Information about the School District's major funds starts on page 13. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$73,992,308 (including other financing sources), and expenditures of \$71,016,981 (including other financing uses). The net change in fund balance for the year was most significant in the general fund, an increase of \$4,103,455.

***General Fund Budgeting Highlights***

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund.

During the course of fiscal year 2008, the School District amended its general fund budget revenue numerous times, none significant. The School District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, the final budget basis revenue and other financing sources was \$63,536,121. The original budget estimate was \$57,624,240. Of this \$5,911,881 difference, most was due to increased estimates in intergovernmental revenues. Actual revenues and other financing sources exceeded final budget basis amount by \$615,156, which is due to an underestimate of taxes.

The School District's ending unobligated cash balance was \$2,636,649 above the final budgeted amount.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2008, the School District had \$48,256,810 invested in land, buildings, equipment, buses and other vehicles, \$48,172,214 in governmental activities. Table 4 shows fiscal year 2008 balances compared to 2007:

**SOLON CITY SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**for the Fiscal Year Ended June 30, 2008**  
**Unaudited**

**Table 4 - Capital Assets at June 30 (net of depreciation)**

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$ 2,874,494	\$ 2,756,494	\$ 0	\$ 0	\$ 2,874,494	\$ 2,756,494
Land Improvements	3,729,502	410,163	0	0	3,729,502	410,163
Buildings and Improvements	37,302,891	35,469,699	0	0	37,302,891	35,469,699
Furniture and Equipment	2,428,742	1,916,445	84,596	111,759	2,513,338	2,028,204
Buses and Vehicles	1,744,530	1,609,122	0	0	1,744,530	1,609,122
Construction in Progress	92,055	4,693,231	0	0	92,055	4,693,231
<b>Total Capital Assets</b>	<b>\$ 48,172,214</b>	<b>\$ 46,855,154</b>	<b>\$ 84,596</b>	<b>\$ 111,759</b>	<b>\$ 48,256,810</b>	<b>\$ 46,966,913</b>

In fiscal year 2008, Ohio law required school districts to set aside three percent of certain revenues for capital improvements and textbooks. For fiscal year 2008, this amounted to \$845,393 for each set aside. For fiscal year 2008, the School District had qualifying disbursements or offsets exceeding these requirements.

As of June 30, 2008, the School District has contractual commitments of \$443,679. See Note 11 to the basic financial statements for more information.

See Note 10 to the basic financial statements for more detailed information on the School District's capital assets.

***Debt***

At June 30, 2008, the School District had \$23,848,765 in bonds outstanding, \$1,503,765 due within one year. Table 5 summarizes bonds and notes outstanding.

**Table 5 - Outstanding Debt at Year End**

	Governmental Activities	
	2008	2007
General Obligation Bonds		
1989 School Improvement Bonds	\$ 485,000	\$ 705,000
1993 Refunding School Improvement Bonds	248,765	538,397
1997 School Improvement Bonds	3,980,000	4,260,000
2001 School Improvement Bonds	5,310,000	5,600,000
2003 School Improvement Bonds	5,100,000	5,335,000
2004 Refunding Bonds	4,995,000	5,020,000
2005 School Improvement Bonds	3,730,000	3,870,000
<b>Total</b>	<b>\$23,848,765</b>	<b>\$25,328,397</b>

**SOLON CITY SCHOOL DISTRICT**  
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The general obligation bonds were issued for the purpose of school improvements. They are to be repaid from the debt service fund.

At June 30, 2008, the School District's overall legal debt margin was \$87,551,624, with an unvoted debt margin of \$1,212,991. The School District maintains an AA+ bond rating from Fitch Ratings and Aa2 from Moody's Investors Service.

See Note 16 to the basic financial statements for more detailed information.

**For the Future**

The School District closed out its fiscal year on June 30, 2008, on a positive note staying within the total appropriations approved by the Board of Education and spending less than anticipated for the year. According to current financial projections, as evidenced by the School District's 5-year plan, the School District will not need additional operating revenues until the 2009-10 school year, consistent with the promise the Board made to the community during the last levy campaign.

The School District passed a .7 mill permanent improvement renewal levy on November 6, 2007. This levy was renewed and made permanent for a continuing period of time.

The Board of Education and administration of the school district are committed to careful financial planning and prudent fiscal management. An excellent working and supportive relationship exists between the School District, the City of Solon, the Village of Glenwillow, the industrial community and the residents of the City.

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information, contact Tim Pickana, Treasurer at Solon City School District, 33800 Inwood Road, Solon, Ohio 44139, or e-mail at [tpickana@solonboe.org](mailto:tpickana@solonboe.org).

**SOLON CITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2008**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 26,967,331	\$ 14,013	\$ 26,981,344
Accounts Receivable	31,560	2,243	33,803
Intergovernmental Receivable	118,088	0	118,088
Internal Balances	3,000	(3,000)	0
Accrued Interest	65,746	0	65,746
Prepaid Items	39,400	0	39,400
Inventory Held for Resale	0	40,252	40,252
Materials and Supplies Inventory	60,303	3,798	64,101
Taxes Receivable	51,024,205	0	51,024,205
Deferred Charges	75,048	0	75,048
Nondepreciable Capital Assets	2,966,549	0	2,966,549
Depreciable Capital Assets, Net	45,205,665	84,596	45,290,261
<b>Total Assets</b>	<b>126,556,895</b>	<b>141,902</b>	<b>126,698,797</b>
<b>Liabilities</b>			
Accounts Payable	435,547	0	435,547
Accrued Wages	5,704,842	36,415	5,741,257
Retainage Payable	8,570	0	8,570
Intergovernmental Payable	1,382,586	36,682	1,419,268
Deferred Revenue	40,432,625	0	40,432,625
Accrued Interest Payable	242,807	0	242,807
Retirement Payout Liability	607,790	0	607,790
Claims Payable	1,524,300	0	1,524,300
Long-Term Liabilities:			
Due Within One Year	2,280,821	15,035	2,295,856
Due In More Than One Year	30,354,324	76,818	30,431,142
<b>Total Liabilities</b>	<b>82,974,212</b>	<b>164,950</b>	<b>83,139,162</b>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	24,323,449	84,596	24,408,045
Restricted for:			
Capital Projects	8,848,253	0	8,848,253
Debt Service	2,072,096	0	2,072,096
Other Purposes	173,249	0	173,249
Unrestricted (Deficit)	8,165,636	(107,644)	8,057,992
<b>Total Net Assets</b>	<b>\$ 43,582,683</b>	<b>\$ (23,048)</b>	<b>\$ 43,559,635</b>

See accompanying notes to the basic financial statements

**SOLON CITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Sales and Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>							
Instruction:							
Regular	\$ 35,612,175	\$ 1,091,013	\$ 22,492	\$ 0	\$ (34,498,670)	\$ 0	\$ (34,498,670)
Special	7,072,159	0	0	0	(7,072,159)	0	(7,072,159)
Vocational	717,965	0	0	0	(717,965)	0	(717,965)
Other	453,966	0	0	0	(453,966)	0	(453,966)
Support Services:							
Pupil	4,348,900	0	1,113,868	0	(3,235,032)	0	(3,235,032)
Instructional Staff	691,593	0	242,600	0	(448,993)	0	(448,993)
Board of Education	56,883	0	0	0	(56,883)	0	(56,883)
Administration	3,295,078	127,608	0	0	(3,167,470)	0	(3,167,470)
Fiscal	1,442,366	0	0	0	(1,442,366)	0	(1,442,366)
Business	989,822	0	0	0	(989,822)	0	(989,822)
Operation and Maintenance of Plant	6,725,972	0	0	0	(6,725,972)	0	(6,725,972)
Pupil Transportation	3,459,852	0	0	18,825	(3,441,027)	0	(3,441,027)
Central	1,016,368	0	71,742	0	(944,626)	0	(944,626)
Operation of Non-instructional Services	388,324	0	327,134	0	(61,190)	0	(61,190)
Extracurricular Activities	2,536,935	1,234,564	0	0	(1,302,371)	0	(1,302,371)
Interest and Fiscal Charges	2,007,570	0	0	0	(2,007,570)	0	(2,007,570)
Other	3,281	0	0	0	(3,281)	0	(3,281)
<b>Total Governmental Activities</b>	<b>70,819,209</b>	<b>2,453,185</b>	<b>1,777,836</b>	<b>18,825</b>	<b>(66,569,363)</b>	<b>0</b>	<b>(66,569,363)</b>
<b>Business-Type Activities</b>							
Food Service	1,616,760	1,374,893	143,125	0	0	(98,742)	(98,742)
Uniform School Supplies	96,830	99,921	0	0	0	3,091	3,091
Adult and Community Education	165,583	139,322	0	0	0	(26,261)	(26,261)
<b>Total Business-Type Activities</b>	<b>1,879,173</b>	<b>1,614,136</b>	<b>143,125</b>	<b>0</b>	<b>0</b>	<b>(121,912)</b>	<b>(121,912)</b>
<b>Total - Primary Government</b>	<b>\$ 72,698,382</b>	<b>\$ 4,067,321</b>	<b>\$ 1,920,961</b>	<b>\$ 18,825</b>	<b>(66,569,363)</b>	<b>(121,912)</b>	<b>(66,691,275)</b>
<b>General Revenues</b>							
Property Taxes Levied for:							
General Purposes					48,005,138	0	48,005,138
Debt Service					3,970,356	0	3,970,356
Capital Outlay					1,513,317	0	1,513,317
Grants and Entitlements not Restricted to Specific Programs					14,079,103	0	14,079,103
Payment in Lieu of Taxes					524,274	0	524,274
Investment Earnings					1,218,276	6,772	1,225,048
Gain on Sale of Capital Assets					64,390	1,000	65,390
Miscellaneous					162,426	21,596	184,022
Transfers					(95,000)	95,000	0
<b>Total General Revenues and Transfers</b>					<b>69,442,280</b>	<b>124,368</b>	<b>69,566,648</b>
Change in Net Assets					2,872,917	2,456	2,875,373
Net Assets, Beginning of Year					40,709,766	(25,504)	40,684,262
<b>Net Assets, End of Year</b>					<b>\$ 43,582,683</b>	<b>\$ (23,048)</b>	<b>\$ 43,559,635</b>

See accompanying notes to the basic financial statements



**SOLON CITY SCHOOL DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2008**

<u>Assets</u>	General	Debt Service	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Equity in Cash and Cash Equivalents in Segregated Accounts with Fiscal Agents	\$11,686,250	\$1,764,251	\$ 8,629,836	\$ 2,185,484	\$ 24,265,821
Receivables:					
Taxes	46,549,504	3,131,774	1,342,927	0	51,024,205
Accounts	28,837	0	0	2,723	31,560
Interest	65,746	0	0	0	65,746
Intergovernmental	2,888	0	85,321	29,879	118,088
Interfund	3,000	0	0	0	3,000
Prepaid Items	31,279	0	0	0	31,279
Materials and Supplies Inventory	60,303	0	0	0	60,303
<b>Total Assets</b>	<b>\$58,427,807</b>	<b>\$4,896,025</b>	<b>\$10,058,084</b>	<b>\$ 2,218,086</b>	<b>\$ 75,600,002</b>
<b><u>Liabilities and Fund Balances</u></b>					
<u>Liabilities</u>					
Accounts Payable	\$ 220,640	\$ 0	\$ 148,841	\$ 53,288	\$ 422,769
Accrued Salaries and Benefits Payable	5,704,842	0	0	0	5,704,842
Retainage Payable	0	0	8,570	0	8,570
Intergovernmental Payable	1,375,972	0	0	6,614	1,382,586
Deferred Revenue	40,216,760	2,664,815	1,164,685	0	44,046,260
Retirement Payout Liability	607,790	0	0	0	607,790
<b>Total Liabilities</b>	<b>48,126,004</b>	<b>2,664,815</b>	<b>1,322,096</b>	<b>59,902</b>	<b>52,172,817</b>
<u>Fund Balances</u>					
Reserved for:					
Taxes	6,220,146	464,415	173,859	0	6,858,420
Encumbrances	7,806	0	231,208	301,251	540,265
Prepays	31,279	0	0	0	31,279
Inventory	60,303	0	0	0	60,303
Unreserved, Undesignated, Reported in:					
General Fund (Deficit)	3,982,269	0	0	0	3,982,269
Special Revenue Funds	0	0	0	1,589,538	1,589,538
Debt Service Fund	0	1,766,795	0	0	1,766,795
Capital Projects Funds	0	0	8,330,921	267,395	8,598,316
<b>Total Fund Balances</b>	<b>10,301,803</b>	<b>2,231,210</b>	<b>8,735,988</b>	<b>2,158,184</b>	<b>23,427,185</b>
 <b>Total Liabilities and Fund Balances</b>	 <b>\$58,427,807</b>	 <b>\$4,896,025</b>	 <b>\$10,058,084</b>	 <b>\$ 2,218,086</b>	 <b>\$ 75,600,002</b>

See accompanying notes to the basic financial statements.

**SOLON CITY SCHOOL DISTRICT  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2008**

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<b>Total Governmental Fund Balances</b>		<b>\$ 23,427,185</b>
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not functional resources and therefore are not reported in the funds.		48,172,214
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Taxes	\$ 3,608,108	
Accounts Receivable	<u>5,527</u>	
Total		3,613,635
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		1,172,553
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General Obligation Bonds	(23,848,765)	
Compensated Absences	(8,550,679)	
Unamortized Bond Premium	(235,701)	
Deferred Charges	75,048	
Accrued Interest Payable	<u>(242,807)</u>	
Total		<u>(32,802,904)</u>
<b>Net Assets of Governmental Activities</b>		<b><u>\$ 43,582,683</u></b>

See accompanying notes to the basic financial statements.

**OLON CITY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-**  
**GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	General	Debt Service	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Taxes	\$ 49,066,448	\$ 3,303,939	\$ 1,307,555	\$ 0	\$ 53,677,942
Payment in Lieu of Taxes	0	0	524,274	0	524,274
Intergovernmental	13,426,952	301,369	366,559	1,715,506	15,810,386
Tuition and Fees	1,010,926	0	0	0	1,010,926
Donations	0	0	0	65,303	65,303
Earnings on Investments	1,181,310	0	0	36,967	1,218,277
Food Services	0	0	0	75	75
Extracurricular Activities	0	0	0	853,631	853,631
Classroom Materials and Fees	72,277	0	0	0	72,277
Charges for Services	130,317	0	0	380,933	511,250
Miscellaneous	126,051	0	29,960	6,414	162,425
<b>Total Revenues</b>	<b>65,014,281</b>	<b>3,605,308</b>	<b>2,228,348</b>	<b>3,058,829</b>	<b>73,906,766</b>
<b>Expenditures</b>					
Current:					
Instruction:					
Regular	30,600,489	0	962,424	370,768	31,933,681
Special	6,724,908	0	0	14,486	6,739,394
Vocational Education	653,556	0	0	0	653,556
Other	449,742	0	0	0	449,742
Support Services:					
Pupil	2,929,659	0	0	1,099,076	4,028,735
Instructional Staff	1,568,273	0	0	149,585	1,717,858
Board of Education	35,105	0	0	0	35,105
Administrative	3,247,860	0	0	0	3,247,860
Fiscal Services	1,369,515	59,746	23,590	0	1,452,851
Business	1,003,179	0	0	0	1,003,179
Operation and Maintenance of Plant Services	6,746,301	0	0	6,822	6,753,123
Pupil Transportation	3,367,770	0	0	0	3,367,770
Central Services	910,233	0	0	99,444	1,009,677
Operation of Non-Instructional Services					
Community Service	0	0	0	328,412	328,412
Other	0	0	0	3,281	3,281
Extracurricular Activities	1,065,163	0	0	1,156,551	2,221,714
Capital Outlay	208,463	0	487,811	1,749,885	2,446,159
Debt Service					
Principal Retirement	0	1,479,632	0	0	1,479,632
Interest and Fiscal Charges	0	2,029,100	0	0	2,029,100
<b>Total Expenditures</b>	<b>60,880,216</b>	<b>3,568,478</b>	<b>1,473,825</b>	<b>4,978,310</b>	<b>70,900,829</b>
Excess of Revenues Over (Under) Expenditures	4,134,065	36,830	754,523	(1,919,481)	3,005,937
<b>Other Financing Sources (Uses)</b>					
Proceeds from Sale of Assets	64,390	0	0	0	64,390
Operating Transfers Out	(95,000)	0	0	0	(95,000)
<b>Total Other Financing Sources (Uses)</b>	<b>(30,610)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(30,610)</b>
Net Change in Fund Balances	4,103,455	36,830	754,523	(1,919,481)	2,975,327
Fund Balance, Beginning of Year	6,198,348	2,194,380	7,981,465	4,077,665	20,451,858
<b>Fund Balance, End of Year</b>	<b>\$ 10,301,803</b>	<b>\$ 2,231,210</b>	<b>\$ 8,735,988</b>	<b>\$ 2,158,184</b>	<b>\$ 23,427,185</b>

See accompanying notes to the basic financial statements

**SOLON CITY SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO  
THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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**Net Change in Fund Balances - Total Governmental Funds** \$ 2,975,327

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

Capital Additions	\$ 10,442,075	
Current Year Depreciation	<u>(2,694,276)</u>	
Total		7,747,799

In the statement of activities, only the loss on the disposal of assets is reported, whereas in the governmental funds, the proceeds from the disposal increased financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the asset. (6,430,739)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Taxes	(189,131)	
Accounts Receivable	<u>5,527</u>	
Total		(183,604)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 1,479,632

In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is reported when due. 22,201

Premiums on bonds issued are recognized as expenditures in the governmental funds; however, they are amortized over the life of the issuance in the statement of activities. 33,297

Bond issuance costs are recognized as expenditures in the governmental funds; however, they are amortized over the life of the issuance in the statement of activities. (33,968)

Some expenses reported in the statement of activities such as compensated absences and intergovernmental payable, which represents contractually required pension contributions, do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated Absences Payable	<u>(2,866,468)</u>	
Total		(2,866,468)

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the District-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. 129,440

***Change in Net Assets of Governmental Activities*** \$ 2,872,917

See accompanying notes to the basic financial statements.

**SOLON CITY SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET (NON-GAAP BASIS) AND ACTUAL - GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
<b><u>Revenues</u></b>				
Taxes	\$ 47,432,175	\$ 47,504,972	\$ 48,116,618	\$ 611,646
Intergovernmental	8,826,586	13,414,669	13,428,005	13,336
Interest	662,033	1,268,564	1,263,800	(4,764)
Tuition and Fees	529,567	1,014,737	1,010,926	(3,811)
Classroom Materials and Fees	37,862	72,549	72,277	(272)
Rentals	69,281	132,754	132,255	(499)
Miscellaneous	66,736	127,876	127,396	(480)
<b>Total Revenues</b>	<b>57,624,240</b>	<b>63,536,121</b>	<b>64,151,277</b>	<b>615,156</b>
<b><u>Expenditures</u></b>				
Current:				
Instruction:				
Regular Instruction	31,268,915	31,268,915	30,695,539	573,376
Special Instruction	7,129,775	7,129,775	6,725,770	404,005
Vocational Education	628,885	628,885	666,839	(37,954)
Other Instruction	433,840	433,840	449,524	(15,684)
Support Services:				
Pupil	3,817,513	3,817,513	2,993,750	823,763
Instructional Staff	1,704,065	1,704,065	1,731,128	(27,063)
Board of Education	65,000	65,000	37,798	27,202
Administration	3,455,471	3,455,471	3,310,255	145,216
Fiscal Services	1,354,760	1,354,760	1,433,258	(78,498)
Business	1,143,515	1,143,515	1,020,767	122,748
Operation and Maintenance of Plant Services	7,129,456	7,129,456	6,906,704	222,752
Pupil Transportation	3,154,595	3,154,595	3,376,051	(221,456)
Central Services	1,015,205	1,015,205	913,901	101,304
Extracurricular Activities	1,094,635	1,094,635	1,103,395	(8,760)
<b>Total Expenditures</b>	<b>63,395,630</b>	<b>63,395,630</b>	<b>61,364,679</b>	<b>2,030,951</b>
Excess of Revenues Over (Under) Expenditures	(5,771,390)	140,491	2,786,598	2,646,107
<b><u>Other Financing Sources (Uses)</u></b>				
Proceeds from Sale of Assets	0	0	64,390	64,390
Insurance Proceeds	0	0	21,152	21,152
Transfer Out	0	0	(95,000)	(95,000)
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>0</b>	<b>(9,458)</b>	<b>(9,458)</b>
Net Change in Fund Balance	(5,771,390)	140,491	2,777,140	2,636,649
Fund Balance Beginning of Year	8,889,783	8,889,783	8,889,783	0
Prior Year Encumbrances Appropriated	61,785	61,785	61,785	0
<b>Fund Balance End of Year</b>	<b>\$ 3,180,178</b>	<b>\$ 9,092,059</b>	<b>\$ 11,728,708</b>	<b>\$ 2,636,649</b>

See accompanying notes to the basic financial statements.

**SOLON CITY SCHOOL DISTRICT  
STATEMENT OF FUND NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2008**

	<u>Business-Type Activities Enterprise Funds</u>	<u>Governmental Activities Internal Service Fund</u>
<b><u>Assets</u></b>		
<b><u>Current Assets</u></b>		
Equity in Pooled Cash and Cash Equivalents	\$ 14,013	\$ 2,701,510
Receivables:		
Accounts Receivable	2,243	0
Prepaid Items	0	8,121
Materials and Supplies Inventory	3,798	0
Inventory Held for Resale	40,252	0
<b>Total Current Assets</b>	<u>60,306</u>	<u>2,709,631</u>
<b><u>Non-Current Assets</u></b>		
Depreciable Capital Assets, Net	84,596	0
<b>Total Non-current Assets</b>	<u>84,596</u>	<u>0</u>
<b>Total Assets</b>	<u>144,902</u>	<u>2,709,631</u>
<b><u>Liabilities</u></b>		
<b><u>Current Liabilities</u></b>		
Accounts Payable	0	12,778
Accrued Wages	36,415	0
Interfund Payable	3,000	0
Intergovernmental Payable	36,682	0
Compensated Absences-Current Portion	15,035	0
Claims Payable	0	1,524,300
<b>Total Current Liabilities</b>	<u>91,132</u>	<u>1,537,078</u>
<b><u>Long-term Liabilities</u></b>		
Compensated Absences Payable	76,818	0
<b>Total Long-term Liabilities</b>	<u>76,818</u>	<u>0</u>
<b>Total Liabilities</b>	<u>167,950</u>	<u>1,537,078</u>
<b><u>Net Assets</u></b>		
Invested in Capital Assets, Net of Related Debt	84,596	0
Unrestricted (Deficit)	(107,644)	1,172,553
<b>Total Net Assets (Deficit)</b>	<u>\$ (23,048)</u>	<u>\$ 1,172,553</u>

See accompanying notes to the basic financial statements.

**SOLON CITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	Business-Type Activities <u>Enterprise Funds</u>	Governmental Activities <u>Internal Service Fund</u>
<b><u>Operating Revenues</u></b>		
Tuition	\$ 139,322	\$ 0
Food Services	1,374,893	0
Classroom Materials and Fees	99,921	0
Charges for Services	0	6,726,642
Miscellaneous	21,596	0
<b>Total Operating Revenues</b>	<u>1,635,732</u>	<u>6,726,642</u>
<b><u>Operating Expenses</u></b>		
Salaries and Wages	572,957	0
Fringe Benefits	392,162	0
Claims Expense	0	6,571,502
Claims	0	25,700
Purchased Services	121,723	0
Supplies and Materials	754,560	0
Depreciation Expense	27,163	0
Other	10,608	0
<b>Total Operating Expenses</b>	<u>1,879,173</u>	<u>6,597,202</u>
Operating Income (Loss)	<u>(243,441)</u>	<u>129,440</u>
<b><u>Non-Operating Revenues</u></b>		
Operating Grants	135,594	0
Interest Income	6,772	0
Donated Commodities	7,531	0
Proceeds from Sale of Assets	1,000	0
<b>Total Non-Operating Revenues</b>	<u>150,897</u>	<u>0</u>
Income Before Operating Transfers	<u>(92,544)</u>	<u>129,440</u>
<b><u>Operating Transfers</u></b>		
Operating Transfers In	95,000	0
<b>Total Operating Transfers</b>	<u>95,000</u>	<u>0</u>
Change in Net Assets	2,456	129,440
Net Assets, Beginning of Year	(25,504)	1,043,113
<b>Net Assets, End of Year</b>	<u>\$ (23,048)</u>	<u>\$ 1,172,553</u>

See accompanying notes to the basic financial statements.

**SOLON CITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	Business-Type Activities Enterprise Funds	Governmental Activities Internal Service Fund	Total
<b><u>Cash Flows from Operating Activities</u></b>			
Cash Received from Customers	\$ 1,634,406	\$ 6,729,083	\$ 8,363,489
Cash Payments for Goods and Services	(884,906)	0	(884,906)
Cash Payments to Employees for Services	(578,869)	0	(578,869)
Cash Payments for Employee Benefits	(397,412)	(6,563,708)	(6,961,120)
Cash Payments for Other Operating Expenses	(10,608)	0	(10,608)
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b><u>(237,389)</u></b>	<b><u>165,375</u></b>	<b><u>(72,014)</u></b>
<b><u>Cash Flows from Noncapital Financing Activities</u></b>			
Operating Grants Received	135,594	0	135,594
Operating Transfers	95,000	0	95,000
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b><u>230,594</u></b>	<b><u>0</u></b>	<b><u>230,594</u></b>
<b><u>Cash Flows from Investing</u></b>			
Interest Income	6,772	0	6,772
<b>Total Cash Flows from Investing</b>	<b><u>6,772</u></b>	<b><u>0</u></b>	<b><u>6,772</u></b>
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>			
Proceeds from Sale of Assets	1,000	0	1,000
<b>Net Cash Provided by Capital and Related Financing Activities</b>	<b><u>1,000</u></b>	<b><u>0</u></b>	<b><u>1,000</u></b>
Net Increase (Decrease) in Cash and Cash Equivalents	977	165,375	166,352
Cash and Cash Equivalents at Beginning of Year	13,036	2,536,135	2,549,171
<b>Cash and Cash Equivalents at End of Year</b>	<b><u>\$ 14,013</u></b>	<b><u>\$ 2,701,510</u></b>	<b><u>\$ 2,715,523</u></b>
<b><u>Reconciliation of Operating Income (Loss to Net Cash Provided by (Used for) Operating Activities</u></b>			
Operating Income (Loss)	\$ (243,441)	\$ 129,440	\$ (114,001)
Adjustments:			
Depreciation	27,163	0	27,163
Donated Government Commodities	7,531	0	7,531
Increase (Decrease) in Assets:			
Accounts Receivable	(28)	2,441	2,413
Prepaid Expenses	0	2,929	2,929
Inventory Held for Resale	(10,212)	0	(10,212)
Materials and Supplies Inventory	(335)	0	(335)
(Increase) Decrease in Liabilities:			
Accounts Payable	(445)	4,865	4,420
Accrued Salaries and Benefits Payable	(5,912)	0	(5,912)
Intergovernmental Payable	1,006	0	1,006
Deferred Revenue	(6,460)	0	(6,460)
Compensated Absences Payable	(6,256)	0	(6,256)
Claims Payable	0	25,700	25,700
Total Adjustments	<u>6,052</u>	<u>35,935</u>	<u>41,987</u>
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b><u>\$ (237,389)</u></b>	<b><u>\$ 165,375</u></b>	<b><u>\$ (72,014)</u></b>

**Noncash Non-Capital Financing Activities**

During the year, the Food Services Enterprise Fund received Donated Commodities of \$28,014.

See accompanying notes to the basic financial statements.



**SOLON CITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
JUNE 30, 2008**

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	<u>Agency</u>
<b><u>Assets</u></b>	
Equity in Pooled Cash and Cash Equivalents	\$ 67,843
<b>Total Assets</b>	<u>\$ 67,843</u>
<b><u>Liabilities</u></b>	
Accounts Payable	\$ 1,100
Due to Other Governments	<u>66,743</u>
<b>Total Liabilities</b>	<u>\$ 67,843</u>

See accompanying notes to the basic financial statements.

## *Notes to the Basic Financial Statements*

**SOLON CITY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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**NOTE 1: DESCRIPTION OF THE SCHOOL DISTRICT AND THE REPORTING ENTITY**

Solon City School District (the School District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The School District operates under a locally elected five-member Board and provides educational services as mandated by State and/or federal agencies. The Board controls the School District's seven instructional facilities staffed by 299 classified personnel, 410 certificated full-time teaching personnel, and 21 administrative employees to provide services to students and other community members.

The School District is located in Solon, Ohio, Cuyahoga County. The enrollment for the School District during fiscal year 2008 was 5,351. The School District operates four elementary schools (K-4), one lower middle school (5-6), one upper middle school (7-8), and one high school (9-12).

**The Reporting Entity**

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the basic financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the School District, this includes general operations, food service, and student related activities of the School District.

Within the School District boundaries, there are various non-public schools. Current State legislature provides funding to these non-public schools. These monies are received and disbursed on behalf of the non-public school by the Treasurer of the School District, as directed by the non-public school. This activity is reflected in a special revenue fund for financial reporting purposes.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and:

- the School District is able to significantly influence the programs or services performed or provided by the organization; or

**SOLON CITY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(CONTINUED)**

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NOTE 1: **DESCRIPTION OF THE SCHOOL DISTRICT AND THE REPORTING ENTITY**  
(Continued)

**The Reporting Entity** (Continued)

- the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District has no component units.

The School District is associated with a public entity risk pool and a jointly governed organization. The public entity risk pool is presented in Note 12c and the jointly governed organization is presented in Note 17 to the basic financial statements.

These organizations are:

Public Entity Risk Pool:

Ohio School Council Workers' Compensation Group Rating Program

Jointly Governed Organization:

The Ohio Schools' Council Association

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements issued on or before November 30, 1989, to its business type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The most significant of the School District's accounting policies are described below.

**A. Fund Accounting**

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the School District are grouped into the categories of governmental, proprietary and fiduciary.

**SOLON CITY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(CONTINUED)**

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NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

A. **Fund Accounting** (Continued)

**Governmental Funds**

Governmental funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the School District's major governmental funds:

*General Fund* - The general fund is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

*Debt Service Fund* - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

*Permanent Improvement Fund* - The permanent improvement fund is provided to account for all transactions related to the acquiring, constructing, or improving of such permanent improvements as are authorized by Chapter 5705, Ohio Revised Code.

The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

**Proprietary Funds**

Proprietary funds focus on the determination of the changes in net assets, financial positions and cash flows and are classified as either enterprise or internal service.

*Enterprise Funds* - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The School District's enterprise funds account for the financial transactions related to the food service operations. Also, the purchase and sale of school supplies and educational opportunities are offered on a tuition basis to preschoolers, youth and adults living within the community. The School District has no major enterprise funds.

**SOLON CITY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(CONTINUED)**

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NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

A. **Fund Accounting** (Continued)

**Proprietary Funds** (Continued)

*Internal Service Fund* - The internal service fund accounts for the financial services provided by one department or agency to other departments or agencies of the School District, or to other governments, on a cost reimbursement basis. The only internal service fund of the School District accounts for a self-insurance program which provides medical, dental and vision benefits.

**Fiduciary Funds**

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds are student activities.

B. **Basis of Presentation**

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**Government-wide Financial Statements** - The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

**SOLON CITY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(CONTINUED)**

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NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

B. **Basis of Presentation** (Continued)

**Government-wide Financial Statements** (Continued)

The statement of net assets presents the financial condition of the governmental activities of the School District at the fiscal year end. The government-wide statement of activities present a comparison between direct expenses and program revenues for each segment of the business-type activities of the School District and for each function or program of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the School District.

**Fund Financial Statements** - Fund financial statements report detailed information about the School District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by fund type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Internal service funds are combined and the totals are presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e. receipts and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities, associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e. expenses) in net total assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary funds.

**SOLON CITY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(CONTINUED)**

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NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

C. **Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

***Revenues - Exchange and Non-Exchange Transactions*** - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 7). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest, tuition, grants, student fees, and rentals.



**SOLON CITY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(CONTINUED)**

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NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

C. **Basis of Accounting** (Continued)

**Deferred Revenue** - Arises when assets are recognized before revenue recognition criteria have been satisfied.

Delinquent property taxes and property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2008 operations have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

**Expenses/Expenditures** - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

D. **Cash and Cash Equivalents**

To improve cash management, cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the combined balance sheet.

During fiscal year 2008, investments were limited to STAROhio, repurchase agreements, and Federal Government Agency Securities. Except for non-participating investment contracts, investments are reported at fair value which is based on quoted market prices. Repurchase agreements are reported at cost.

**SOLON CITY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(CONTINUED)**

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NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**D. Cash and Cash Equivalents** (Continued)

STAROhio (the State Treasury Asset Reserve of Ohio) is an investment pool managed by the State Treasurer's Office which allows governments within the state to pool their funds for investment purposes. STAROhio is not registered with SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2008.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 2008 amounted to \$1,181,310, which includes \$618,645 assigned from other School District funds.

For presentation on the financial statements, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an original maturity of more than three months that are not purchased from the pool are considered to be investments.

**E. Restricted Assets**

Restricted assets represent cash and cash equivalents and other current assets whose use is limited by legal requirements. Restricted assets in the general fund include the amount required by statute to be set aside by the School District for the budget stabilization. See Note 19 for additional information regarding set-asides.

**F. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2008, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditures/expense is reported in the year in which services are consumed.

**SOLON CITY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(CONTINUED)**

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NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**G. Inventory**

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis and is expensed/expended when used. Inventory in governmental funds consists of expendable supplies held for consumption. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale.

**H. Capital Assets**

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. The School District does not possess any infrastructure.

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of general capital assets are not capitalized.

All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

**SOLON CITY SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
 (CONTINUED)**

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

H. **Capital Assets** (Continued)

	Governmental Activities <u>Estimated Lives</u>	Business-Type Activities <u>Estimated Lives</u>
Land Improvements	20 years	N/A
Buildings and Improvements	60 years	N/A
Furniture and Equipment	5-20 years	5-20 years
Buses and Other Vehicles	12 years	N/A

I. **Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables”. These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

J. **Compensated Absences**

The School District reports compensated absences in accordance with the provision of GASB Statement No. 16, *Accounting for Compensated Absences*. Vacation benefits are accrued as a liability as the benefits are earned if the employees’ rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the School District’s past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account “retirement payout liability” in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

**SOLON CITY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(CONTINUED)**

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NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**K. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital lease, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, and available financial sources. In general, liabilities that mature or come due for payment during the fiscal year are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability and expenditures in the fund financial statements when due.

**L. Fund Balance Reserves**

The School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity that is available for appropriation in future periods. Fund balance reserves have been established for encumbrances, prepaids, inventory, and property taxes.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The reserve for budget stabilization represents money required to be set aside by statute to protect against cyclical changes in revenues and expenditures.

**SOLON CITY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(CONTINUED)**

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NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

M. **Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The School District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

N. **Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are tuition for adult education class, sales for food service, uniform school supplies, and charges for services for self-insurance programs. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. Revenues and expenditures not meeting this definition are reported as non-operating.

O. **Interfund Activity**

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financial sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**SOLON CITY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(CONTINUED)**

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NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**P. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are either unusual in nature or infrequent in occurrence. During fiscal year 2008, the School District had no extraordinary or special items.

**Q. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**R. Budgetary Data**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Advances In and Advances Out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

**Tax Budget**

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Cuyahoga County Budget Commission for rate determination.

**SOLON CITY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(CONTINUED)**

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NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

R. **Budgetary Data** (Continued)

*Estimated Resources*

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered cash balances from the preceding year. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District's Treasurer. The amounts reported in the budgetary statement reflects the amounts in the final Amended Certificate issued during fiscal year 2008.

*Appropriations*

Upon receipt from the County Auditor of an amended Certificate of Estimated Resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education. The Treasurer maintains budgetary information at the object level and has the authority to allocate appropriations at the function and object level without resolution by the Board of Education. The Board may pass supplemental fund appropriations provided the total appropriations by fund do not exceed the amounts set forth in the most recent Certificate of Estimated Resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The budget figures which appear in the statements of budgetary comparison for the general fund represents the final appropriation amounts adopted during the fiscal year, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.



**SOLON CITY SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
 (CONTINUED)**

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NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

R. **Budgetary Data** (Continued)

*Encumbrances*

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the fund financial statements, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent year expenditures for governmental funds. A reserve for encumbrances is not reported on government-wide financial statements.

*Lapsing of Appropriations*

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

NOTE 3: **ACCOUNTABILITY AND COMPLIANCE**

**Negative Fund Balances/Net Assets**

Fund balance/net assets at June 30, 2008, included the following individual fund deficits:

	<u>Deficit Fund Balance/ Net Assets</u>
<i>Special Revenue Funds:</i>	
Entry Year Programs	\$ 32
EHA Preschool	3,309
 <i>Enterprise Funds:</i>	
Food Service	39,406
Adult and Community Education	6,539

The deficit in the special revenue funds resulted from accrued liabilities. The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

The enterprise funds had deficits in net assets. Management is analyzing the operations to determine appropriate steps to alleviate the deficits.

**SOLON CITY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(CONTINUED)**

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**NOTE 4: CHANGES IN ACCOUNTING PRINCIPLES**

In June 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension Plans*. The School District has determined that the adoption of this statement did not have an impact on the School District's financial statements; however, note disclosures related to postemployment benefits have been modified.

The following other pronouncements have been issued by the GASB and have been adopted by the School District; however, the School District has not incurred any of the transactions described below and as a result there has been no impact on the School District's financial statements or note disclosures for the current period:

- In September 2006, the GASB issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*.
- In May 2007, the GASB issued Statement No. 50, *Pension Disclosures*.

**NOTE 5: BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the fund liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Proceeds from and principal payment on short-term note obligations are reported on the operating statement (budget) rather than on the balance sheet (GAAP).

**SOLON CITY SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
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 (CONTINUED)**

NOTE 5: **BUDGETARY BASIS OF ACCOUNTING** (Continued)

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Net Change in Fund Balance	
GAAP Basis	\$ 4,103,455
Net Adjustment for Revenue Accruals	(841,852)
Net Adjustments for Expenditure Accruals	(472,967)
Adjustment for Encumbrances	(11,496)
Budget Basis	\$ 2,777,140

NOTE 6: **DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the School District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts including passbook accounts.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury notes, bills, bonds, or any other obligations or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;

**SOLON CITY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(CONTINUED)**

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NOTE 6: **DEPOSITS AND INVESTMENTS** (Continued)

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds or other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or division (2) of this section and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAROhio);
8. Bankers' acceptances and commercial paper, if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

*Cash on Hand*

At June 30, 2008, the School District had \$2,350 in undeposited cash on hand, which is included on the balance sheet of the School District as part of "Equity in Pooled Cash and Cash Equivalents".

*Deposits*

At June 30, 2008, the carrying amount of the School District's deposits was \$15,798,621 and the bank balance was \$17,166,465. As of June 30, 2008, \$600,000 of the School District's bank balance was covered by Federal Depository Insurance and \$16,566,465 was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in the School District's name.

**SOLON CITY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(CONTINUED)**

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NOTE 6: **DEPOSITS AND INVESTMENTS** (Continued)

*Deposits* (Continued)

Although the securities were held by the pledging institution's trust department and all statutory requirements for the investments of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposit may not be returned. The School District's policy is to place deposits with major local banks approved by the School District's Board of Education. All deposits, except for deposits held by fiscal and escrow agents, are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by Chapter 135 of the ORC, is held in financial institution pools at Federal Reserve banks, or at member banks of the Federal Reserve system in the name of the respective depository bank, and pledged as a pool of collateral against all of the public deposits it holds, or as specific collateral held at a Federal Reserve bank in the name of the School District.

*Investments*

The School District has a formal investment policy. The School District follows GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, and records all its investments at fair value. At June 30, 2008, fair value was \$53,952 below the School District's net cost for investments. At June 30, 2007, fair value was \$15,346 below net cost. Fair value is determined by quoted market prices and acceptable other pricing methodologies.

*Interest Rate Risk*

As a means of limiting its exposure to fair value of losses caused by rising interest rates, the School District's investment policy requires that operating funds be invested primarily in short-term investments maturing within five years from the date of purchase and that the School District's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

*Credit Risk*

The credit risk of the School District's investments are in the table below. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that would further limit its investment choices.

**SOLON CITY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(CONTINUED)**

NOTE 6: **DEPOSITS AND INVESTMENTS** (Continued)

*Custodial Credit Risk*

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The U.S. Agency notes are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the School District's name. The School District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

*Concentration of Credit Risk*

The School District places no limit on the amount it may invest in any one issuer. The School District's investment in U.S. Agency notes represents 87 percent of the School District's total investments. All other investments not explicitly guaranteed by the U.S. government are less than 13 percent of the School District's total investments.

Investments at year-end were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating (*)</u>	<u>Investment Maturities (in Years)</u>	
			<u>&lt; 1</u>	<u>1-5</u>
STAROhio	\$ 1,411,432	AAA	\$1,411,432	\$ 0
U.S. Agencies	9,836,776	AAAm	2,146,392	7,690,384
Total	<u>\$ 11,248,208</u>		<u>\$3,557,824</u>	<u>\$ 7,690,384</u>

\*Credit rating was obtained from Standard & Poor's for all investments.

NOTE 7: **PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis while the School District's fiscal year runs from July through June. First half tax collections are received by the School District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility, and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real

**SOLON CITY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2008**  
**(CONTINUED)**

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NOTE 7: **PROPERTY TAXES** (Continued)

property taxes are paid annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007, and are collected in 2008 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2007. Tangible personal property is being phased out. For 2007, tangible personal property tax was assessed at 12.5 percent for property, including inventory. This percentage was reduced to 6.25 percent for 2008 and will be reduced to zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30. This year, the June 2008 tangible personal property tax settlement was not received until July of 2008.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the School District due to the phasing out of the tax. In calendar years 2008-2010, the School District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The School District receives property taxes from Cuyahoga County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**SOLON CITY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(CONTINUED)**

**NOTE 7: PROPERTY TAXES** (Continued)

Accrued property taxes receivable includes real property, public utility property, and tangible personal property taxes which are measurable as of June 30, 2008, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2008 was \$6,220,146 in the general fund, \$464,415 in the bond retirement debt service fund, and \$173,859 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2007, was \$4,695,453 in the general fund, \$390,096 in the bond retirement debt service fund, and \$92,266 in the permanent improvement capital projects fund.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

The assessed values upon which the fiscal year 2008 taxes were collected are:

	<u>2007 Second-Half Collections</u>		<u>2008 First-Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 1,143,296,130	88.18%	\$ 1,148,114,670	94.65%
Public Utility Personal	21,309,740	1.64%	17,665,170	1.46%
Tangible Personal Property	<u>131,889,134</u>	<u>10.18%</u>	<u>47,210,936</u>	<u>3.89%</u>
	<u>\$1,296,495,004</u>	<u>100.00%</u>	<u>\$1,212,990,776</u>	<u>100.00%</u>
Tax Rate per \$1,000 of Assessed valuation	\$ 75.30		\$ 75.30	

**NOTE 8: RECEIVABLES**

Receivables at June 30, 2008, consisted of taxes, accounts (rent and student fees), interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.



**SOLON CITY SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
 (CONTINUED)**

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NOTE 8: **RECEIVABLES** (Continued)

A summary of the principal items of intergovernmental receivables follows:

	<u>Amounts</u>
Governmental Activities:	
St. Rita Elementary School	\$ 2,888
City of Solon	115,200
Total Governmental Activities	118,088
<b>Total Intergovernmental Receivables</b>	<b>\$ 118,088</b>

NOTE 9: **INTERFUND TRANSACTIONS**

Interfund balances on fund financial statements at June 30, 2008, consist of the following:

	<u>Receivable</u>	<u>Payable</u>
<b><u>Major Funds</u></b>		
General Fund	\$ 3,000	\$ 0
<b><u>Nonmajor Funds</u></b>		
Enterprise Funds	0	3,000
<b>Total Interfund Balances</b>	<b>\$ 3,000</b>	<b>\$ 3,000</b>

Monies were advanced from one fund to another to cover operating expenses until additional monies are received.

**SOLON CITY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2008**  
**(CONTINUED)**

**NOTE 10: CAPITAL ASSETS**

	Balance at 6/30/2007	Additions	Reductions	Balance at 6/30/2008
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 2,756,494	\$ 118,000	\$ 0	\$ 2,874,494
Construction in Progress	4,693,231	1,829,563	(6,430,739)	92,055
<i>Total Capital Assets, not being depreciated</i>	<u>7,449,725</u>	<u>1,947,563</u>	<u>(6,430,739)</u>	<u>2,966,549</u>
<i>Capital Assets, being depreciated:</i>				
Land Improvements	2,549,974	3,683,676	0	6,233,650
Buildings and Building Improvements	52,901,741	2,747,063	0	55,648,804
Furniture and Fixtures	12,047,627	1,687,858	(147,286)	13,588,199
Buses and Other Vehicles	3,584,396	375,915	(289,217)	3,671,094
Totals at Historical Cost	<u>71,083,738</u>	<u>8,494,512</u>	<u>(436,503)</u>	<u>79,141,747</u>
Less Accumulated Depreciation:				
Land Improvements	(2,139,811)	(364,337)	0	(2,504,148)
Buildings and Building Improvements	(17,432,042)	(913,871)	0	(18,345,913)
Furniture and Fixtures	(10,131,182)	(1,175,561)	147,286	(11,159,457)
Buses and Other Vehicles	(1,975,274)	(240,507)	289,217	(1,926,564)
Total Accumulated Depreciation	<u>(31,678,309)</u>	<u>(2,694,276)</u>	<u>436,503</u>	<u>(33,936,082)</u>
<i>Total Capital Assets being depreciated, net</i>	<u>39,405,429</u>	<u>5,800,236</u>	<u>0</u>	<u>45,205,665</u>
<b>Governmental Activities</b>				
<b>Capital Assets, Net</b>	<u>\$ 46,855,154</u>	<u>\$ 7,747,799</u>	<u>\$ (6,430,739)</u>	<u>\$ 48,172,214</u>
<b>Business-Type Activities</b>				
Equipment	\$ 603,313	\$ 0	\$ 0	\$ 603,313
Totals at Historical Cost	<u>603,313</u>	<u>0</u>	<u>0</u>	<u>603,313</u>
Less Accumulated Depreciation:				
Equipment	(491,554)	(27,163)	0	(518,717)
Total Accumulated Depreciation	<u>(491,554)</u>	<u>(27,163)</u>	<u>0</u>	<u>(518,717)</u>
<b>Business-Type Activities</b>				
<b>Capital Assets, Net</b>	<u>\$ 111,759</u>	<u>\$ (27,163)</u>	<u>\$ 0</u>	<u>\$ 84,596</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:		
Regular		\$ 1,484,028
Special		34,065
Vocational		10,451
Support Services:		
Pupils		65,981
Administration		21,562
Fiscal		6,566
Business		4,923
Operation and Maintenance of Plant		458,999
Pupil Transportation		219,102
Central		27,843
Operation of Non-Instructional Services		59,912
Extracurricular Activities		300,844
<b>Total Depreciation Expense</b>		<u>\$ 2,694,276</u>

Depreciation expense was charged to the following business-type activity:

Food Service	\$ 27,163
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**SOLON CITY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(CONTINUED)**

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**NOTE 11: CONTRACT COMMITMENTS**

As of June 30, 2008, the School District had contractual purchase commitments as follows:

<u>Project</u>	<u>Amount Outstanding</u>
Roof Project	\$ 107,700
Paving Projects	266,979
Window Replacement	<u>69,000</u>
<b>Total Contract Commitments</b>	<b><u>\$ 443,679</u></b>

**NOTE 12: RISK MANAGEMENT**

**A. Property and Liability**

The School District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. During fiscal year 2008, the School District contracted with the following insurance companies:

*This space intentionally left blank.*

**SOLON CITY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(CONTINUED)**

**NOTE 12: RISK MANAGEMENT**

**A. Property and Liability (Continued)**

<u>Company</u>	<u>Type of Coverage</u>	<u>Coverage</u>
Ohio Casualty Insurance Co.	Property Coverage:	
	Blanket Buildings and Contents	\$124,862,557
	Inland Marine:	
	Athletic and Other Equipment	200,000
	Musical Instruments	100,000
	Audio Visual Equipment	100,000
	Fine Arts	100,000
	Signs	10,000
	Shop Dwellings	100,000
	Commercial Crime Coverage:	
	Theft, Disappearance, and Destruction	30,000
	Robbery and Safe Burglary	25,000
	Computer Fraud	25,000
	Forgery or Alterations	25,000
	Employee Dishonesty	100,000
	Flood Coverage	1,000,000
	Commercial Computer Coverage:	
	Equipment	2,723,077
	Extra Expense	5,000
	Equipment Breakdown Coverage:	
	Hazardous Substances	25,000
	CFC Refrigerants	100,000
	Auto Liability	1,000,000
	Uninsured Motorist	250,000
	Commercial General Liability:	
	Each Occurrence	1,000,000
	Damages to Premises Rented	300,000
	Medical Expense Limit	15,000
	Personal and Advertising Injury	1,000,000
	General Aggregate	2,000,000
	Products/Completed Operations Aggregate	2,000,000
	Employers Stop Gap Liability:	
	Bodily Injury by Accident	1,000,000
	Bodily Injury by Accident	2,000,000
	Aggregate Limit	2,000,000
	School Leaders Errors and Omissions:	
	Each Wrongful Act Limit	1,000,000
	Aggregate Limit	1,000,000
	Aggregate Defense Expense	100,000
	Sexual Misconduct and Molestation Liability:	
	Each Loss Limit	1,000,000
	Aggregate Limit	1,000,000
	Innocent Party Aggregate Defense Expense	300,000
	Employee Benefits Liability:	
	Employee Benefits Injury	
	(Each employee limit)	1,000,000
	(Aggregate limit)	3,000,000
	Umbrella	5,000,000

Settled claims have not exceeded this commercial coverage in any of the last three years. There has not been a significant reduction in coverage from the prior year.

**SOLON CITY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(CONTINUED)**

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NOTE 12: **RISK MANAGEMENT** (Continued)

**B. Employee Benefits**

The School District has elected to contract with Medical Mutual of Ohio as a program administrator to provide medical benefits for employees through a self-insured program. These benefits are accounted for in the internal service fund. An excess coverage insurance (stop loss) policy covers claims in excess of \$100,000 per employee.

The internal service fund pays for the costs of providing claims servicing and claims payment. The premium charged for family coverage is \$1,212 and single coverage is \$394 per month for classified employees and certified employees. The benefits that are included in this lump sum premium are medical, dental, vision, and life insurance.

The claims liability of \$1,524,300 reported in the internal service fund at June 30, 2008, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30, which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. The balance of claims payable at June 30, 2008 represents an estimate of the liability for unpaid claims costs provided by Medical Mutual of Ohio. In fiscal year 2008, the School District paid \$602,479 in administrative costs and stop loss payments. Changes in the claims liability for 2006 through 2008 were:

	<u>Beginning Balance</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Ending Balance</u>
June 30, 2006	\$ 1,415,000	\$ 5,290,152	\$ 5,226,152	\$ 1,479,000
June 30, 2007	\$ 1,479,000	\$ 5,916,781	\$ 5,897,181	\$ 1,498,600
June 30, 2008	\$ 1,498,600	\$ 5,910,791	\$ 5,885,091	\$ 1,524,300

**SOLON CITY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(CONTINUED)**

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NOTE 12: **RISK MANAGEMENT** (Continued)

C. **Workers' Compensation**

For fiscal year 2008, the School District participated in the Ohio Schools' Council Workers' Compensation Group Rating Program (the Plan), an insurance purchasing pool (Note 17). The Plan is intended to reduce premiums for the participants. The Workers' Compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan.

Each participant pays its Workers' Compensation premium to the State based on the rate for the Plan rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the Plan. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This equity pooling arrangement insures that each participant shares equally in the overall performance of the Plan. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria. The school districts apply for participation each year. Each year, the School District pays an enrollment fee to the Plan to cover costs of administering the program.

NOTE 13: **DEFINED BENEFIT PENSION PLANS**

A. **School Employee Retirement System**

*Plan Description* - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

**SOLON CITY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(CONTINUED)**

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NOTE 13: **DEFINED BENEFIT PENSION PLANS** (Continued)

A. **School Employee Retirement System** (Continued)

*Funding Policy* - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007, and 2006 were \$974,171, \$922,423, and \$868,025, respectively. 57.71 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. **State Teachers Retirement System**

*Plan Description* - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple- employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans: a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. A member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit

**SOLON CITY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(CONTINUED)**

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NOTE 13: **DEFINED BENEFIT PENSION PLANS** (Continued)

**B. State Teachers Retirement System** (Continued)

payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

***Funding Policy*** - For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the STRS Plan for the fiscal years ended June 30, 2008, 2007, and 2006, were \$4,100,399, \$3,908,976, and \$3,750,663, respectively; 88.81 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$42,109 made by the School District and \$88,839 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2008, three members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.



**SOLON CITY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(CONTINUED)**

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**NOTE 14: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS**

**A. School Employee Retirement System**

***Plan Description*** - The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan, and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMOs, PPOs, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

***Funding Policy*** - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$182,451.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility, and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$315,415, \$300,690, and \$288,513, respectively. 88.81 percent has been contributed for 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$62,026, \$58,731, and \$57,470, respectively. 53.01 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**SOLON CITY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(CONTINUED)**

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NOTE 14: **POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS**  
(Continued)

**B. State Teachers Retirement System**

*Plan Description* - The School District contributes to the cost-sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

*Funding Policy* - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006, were \$423,257, \$400,243, and \$387,214, respectively; 53.81 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

NOTE 15: **OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn 10 to 25 days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Upon retirement, payment is made to classified employees for 100 percent of the total sick leave accumulation, up to a maximum accumulation of 100 days, and for one-fourth of the remaining accumulated sick leave with a maximum accumulation of 150 days. Upon retirement, payment is made to teachers and administrators for 100 percent of total sick leave accumulation, with a maximum accumulation of 75 days.

**SOLON CITY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(CONTINUED)**

NOTE 15: **OTHER EMPLOYEE BENEFITS** (Continued)

**B. Retirement Incentive**

Starting in fiscal year 2002, the School District offered a one-time retirement incentive payment of 75 percent of the employee's current salary to eligible certified employees. The certified employee who retires with 30 years of service and is immediately eligible to receive benefits from STRS will be paid the retirement incentive.

At June 30, 2008, the School District's retirement payout liability was \$607,790.

NOTE 16: **LONG-TERM OBLIGATIONS**

Changes in long-term obligations of the School District during fiscal year 2008 were as follows:

	Principal Outstanding at 6/30/07	Additions	Deletions	Principal Outstanding at 6/30/08	Amounts Due in One Year
<b>Governmental Activities</b>					
<b>General Obligation Bonds</b>					
1989 \$2,850,000 School Improvement Bonds - 6.90%	\$ 705,000	\$ 0	\$ 220,000	\$ 485,000	\$ 235,000
1993 \$19,699,962 Refunding School Improvement Bonds - 2.8-6.76%	538,397	0	289,632	248,765	248,765
1997 \$6,000,000 School Improvement Bonds - 5.3%	4,260,000	0	280,000	3,980,000	305,000
2001 \$7,000,000 School Improvement Bonds - 4-5.125%	5,600,000	0	290,000	5,310,000	300,000
2003 \$6,000,000 School Improvement Bonds - 2.0-5.00%	5,335,000	0	235,000	5,100,000	240,000
2004 \$5,070,000 Refunding Bonds 4%	5,020,000	0	25,000	4,995,000	25,000
2005 \$4,000,000 School Improvement Bonds - 3.2-4.00%	3,870,000	0	140,000	3,730,000	150,000
<b>Total General Obligation Bonds</b>	<u>25,328,397</u>	<u>0</u>	<u>1,479,632</u>	<u>23,848,765</u>	<u>1,503,765</u>
<b>Other General Long-Term Obligations</b>					
Unamortized Bond Premium	268,998	0	33,297	235,701	33,297
Compensated Absences	5,684,211	3,622,189	755,721	8,550,679	743,759
<b>Total Other General Long-Term Obligations</b>	<u>5,953,209</u>	<u>3,622,189</u>	<u>789,018</u>	<u>8,786,380</u>	<u>777,056</u>
<b>Total Governmental Long-Term Liabilities</b>	<u>\$ 31,281,606</u>	<u>\$ 3,622,189</u>	<u>\$ 2,268,650</u>	<u>\$32,635,145</u>	<u>\$ 2,280,821</u>
<b>Business-Type Activities</b>					
Compensated Absences	\$ 98,109	\$ 8,341	\$ 14,597	\$ 91,853	\$ 15,035

In 1989, the School District issued \$2,850,000 in general obligation bonds at 6.9 percent with maturity date on December 1, 2009. On February 15, 1997, the School District issued \$6,000,000 with an interest rate of 3.6 to 5.5 percent, maturity date on December 1, 2016. On May 1, 2001, the School District issued \$7,000,000, 4.0 to 5.13 percent general obligation bonds with maturity date on June 30, 2020.

**SOLON CITY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(CONTINUED)**

NOTE 16: **LONG-TERM OBLIGATIONS** (Continued)

On July 1, 1993 the School District issued \$19,699,962 of general obligation bonds for the purpose of advance refunding \$20,400,000 school improvement bonds. The refunding bonds have interest rates ranging from 2.8 percent to 5.3 percent and maturity date on June 30, 2013. The refunded school improvement bonds plus accrued interest are considered defeased and were fully retired on December 1, 2001.

On December 1, 2003, the School District issued \$6,000,000 of general obligation bonds with interest rates ranging from 2.0 to 5.0 percent, payable semiannually. The bond maturity date is December 1, 2023. Principal payments commenced on December 1, 2004.

On December 22, 2005, the School District issued \$4,000,000 of school improvement bonds for the purpose of renovating, remodeling, adding to, furnishing, equipping, and otherwise improving school facilities and acquiring and improving School District sites. The school improvement bonds have interest rates ranging from 3.2 to 4.0 percent, payable semiannually, with maturity date on December 1, 2025.

All the general obligation bonds are issued to fund various school improvements and will be repaid from property taxes in the debt service fund.

Compensated absences will be paid from the funds where the employee's salary is paid.

The School District's overall legal debt margin was \$87,551,624 with an unvoted debt margin of \$1,212,991 at June 30, 2008. Principal and interest requirements to retire the bonds outstanding at June 30, 2008 are as follows:

Fiscal Year <u>Ending June 30</u>	<u>General Obligation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 1,503,765	\$ 1,915,254	\$ 3,419,019
2010	2,305,000	988,993	3,293,993
2011	2,085,000	904,121	2,989,121
2012	2,135,000	822,191	2,957,191
2013	2,245,000	723,978	2,968,978
2014-2018	7,700,000	2,267,229	9,967,229
2019-2023	4,610,000	798,091	5,408,091
2024-2026	1,265,000	68,025	1,333,025
Total	<u>\$ 23,848,765</u>	<u>\$ 8,487,882</u>	<u>\$ 32,336,647</u>

**SOLON CITY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(CONTINUED)**

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NOTE 16: **LONG-TERM OBLIGATIONS** (Continued)

**Defeased Debt**

In 1993 and 2004, the School District has defeased the School Improvement Refunding Bond by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. Government Securities that were placed in the trust fund. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the School District's government-wide financial statements. The remaining amount of the original debt was removed from the liabilities in the current year. As of June 30, 2008, the amount of defeased debt outstanding but removed from the financial statements amounted to \$5,085,000.

NOTE 17: **JOINTLY GOVERNED ORGANIZATION**

The Ohio Schools' Council Association (Council) is a jointly governed organization among 121 school districts. The jointly governed organization was formed to bring quality products and services at the lowest possible cost to the member districts. The Council sponsors a Workers' Compensation Group Rating Plan, which is an insurance purchasing pool. Each district supports the Council by paying an annual participation fee. The Council's Board consists of seven superintendents of the participating districts whose terms rotate every year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 2008, the School District paid \$3,912 to the Council. Financial information can be obtained by contacting David A. Cottrell, the Executive Director/Treasurer of the Ohio Schools' Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

The School District participates in the Council's electric purchase program which will end December 31, 2008. This program allows school districts to purchase electricity at reduced rates, if the school districts will commit to participating for an eight year period. The participants make monthly payments based on estimated usage. Each June these estimated payments are compared to their actual usage for the year and any necessary adjustments are made.

Energy Acquisition Corporation, a non-profit corporation with a self-appointing board, issued \$119,140,000 in debt to prepurchase eight years of electricity from Cleveland Electric Illuminating (CEI) for the participants. The participating school districts are not obligated in any manner for this debt. If a participating school district terminates its agreement, the School District is required to repay the savings to CEI and CEI will refund the remaining prepayment related to that participant to Energy Acquisition Corporation.

**SOLON CITY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(CONTINUED)**

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NOTE 17: **JOINTLY GOVERNED ORGANIZATION** (Continued)

The School District also participates in the Council's prepaid natural gas program which was implemented during fiscal year 1999. This program allows school districts to purchase natural gas at reduced rates, if the school districts will commit to participating for a twelve year period. The participants make monthly payments based on estimated usage. Each month these estimated payments are compared to their actual usage and any necessary adjustments are made.

The City of Hamilton, a municipal corporation and political subdivision duly organized and existing under the laws of the State of Ohio, issued \$89,450,000 in debt to purchase twelve years of natural gas from CMS Energy Corporation for their participants. The participating school districts are not obligated in any manner for this debt. If a participating school district terminates its agreement, the district is entitled to recover that amount, if any, of its contributions to the operating fund which are not encumbered for its share of program administrative costs.

NOTE 18: **CONTINGENCIES**

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2008.

NOTE 19: **SET ASIDE REQUIREMENTS**

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

The following cash basis information describes the change in the fiscal year-end set-aside amounts for textbooks and capital acquisitions. Disclosure of this information is required by State statute.

**SOLON CITY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(CONTINUED)**

NOTE 19: **SET ASIDE REQUIREMENTS** (Continued)

	<u>Capital Improvements Reserve</u>	<u>Textbooks/ Instructional Materials Reserve</u>
Set-Aside Reserve Balances as of June 30, 2007	\$ 0	\$ (120,290)
Current Year Set-Aside Requirements	845,393	845,393
Current Year Offsets	(1,242,273)	0
Qualifying Disbursements	<u>0</u>	<u>(1,016,681)</u>
Totals	<u>\$ (396,880)</u>	<u>\$ (291,578)</u>
Set-Aside Balance Carried Forward to Future Fiscal Years	<u>\$ 0</u>	<u>\$ (291,578)</u>
Cash Balance Carried Forward to Fiscal Year 2009	<u>\$ 0</u>	<u>\$ 0</u>

The School District had current year offsets during the fiscal year that reduced the textbook set-aside amount below zero. This extra amount may be used to reduce the set-aside requirements of future fiscal years. Although the School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital improvements set-aside, this amount may not be used to reduce the set-aside requirement for future years. The negative balance is therefore not presented as being carried forward to future years.

NOTE 20: **PAYMENT IN LIEU OF TAXES**

**Foreign Trade Zone and Community and Reinvestment Area Tax Abatements**

In March 2004, Swagelok Company, located within the School District's limits, applied for and received an activated permanent General Purpose Foreign Trade Zone and a Community Reinvestment Area Tax Abatement in connection with a proposed expansion project. In connection with the above, the School District entered into a Revenue Sharing Agreement with the City of Solon to compensate the School District for a loss of anticipated revenues resulting from the Community Reinvestment Area and Foreign Trade Zone tax exemptions. Swagelok Company has also agreed to make payments in lieu of taxes to the School District for a portion of the loss of anticipated revenue resulting from the property tax exemptions. The School District will receive \$50,000 per year from the Swagelok Company through the year 2014.

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**SOLON CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**Schedule of Federal Awards Receipts and Expenditures  
For the Fiscal Year Ended June 30, 2008**

<u>Federal Grantor Pass-Through Grantor Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Receipts</u>	<u>Federal Non-Cash Receipts</u>	<u>Federal Expenditures</u>	<u>Federal Non-Cash Expenditures</u>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>					
Passed through Ohio Department of Education:					
Title I Grants to Local Educational Agencies	84.010	\$ -	\$ -	\$ 102	\$ -
Title I Grants to Local Educational Agencies	84.010	<u>133,132</u>	<u>-</u>	<u>133,132</u>	<u>-</u>
		133,132	-	133,234	-
Special Education Cluster:					
Special Education - Grants to States	84.027	53,699	-	172,069	-
Special Education - Grants to States	84.027	<u>932,460</u>	<u>-</u>	<u>932,460</u>	<u>-</u>
Total Special Education - Grants to States		986,159	-	1,104,529	-
Special Education - Preschool Grants	84.173	2,257	-	5,455	-
Special Education - Preschool Grants	84.173	<u>26,437</u>	<u>-</u>	<u>26,422</u>	<u>-</u>
Total Special Education Preschool Grants		<u>28,694</u>	<u>-</u>	<u>31,877</u>	<u>-</u>
Total Special Education Cluster		1,014,853	-	1,136,406	-
Safe and Drug-Free Schools and Communities	84.186	11,090	-	11,090	-
Education Technology State Grants	84.318	1,338	-	1,338	-
English Language Acquisition Grants	84.365	31,312	-	31,312	-
Improving Teacher Quality State Grants	84.367	-	-	375	-
Improving Teacher Quality State Grants	84.367	-	-	28,047	-
Improving Teacher Quality State Grants	84.367	<u>87,425</u>	<u>-</u>	<u>82,401</u>	<u>-</u>
Total Improving Teacher Quality State Grants		87,425	-	110,823	-
Title V Innovative Programs	84.298	-	-	4,540	-
Title V Innovative Programs	84.298	<u>12,551</u>	<u>-</u>	<u>8,114</u>	<u>-</u>
Total Innovative Programs		12,551	-	12,654	-
Refugee and Entrant Assistance Discretionary Grant	93.576	<u>-</u>	<u>-</u>	<u>4,700</u>	<u>-</u>
<b>Total U.S. Department of Education</b>		1,291,701	-	1,441,557	-
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>					
Passed Through Ohio Department of Education:					
Food Distribution	10.550	-	28,014	-	28,014
National School Lunch Program	10.555	<u>132,975</u>	<u>-</u>	<u>132,975</u>	<u>-</u>
<b>Total U.S. Department of Agriculture</b>		<u>132,975</u>	<u>28,014</u>	<u>132,975</u>	<u>28,014</u>
<b>Total Federal Financial Assistance</b>		<u><u>\$ 1,424,676</u></u>	<u><u>\$ 28,014</u></u>	<u><u>\$ 1,574,532</u></u>	<u><u>\$ 28,014</u></u>

The accompanying notes are an integral part of the Schedule of Federal Award Receipts and Expenditures.

**SOLON CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY  
FISCAL YEAR ENDED JUNE 30, 2008**

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (Schedule) includes the federal grant activity of the District and is presented on the basis of cash receipts and disbursements. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

**NOTE B - NATIONAL SCHOOL LUNCH PROGRAM**

Federal receipts from the U.S. Department of Agriculture are commingled with State grants and local revenues. It is assumed that federal monies are expended first.

**NOTE C - FOOD DISTRIBUTION**

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the schedule at the fair market value of the commodities received and consumed. For the year ending June 30, 2008, the District expended food commodities valued at \$28,014.

CFDA – Catalog of Federal Domestic Assistance



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Solon City School District  
Cuyahoga County  
33800 Inwood Road  
Solon, Ohio 44139

To the Board of Education:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Solon City School District, Cuyahoga County, Ohio (the District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 26, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted certain matters that we reported to the District's management in a separate letter dated February 26, 2009.

### **Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain noncompliance or other matters that we reported to the District's management in a separate letter dated February 26, 2009.

We intend this report solely for the information and use of the audit committee, management, Board of Education, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

February 26, 2009



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO ITS MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Solon City School District  
Cuyahoga County  
33800 Inwood Road  
Solon, Ohio 44139

To the Board of Education:

### Compliance

We have audited the compliance of Solon City School District, Cuyahoga County, Ohio (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended June 30, 2008. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the Solon City School District, Cuyahoga County, complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2008.

### Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that the District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We intend this report solely for the information and use of the audit committee, management, Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

February 26, 2009

**SOLON CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2008**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	No
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Special Education Cluster: CFDA #84.027 and #84.173
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None







**Mary Taylor, CPA**  
Auditor of State

**OLON CITY SCHOOL DISTRICT**

**CUYAHOGA COUNTY**

**CLERK'S CERTIFICATION**

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 16, 2009**