

**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  
Solon, Ohio 44139

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, Ohio (the District), as of and for the year ended June 30, 2009, 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, Ohio, as of June 30, 2009, 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 March 5, 2010, 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

March 5, 2010

**SOLON CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

The management's discussion and analysis of Solon City School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2009 are as follows:

- The District restated beginning net assets as described in Note 3.D. In total, net assets decreased \$2,373,399. Net assets of governmental activities decreased \$2,414,396, which represents a 7.25% decrease from 2008. Net assets of business-type activities increased \$40,997 or 23.51% from 2008.
- General revenues for governmental activities, accounted for \$65,558,000 in revenue or 94.13% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$4,085,543 or 5.87% of total governmental activities revenues of \$69,643,543.
- The District had \$71,931,939 in expenses related to governmental activities; only \$4,085,543 of these expenses was offset by program specific charges for services or grants and contributions. General revenues, supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$65,558,000 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund, debt service fund and permanent improvement fund. The general fund had \$62,800,457 in revenues and other financing sources and \$64,056,856 in expenditures and other financing uses. The general fund's fund balance decreased \$1,256,399 from \$10,301,803 to \$9,045,404.
- The debt service fund had \$3,291,885 in revenues and \$3,472,237 in expenditures. The debt service fund's fund balance decreased \$180,352 from \$2,231,210 to \$2,050,858.
- The permanent improvement fund had \$2,217,426 in revenues and \$2,428,116 in expenditures. The permanent improvement fund's fund balance decreased \$210,690 from \$8,735,988 to \$8,525,298.
- The District's nonmajor enterprise funds are the food service fund, uniform school supplies and adult education fund. The food service fund had \$1,800,551 in revenues and transfers in and \$1,770,656 in expenses. The food services fund net assets increased \$29,895 from \$158,053 to \$187,948.
- The District's other nonmajor enterprise fund is the uniform school supplies fund. The uniform school supplies fund had \$99,381 in revenues and \$80,518 in expenses. The uniform school supplies fund net assets increased \$18,863 from \$22,897 to \$41,760.
- The District's other nonmajor enterprise fund is the adult education fund. The adult education fund had \$153,829 in revenues and transfers in and \$161,590 in expenses. The adult education fund net assets deficit increased \$7,761 from \$(6,539) to \$(14,300).

**SOLON CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**Using the Basic Financial Statements (BFS)**

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 District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *statement of net assets* and *statement of activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. 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 District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund, debt service fund and permanent improvement fund are by far the most significant funds, and the only governmental funds reported as major funds.

**Reporting the District as a Whole**

**Statement of net assets and the statement of activities**

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2009?" The statement of net assets and the statement of activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the *financial position* of the 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 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 the statement of activities, the District is divided into two distinct kinds of activities:

Governmental Activities - Most of the 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 or a significant portion of the expenses of the goods or services provided. The District's adult education programs, uniform school supplies and food service operations are reported as business-type activities.

The District's statement of net assets and statement of activities can be found on pages 15-17 of this report.



**SOLON CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

**Fund Financial Statements**

The analysis of the District's major governmental funds begins on page 10. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund, debt service fund and permanent improvement fund.

**Governmental Funds**

Most of the 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 an accounting method called *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 District's general governmental 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 the Statement of Activities) and governmental *funds* are reconciled in the financial statements. The basic governmental fund financial statements can be found on pages 18-22 of this report.

**Proprietary Funds**

Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match information provided in the statements for the District as a whole. The basic proprietary fund financial statements can be found on pages 23-25 of this report.

**Reporting the District's Fiduciary Responsibilities**

The District acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in agency funds. The District's fiduciary activities are reported in a separate statement of fiduciary net assets on page 26. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

**Notes to the Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 27-62 of this report.

**SOLON CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

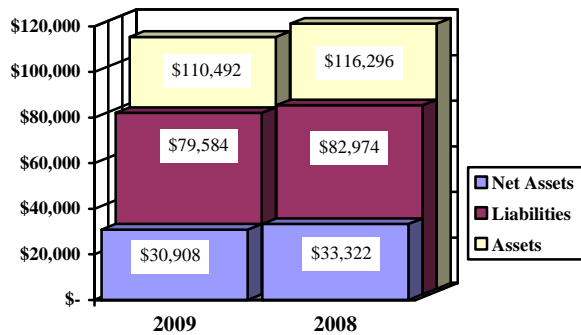
**The District as a Whole**

During 2009, the District restated net assets as described in Note 3.D. The statement of net assets provides the perspective of the District as a whole. The table below provides a summary of the District's net assets for 2009 and 2008.

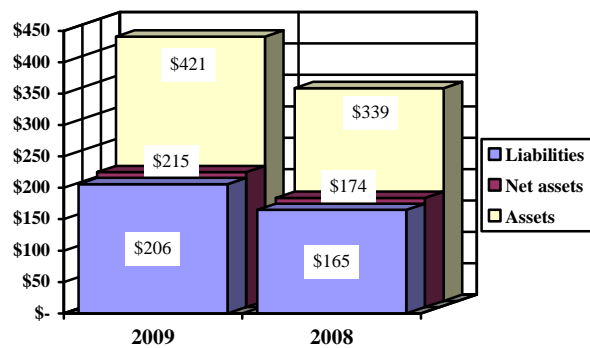
	<b>Net Assets</b>				<b>Total</b>	
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>			
	2009	Restated 2008	2009	Restated 2008	2009	Restated 2008
<b><u>Assets</u></b>						
Current assets	\$73,497,815	\$78,247,299	\$ 143,636	\$ 57,306	\$73,641,451	\$78,304,605
Capital assets	36,993,903	38,048,960	277,730	282,055	37,271,633	38,331,015
Total assets	<u>110,491,718</u>	<u>116,296,259</u>	<u>421,366</u>	<u>339,361</u>	<u>110,913,084</u>	<u>116,635,620</u>
<b><u>Liabilities</u></b>						
Current liabilities	47,803,300	50,339,067	104,525	73,097	47,907,825	50,412,164
Long-term liabilities	<u>31,780,767</u>	<u>32,635,145</u>	<u>101,433</u>	<u>91,853</u>	<u>31,882,200</u>	<u>32,726,998</u>
Total liabilities	<u>79,584,067</u>	<u>82,974,212</u>	<u>205,958</u>	<u>164,950</u>	<u>79,790,025</u>	<u>83,139,162</u>
<b><u>Net Assets</u></b>						
Invested in capital assets, net of debt	14,446,499	14,200,195	277,730	282,055	14,724,229	14,482,250
Restricted	12,348,115	11,093,598	-	-	12,348,115	11,093,598
Unrestricted (deficit)	<u>4,113,037</u>	<u>8,028,254</u>	<u>(62,322)</u>	<u>(107,644)</u>	<u>4,050,715</u>	<u>7,920,610</u>
Total net assets (deficit)	<u>\$30,907,651</u>	<u>\$33,322,047</u>	<u>\$ 215,408</u>	<u>\$ 174,411</u>	<u>\$31,123,059</u>	<u>\$33,496,458</u>

Total net assets of the District decreased by \$2,373,399, governmental activities net assets decreased \$2,414,396 and business-type activities net assets increased \$40,997. Total assets of the District's governmental activities decreased \$5,804,541 from June 30, 2008.

**Governmental – Net Assets (Amounts in 000's)**



**Business-Type – Net Assets (Amounts in 000's)**



**SOLON CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

The table below shows the changes in net assets for fiscal year 2009 and 2008.

	<b>Change in Net Assets</b>					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
<b><u>Revenues</u></b>						
Program revenues:						
Charges for services and sales	\$ 1,857,633	\$ 2,453,185	\$ 1,704,143	\$ 1,614,136	\$ 3,561,776	\$ 4,067,321
Operating grants and contributions	2,191,066	1,777,836	202,998	143,125	2,394,064	1,920,961
Capital grants and contributions	36,844	18,825	-	-	36,844	18,825
General revenues:						
Property taxes	47,793,161	53,488,811	-	-	47,793,161	53,488,811
Grants and entitlements	16,201,551	14,079,103	-	-	16,201,551	14,079,103
Payment in lieu of taxes	685,000	524,274	-	-	685,000	524,274
Investment earnings	648,565	1,218,276	3,770	6,772	652,335	1,225,048
Gain on disposal of capital assets	35,572	-	-	-	35,572	-
Other	194,151	226,816	16,850	22,596	211,001	249,412
Total revenues	<u>69,643,543</u>	<u>73,787,126</u>	<u>1,927,761</u>	<u>1,786,629</u>	<u>71,571,304</u>	<u>75,573,755</u>
<b><u>Expenses</u></b>						
Program expenses:						
Instruction:						
Regular	35,669,330	35,612,175	-	-	35,669,330	35,612,175
Special	7,490,643	7,072,159	-	-	7,490,643	7,072,159
Vocational	646,877	717,965	-	-	646,877	717,965
Other	464,329	453,966	-	-	464,329	453,966
Support services:						
Pupil	4,234,929	4,348,900	-	-	4,234,929	4,348,900
Instructional staff	1,800,774	691,593	-	-	1,800,774	691,593
Board of Education	43,196	56,883	-	-	43,196	56,883
Administration	3,668,782	3,295,078	-	-	3,668,782	3,295,078
Fiscal	1,488,259	1,442,366	-	-	1,488,259	1,442,366
Business	1,138,065	989,822	-	-	1,138,065	989,822
Operations and maintenance	7,385,525	6,725,972	-	-	7,385,525	6,725,972
Pupil transportation	3,041,654	3,459,852	-	-	3,041,654	3,459,852
Central	1,040,684	1,016,368	-	-	1,040,684	1,016,368
Operation of non-instructional services	430,313	388,324	-	-	430,313	388,324
Extracurricular activities	1,658,882	2,536,935	-	-	1,658,882	2,536,935
Other	-	3,281	-	-	-	3,281
Interest and fiscal charges	1,729,697	2,007,570	-	-	1,729,697	2,007,570
Food service	-	-	1,770,656	1,616,760	1,770,656	1,616,760
Uniform school supplies	-	-	80,518	96,830	80,518	96,830
Adult education	-	-	161,590	165,583	161,590	165,583
Total expenses	<u>71,931,939</u>	<u>70,819,209</u>	<u>2,012,764</u>	<u>1,879,173</u>	<u>73,944,703</u>	<u>72,698,382</u>
Transfers	(126,000)	(95,000)	126,000	95,000	-	-
Changes in net assets	(2,414,396)	2,872,917	40,997	2,456	(2,373,399)	2,875,373
Net assets at beginning of year (restated)	<u>33,322,047</u>	<u>30,449,130</u>	<u>174,411</u>	<u>171,955</u>	<u>33,496,458</u>	<u>30,621,085</u>
Net assets at end of year	<u>\$ 30,907,651</u>	<u>\$ 33,322,047</u>	<u>\$ 215,408</u>	<u>\$ 174,411</u>	<u>\$ 31,123,059</u>	<u>\$ 33,496,458</u>

**SOLON CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

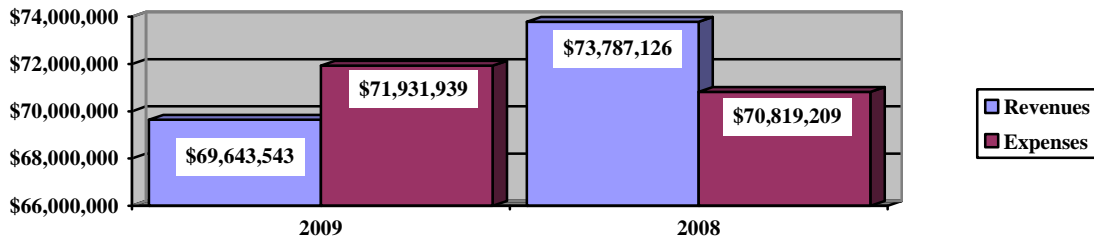
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**Governmental Activities**

The net assets of the District's governmental activities decreased \$2,414,396. Total governmental expenses of \$71,931,939 were offset by program revenues of \$4,085,543 and general revenues of \$65,558,000. Program revenues supported 5.68% of the total governmental expenses. The decrease in governmental activities net assets is primarily due to the increase of expenses namely in the area of personnel costs. Regular instruction and support services – instructional staff expenses all increased as a result of wage and benefit increases. Operations and maintenance expenses increased from 2008 due to increased repair and utility costs. The District experienced an increase in operating grants and contributions in 2009 due to increased funding from the State of Ohio related to special and vocational instruction.

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These two revenue sources represent 91.89% of total governmental revenue. Real estate property is reappraised every six years. The graph below presents the District's governmental activities revenue and expenses for fiscal years 2009 and 2008.

**Governmental Activities - Revenues and Expenses**



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2009 and 2008. It identifies the cost of services supported by tax revenue and restricted State grants and entitlements.

**Governmental Activities**

	Total Cost of Services <u>2009</u>	Net Cost of Services <u>2009</u>	Total Cost of Services <u>2008</u>	Net Cost of Services <u>2008</u>
<b>Program expenses</b>				
Instruction:				
Regular	\$ 35,669,330	\$ 34,070,929	\$ 35,612,175	\$ 34,498,670
Special	7,490,643	7,355,516	7,072,159	7,072,159
Vocational	646,877	638,581	717,965	717,965
Other	464,329	464,329	453,966	453,966

**SOLON CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

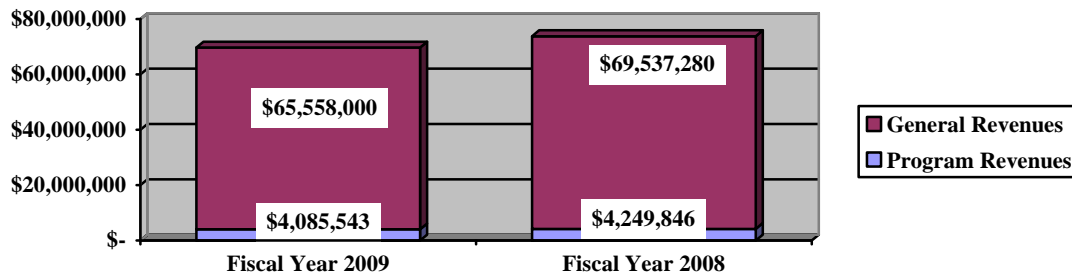
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	Total Cost of Services <u>2009</u>	Net Cost of Services <u>2009</u>	Total Cost of Services <u>2008</u>	Net Cost of Services <u>2008</u>
Support services:				
Pupil	4,234,929	3,185,835	4,348,900	3,235,032
Instructional staff	1,800,774	1,724,543	691,593	448,993
Board of Education	43,196	43,196	56,883	56,883
Administration	3,668,782	3,668,782	3,295,078	3,167,470
Fiscal	1,488,259	1,488,259	1,442,366	1,442,366
Business	1,138,065	1,138,065	989,822	989,822
Operations and maintenance	7,385,525	7,204,536	6,725,972	6,725,972
Pupil transportation	3,041,654	2,883,772	3,459,852	3,441,027
Central	1,040,684	1,004,577	1,016,368	944,626
Operation of non-instructional services	430,313	73,880	388,324	61,190
Extracurricular activities	1,658,882	1,171,899	2,536,935	1,302,371
Other	-	-	3,281	3,281
Interest and fiscal charges	<u>1,729,697</u>	<u>1,729,697</u>	<u>2,007,570</u>	<u>2,007,570</u>
<b>Total expenses</b>	<b><u>\$ 71,931,939</u></b>	<b><u>\$ 67,846,396</u></b>	<b><u>\$ 70,819,209</u></b>	<b><u>\$ 66,569,363</u></b>

The dependence upon general revenues during fiscal year 2009 for governmental activities is apparent, as 96.07% of 2009 instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 94.32% in 2009. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio, as a whole, are the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2009 and 2008.

**Governmental Activities - General and Program Revenues**



**Business-Type Activities**

Business-type activities include adult education, uniform school supplies and the food service operation. These programs had revenues of \$1,927,761, expenses of \$2,012,764 and transfers in of \$126,000 for fiscal year 2009. During fiscal year 2009, the District began evaluating measures to increase revenues and reduce expenses in these programs. The District's business-type activities receive no support from local or State tax revenues.

**SOLON CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**The District's Funds**

During 2009 the District restated fund balances as describe in Note 3.C. The District's governmental funds (as presented on the balance sheet on page 18) reported a combined fund balance of \$21,250,051, which is below last year's restated total of \$23,289,803. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2009 and 2008.

	Fund Balance <u>June 30, 2009</u>	Restated Fund Balance <u>June 30, 2008</u>	<u>(Decrease)</u>	<u>Percentage Change</u>
General	\$ 9,045,404	\$ 10,301,803	\$ (1,256,399)	(12.20) %
Debt Service	2,050,858	2,231,210	(180,352)	(8.08) %
Permanent Improvement	8,525,298	8,735,988	(210,690)	(2.41) %
Other Governmental	<u>1,628,491</u>	<u>2,020,802</u>	<u>(392,311)</u>	(19.41) %
Total	<u>\$ 21,250,051</u>	<u>\$ 23,289,803</u>	<u>\$ (2,039,752)</u>	(8.76) %

**General Fund**

The District's general fund balance decreased \$1,256,399. The table below assists in illustrating the financial activities and fund balance of the general fund.

	2009 <u>Amount</u>	2008 <u>Amount</u>	Increase <u>(Decrease)</u>	Percentage <u>Change</u>
<b><u>Revenues</u></b>				
Taxes and payments in lieu of taxes	\$ 44,954,281	\$ 49,066,448	\$ (4,112,167)	(8.38) %
Tuition	1,023,962	1,010,926	13,036	1.29 %
Interest earnings	601,505	1,181,310	(579,805)	(49.08) %
Intergovernmental	15,838,640	13,426,952	2,411,688	17.96 %
Other revenues	<u>346,497</u>	<u>328,645</u>	<u>17,852</u>	5.43 %
Total	<u>\$ 62,764,885</u>	<u>\$ 65,014,281</u>	<u>\$ (2,249,396)</u>	(3.46) %
<b><u>Expenditures</u></b>				
Instruction	\$ 40,286,362	\$ 38,428,695	\$ 1,857,667	4.83 %
Support services	22,496,358	21,177,895	1,318,463	6.23 %
Extracurricular activities	1,135,917	1,065,163	70,754	6.64 %
Capital outlay	<u>-</u>	<u>208,463</u>	<u>(208,463)</u>	(100.00) %
Total	<u>\$ 63,918,637</u>	<u>\$ 60,880,216</u>	<u>\$ 3,038,421</u>	4.99 %

The decrease in tax revenue is due primarily to the phase-out of personal property tax in accordance with House Bill No. 66. This decrease in personal property tax is currently reimbursed by the State of Ohio. The reimbursement is recorded as intergovernmental revenue which explains the increase in that line item from the prior year. The decrease in investment income is due to the downturn in the economy coupled with declining interest rates.

**SOLON CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Instruction expenditures increased 4.83% and support services expenses increased 6.23% from the prior year. These two areas are the District's largest expenditure line items. The increases in these two areas are a direct result of the District's personnel costs.

**Debt Service Fund**

The District's debt service fund balance decreased \$180,352. The table below assists in illustrating the financial activities and fund balance of the debt service fund.

	<u>2009</u> <u>Amount</u>	<u>2008</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 2,990,583	\$ 3,303,939	\$ (313,356)	(9.48) %
Intergovernmental	<u>301,302</u>	<u>301,369</u>	<u>(67)</u>	(0.02) %
Total	<u>\$ 3,291,885</u>	<u>\$ 3,605,308</u>	<u>\$ (313,423)</u>	(8.69) %
<b><u>Expenditures</u></b>				
Support services	\$ 53,218	\$ 59,746	\$ (6,528)	(10.93) %
Debt Service:				
Principal retirement	1,503,765	1,479,632	24,133	1.63 %
Interest and fiscal charges	<u>1,915,254</u>	<u>2,029,100</u>	<u>(113,846)</u>	(5.61) %
Total	<u>\$ 3,472,237</u>	<u>\$ 3,568,478</u>	<u>\$ (96,241)</u>	(2.70) %

The decrease in fund balance resulted from tax revenue generated by the fund being insufficient to cover required debt service payments.

**Permanent Improvement Fund**

The District's permanent improvement fund balance decreased \$210,690.

The decrease in fund balance was due primarily to a decrease in intergovernmental revenues and an increase in facilities acquisition and construction expenditures. The District's construction projects included improvements to the parking lots.

**General Fund Budgeting Highlights**

The 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 2009, the District amended its general fund budget numerous times. The 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, final budgeted revenues and other financing sources were \$61,826,470, a decrease from the original budget estimates of \$63,273,217. The actual revenues and other financing sources were \$62,714,944, which was \$888,474 higher than the final budget revenues. The primary variances between the final budgeted revenues and actual revenues were in the area of taxes and intergovernmental-state revenues. These two revenue sources represent 96.57% of the general fund revenues.

**SOLON CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

General fund original appropriations and other financing uses of \$65,445,260 were left the same in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2009 totaled \$64,088,182, which were \$1,357,078 less than final budgeted appropriations.

**Capital Assets and Debt Administration**

**Capital Assets**

During fiscal year 2009, the District restated capital assets as described in Note 8. At the end of fiscal year 2009, the District had \$37,271,633 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles and construction in progress (CIP). Of this total, \$36,993,903 was reported in governmental activities and \$277,730 was reported in business-type activities.

The following table shows fiscal year 2009 balances compared to 2008:

**Capital Assets at June 30 (Net of Depreciation)**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2009</u>	Restated <u>2008</u>	<u>2009</u>	Restated <u>2008</u>	<u>2009</u>	Restated <u>2008</u>
Land	\$ 3,209,494	\$ 2,874,494	\$ -	\$ -	\$ 3,209,494	\$ 2,874,494
Land improvements	4,279,116	4,616,107	-	-	4,279,116	4,616,107
Buildings and improvements	26,396,271	27,319,132	-	-	26,396,271	27,319,132
Furniture and equipment	1,706,282	1,844,469	277,730	282,055	1,984,012	2,126,524
Vehicles	1,402,740	1,302,703	-	-	1,402,740	1,302,703
Construction in progress	-	92,055	-	-	-	92,055
<b>Total</b>	<b><u>\$ 36,993,903</u></b>	<b><u>\$ 38,048,960</u></b>	<b><u>\$ 277,730</u></b>	<b><u>\$ 282,055</u></b>	<b><u>\$ 37,271,633</u></b>	<b><u>\$ 38,331,015</u></b>

Total additions to governmental activities capital assets for 2009 were \$1,364,121. Governmental activities depreciation expense for fiscal year 2009 was \$2,419,178. Overall, governmental activities capital assets of the District decreased \$1,055,057.

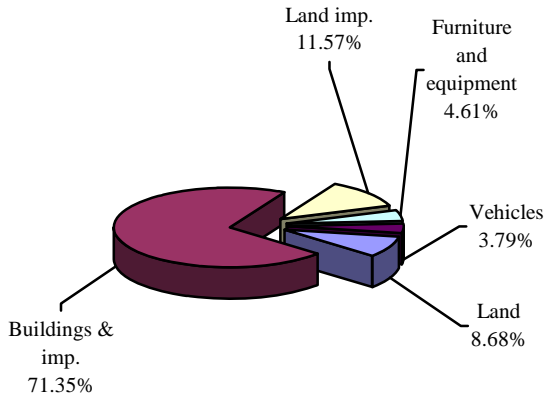


**SOLON CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

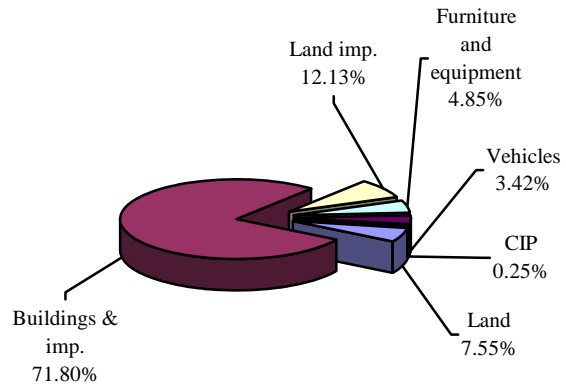
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

The following graphs show the breakdown of the governmental activities capital assets by category for 2009 and 2008.

**Capital Assets - 2009**



**Capital Assets - 2008 (restated)**



See Note 8 to the basic financial statements for additional information on the District's capital assets.

**Debt Administration**

At June 30, 2009 the District had \$22,345,000 in general obligation bonds outstanding. Of this total, \$2,305,000 is due within one year and \$20,040,000 is due within greater than one year.

The following table summarizes the governmental activities bonds, notes and leases outstanding.

**Outstanding Debt, at Year End**

	Balance <u>June 30, 2009</u>	Balance <u>June 30, 2008</u>
General obligation bonds	\$ 22,345,000	\$ 23,848,765
Total	<u>\$ 22,345,000</u>	<u>\$ 23,848,765</u>

See Note 9 to the basic financial statements for additional information on the District's debt administration.

**SOLON CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**Current Financial Related Activities**

The District closed out its fiscal year on June 30, 2009, 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 District's 5-year plan, the District will not need additional operating revenues until the 2010-2011 school year. The promise the Board made to the community during the last levy campaign was additional revenues would not be needed until the 2009-2010 school year. The District was successful in making additional expenditure reductions to help delay the need for additional revenues for one year and provided tax relief to the community during the 2009-2010 school year.

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

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

**Contacting the District's Financial Management**

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

**SOLON CITY SCHOOL DISTRICT**  
**CUYAHOGA COUNTY, OHIO**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2009**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents. . .	\$ 24,478,028	\$ 110,724	\$ 24,588,752
Cash in segregated accounts . . . . .	15,106	-	15,106
Receivables:			
Taxes . . . . .	48,316,752	-	48,316,752
Accounts . . . . .	20,438	1,760	22,198
Intergovernmental . . . . .	427,260	-	427,260
Accrued interest . . . . .	74,018	-	74,018
Prepayments . . . . .	27,674	-	27,674
Materials and supplies inventory. . . . .	64,780	4,553	69,333
Inventory held for resale . . . . .	-	29,599	29,599
Unamortized bond issue costs . . . . .	70,759	-	70,759
Internal balance. . . . .	3,000	(3,000)	-
Capital assets:			
Land . . . . .	3,209,494	-	3,209,494
Depreciable capital assets, net . . . . .	33,784,409	277,730	34,062,139
Total capital assets, net . . . . .	<u>36,993,903</u>	<u>277,730</u>	<u>37,271,633</u>
Total assets. . . . .	<u>110,491,718</u>	<u>421,366</u>	<u>110,913,084</u>
<b>Liabilities:</b>			
Accounts payable. . . . .	335,360	13,690	349,050
Accrued wages and benefits . . . . .	5,796,907	44,687	5,841,594
Intergovernmental payable . . . . .	1,937,670	46,148	1,983,818
Unearned revenue . . . . .	38,961,105	-	38,961,105
Accrued interest payable . . . . .	86,258	-	86,258
Claims payable . . . . .	686,000	-	686,000
Long-term liabilities:			
Due within one year. . . . .	3,449,948	-	3,449,948
Due within more than one year . . . . .	28,330,819	101,433	28,432,252
Total liabilities. . . . .	<u>79,584,067</u>	<u>205,958</u>	<u>79,790,025</u>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt. . . . .	14,446,499	277,730	14,724,229
Restricted for:			
Capital projects . . . . .	8,687,027	-	8,687,027
Debt service. . . . .	2,117,415	-	2,117,415
Locally funded programs . . . . .	694,667	-	694,667
State funded programs . . . . .	130,975	-	130,975
Federally funded programs . . . . .	312,141	-	312,141
Student activities . . . . .	164,880	-	164,880
Public school support . . . . .	240,759	-	240,759
Other purposes . . . . .	251	-	251
Unrestricted (deficit) . . . . .	4,113,037	(62,322)	4,050,715
Total net assets . . . . .	<u>\$ 30,907,651</u>	<u>\$ 215,408</u>	<u>\$ 31,123,059</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SOLON CITY SCHOOL DISTRICT**  
**CUYAHOGA COUNTY, OHIO**  
**STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Program Revenues</u>	
			<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 35,669,330	\$ 1,186,660	\$ 411,741	\$ -
Special . . . . .	7,490,643	4,475	130,652	-
Vocational . . . . .	646,877	-	8,296	-
Other . . . . .	464,329	-	-	-
Support services:				
Pupil. . . . .	4,234,929	100	1,048,994	-
Instructional staff . . . . .	1,800,774	-	76,231	-
Board of education . . . . .	43,196	-	-	-
Administration. . . . .	3,668,782	-	-	-
Fiscal. . . . .	1,488,259	-	-	-
Business. . . . .	1,138,065	-	-	-
Operations and maintenance . . . . .	7,385,525	180,989	-	-
Pupil transportation. . . . .	3,041,654	-	121,038	36,844
Central . . . . .	1,040,684	-	36,107	-
Operation of non-instructional services . . . . .	430,313	1,238	355,195	-
Extracurricular activities. . . . .	1,658,882	484,171	2,812	-
Interest and fiscal charges . . . . .	1,729,697	-	-	-
<b>Total governmental activities . . . . .</b>	<b>71,931,939</b>	<b>1,857,633</b>	<b>2,191,066</b>	<b>36,844</b>
<b>Business-type activities:</b>				
Food service. . . . .	1,770,656	1,475,213	202,998	-
Uniform school supplies . . . . .	80,518	99,381	-	-
Adult education. . . . .	161,590	129,549	-	-
<b>Total business-type activities . . . . .</b>	<b>2,012,764</b>	<b>1,704,143</b>	<b>202,998</b>	<b>-</b>
<b>Totals . . . . .</b>	<b>\$ 73,944,703</b>	<b>\$ 3,561,776</b>	<b>\$ 2,394,064</b>	<b>\$ 36,844</b>

**General Revenues:**

Property taxes levied for:

- General purposes . . . . .
- Debt service. . . . .
- Capital outlay. . . . .
- Grants and entitlements not restricted  
to specific programs . . . . .
- Payment in lieu of taxes . . . . .
- Investment earnings . . . . .
- Gain on disposal of capital assets . . . . .
- Miscellaneous . . . . .

Total general revenues . . . . .

Transfers . . . . .

Change in net assets . . . . .

**Net assets at beginning of year (restated) . . . . .**

**Net assets at end of year . . . . .**

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Net (Expense) Revenue  
and Changes in Net Assets**

<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
\$ (34,070,929)	\$ -	\$ (34,070,929)
(7,355,516)	-	(7,355,516)
(638,581)	-	(638,581)
(464,329)	-	(464,329)
(3,185,835)	-	(3,185,835)
(1,724,543)	-	(1,724,543)
(43,196)	-	(43,196)
(3,668,782)	-	(3,668,782)
(1,488,259)	-	(1,488,259)
(1,138,065)	-	(1,138,065)
(7,204,536)	-	(7,204,536)
(2,883,772)	-	(2,883,772)
(1,004,577)	-	(1,004,577)
(73,880)	-	(73,880)
(1,171,899)	-	(1,171,899)
(1,729,697)	-	(1,729,697)
(67,846,396)	-	(67,846,396)
-	(92,445)	(92,445)
-	18,863	18,863
-	(32,041)	(32,041)
-	(105,623)	(105,623)
(67,846,396)	(105,623)	(67,952,019)
43,631,693	-	43,631,693
2,899,052	-	2,899,052
1,262,416	-	1,262,416
16,201,551	-	16,201,551
685,000	-	685,000
648,565	3,770	652,335
35,572	-	35,572
194,151	16,850	211,001
65,558,000	20,620	65,578,620
(126,000)	126,000	-
(2,414,396)	40,997	(2,373,399)
33,322,047	174,411	33,496,458
\$ 30,907,651	\$ 215,408	\$ 31,123,059

**SOLON CITY SCHOOL DISTRICT**  
**CUYAHOGA COUNTY, OHIO**  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2009

	<u>General</u>	<u>Debt Service</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>					
Equity in pooled cash and cash equivalents . . . . .	\$ 10,917,779	\$ 1,571,116	\$ 8,398,705	\$ 1,463,804	\$ 22,351,404
Cash in segregated accounts . . . . .	15,106	-	-	-	15,106
Receivables:					
Taxes . . . . .	44,008,196	3,040,986	1,267,570	-	48,316,752
Accounts . . . . .	20,238	-	-	-	20,238
Intergovernmental . . . . .	203,635	-	-	223,625	427,260
Accrued interest . . . . .	74,018	-	-	-	74,018
Interfund loans . . . . .	6,000	-	-	-	6,000
Prepayments . . . . .	27,674	-	-	-	27,674
Materials and supplies inventory . . . . .	64,780	-	-	-	64,780
Total assets . . . . .	<u>\$ 55,337,426</u>	<u>\$ 4,612,102</u>	<u>\$ 9,666,275</u>	<u>\$ 1,687,429</u>	<u>\$ 71,303,232</u>
<b>Liabilities:</b>					
Accounts payable . . . . .	\$ 245,403	\$ -	\$ 53,244	\$ 27,162	\$ 325,809
Accrued wages and benefits . . . . .	5,795,108	-	-	1,799	5,796,907
Compensated absences payable . . . . .	596,492	-	-	-	596,492
Intergovernmental payable. . . . .	1,930,320	-	-	7,350	1,937,670
Interfund loan payable . . . . .	-	-	-	3,000	3,000
Deferred revenue . . . . .	2,202,472	152,815	57,284	19,627	2,432,198
Unearned revenue . . . . .	35,522,227	2,408,429	1,030,449	-	38,961,105
Total liabilities . . . . .	<u>46,292,022</u>	<u>2,561,244</u>	<u>1,140,977</u>	<u>58,938</u>	<u>50,053,181</u>
<b>Fund Balances:</b>					
Reserved for encumbrances . . . . .	303,724	-	549,277	64,157	917,158
Reserved for materials and supplies inventory. . . . .	64,780	-	-	-	64,780
Reserved for property tax unavailable for appropriation . . . . .	6,435,908	479,742	179,837	-	7,095,487
Reserved for prepayments . . . . .	27,674	-	-	-	27,674
Unreserved, undesignated, reported in:					
General fund . . . . .	2,213,318	-	-	-	2,213,318
Special revenue funds. . . . .	-	-	-	1,459,889	1,459,889
Debt service fund. . . . .	-	1,571,116	-	-	1,571,116
Capital projects funds. . . . .	-	-	7,796,184	104,445	7,900,629
Total fund balances . . . . .	<u>9,045,404</u>	<u>2,050,858</u>	<u>8,525,298</u>	<u>1,628,491</u>	<u>21,250,051</u>
Total liabilities and fund balances . . . . .	<u>\$ 55,337,426</u>	<u>\$ 4,612,102</u>	<u>\$ 9,666,275</u>	<u>\$ 1,687,429</u>	<u>\$ 71,303,232</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SOLON CITY SCHOOL DISTRICT**  
**CUYAHOGA COUNTY, OHIO**  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2009

<b>Total governmental fund balances</b>		\$ 21,250,051
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		36,993,903
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes receivable	\$ 2,260,160	
Accrued interest receivable	36,048	
Intergovernmental revenue receivable	135,990	
Total		2,432,198
Unamortized bond issue costs are not recognized in the funds.		70,759
Unamortized premiums on bond issuances are not recognized in the funds.		(202,404)
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 on the statement of net assets.		1,431,273
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(86,258)
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	(22,345,000)	
Compensated absences	(8,636,871)	
Total		(30,981,871)
<b>Net assets of governmental activities</b>		<b>\$ 30,907,651</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SOLON CITY SCHOOL DISTRICT**  
**CUYAHOGA COUNTY, OHIO**  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>General</u>	<u>Debt Service</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>					
From local sources:					
Taxes . . . . .	\$ 44,854,281	\$ 2,990,583	\$ 1,296,245	\$ -	\$ 49,141,109
Payment in lieu of taxes . . . . .	100,000	-	585,000	-	685,000
Tuition . . . . .	1,023,962	-	-	-	1,023,962
Earnings on investments . . . . .	601,505	-	-	13,627	615,132
Food services . . . . .	-	-	-	100	100
Extracurricular . . . . .	-	-	-	197,602	197,602
Classroom materials and fees . . . . .	72,849	-	-	-	72,849
Contributions and donations . . . . .	-	-	-	49,842	49,842
Rental income . . . . .	180,989	-	-	-	180,989
Other local revenues . . . . .	92,659	-	95,022	394,376	582,057
Intergovernmental - State . . . . .	15,838,640	301,302	241,159	388,924	16,770,025
Intergovernmental - Federal . . . . .	-	-	-	1,470,741	1,470,741
Total revenue . . . . .	<u>62,764,885</u>	<u>3,291,885</u>	<u>2,217,426</u>	<u>2,515,212</u>	<u>70,789,408</u>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular . . . . .	31,575,475	-	870,163	412,369	32,858,007
Special . . . . .	7,588,993	-	-	5,595	7,594,588
Vocational . . . . .	703,533	-	-	-	703,533
Other . . . . .	418,361	-	-	-	418,361
Support Services:					
Pupil . . . . .	3,300,295	-	-	844,819	4,145,114
Instructional staff . . . . .	1,720,438	-	-	75,198	1,795,636
Board of education . . . . .	43,196	-	-	-	43,196
Administration . . . . .	3,612,543	-	-	-	3,612,543
Fiscal . . . . .	1,421,649	53,218	-	-	1,474,867
Business . . . . .	1,125,589	-	-	-	1,125,589
Operations and maintenance . . . . .	7,195,820	-	-	-	7,195,820
Pupil transportation . . . . .	3,137,964	-	-	-	3,137,964
Central . . . . .	938,864	-	-	95,202	1,034,066
Operation of non-instructional services . . . . .	-	-	-	368,352	368,352
Extracurricular activities . . . . .	1,135,917	-	-	511,268	1,647,185
Facilities acquisition and construction . . . . .	-	-	1,557,953	606,939	2,164,892
Debt service:					
Principal retirement . . . . .	-	1,503,765	-	-	1,503,765
Interest and fiscal charges . . . . .	-	1,915,254	-	-	1,915,254
Total expenditures . . . . .	<u>63,918,637</u>	<u>3,472,237</u>	<u>2,428,116</u>	<u>2,919,742</u>	<u>72,738,732</u>
Excess of expenditures over revenues . . . . .	<u>(1,153,752)</u>	<u>(180,352)</u>	<u>(210,690)</u>	<u>(404,530)</u>	<u>(1,949,324)</u>
<b>Other financing sources (uses):</b>					
Transfers in . . . . .	-	-	-	12,219	12,219
Transfers (out) . . . . .	(138,219)	-	-	-	(138,219)
Sale of assets . . . . .	35,572	-	-	-	35,572
Total other financing sources (uses) . . . . .	<u>(102,647)</u>	<u>-</u>	<u>-</u>	<u>12,219</u>	<u>(90,428)</u>
Net change in fund balances . . . . .	<u>(1,256,399)</u>	<u>(180,352)</u>	<u>(210,690)</u>	<u>(392,311)</u>	<u>(2,039,752)</u>
<b>Fund balances at</b>					
<b>beginning of year (restated) . . . . .</b>	<u>10,301,803</u>	<u>2,231,210</u>	<u>8,735,988</u>	<u>2,020,802</u>	<u>23,289,803</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 9,045,404</u>	<u>\$ 2,050,858</u>	<u>\$ 8,525,298</u>	<u>\$ 1,628,491</u>	<u>\$ 21,250,051</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**SOLON CITY SCHOOL DISTRICT**  
**CUYAHOGA COUNTY, OHIO**  
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, 2009

**Net change in fund balances - total governmental funds** \$ (2,039,752)

*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 depreciation expense exceeds capital outlays in the current period.

Capital asset additions	\$ 1,364,121	
Current year depreciation	(2,419,178)	
<b>Total</b>		<b>(1,055,057)</b>

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

Delinquent property taxes	(1,347,948)	
Interest	36,048	
Intergovernmental	135,990	
Tuition	(5,527)	
<b>Total</b>		<b>(1,181,437)</b>

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. 1,503,765

In the statement of activities, interest is accrued on outstanding bonds and notes, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in increased interest being reported on the statement of activities:

Decrease in accrued interest payable	156,549	
Amortization of bond issuance costs	(4,289)	
Amortization on bond premiums	33,297	
<b>Total</b>		<b>185,557</b>

Some expenses reported in the statement of activities, such as the long-term portion of compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (86,192)

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the government-wide statement of activities.

Governmental fund expenditures and the related internal service fund revenues are eliminated. The net expenses of the internal service fund is allocated among the governmental activities. 258,720

**Change in net assets of governmental activities** \$ (2,414,396)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SOLON CITY SCHOOL DISTRICT**  
**CUYAHOGA COUNTY, OHIO**  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Taxes. . . . .	\$ 44,515,395	\$ 43,068,648	\$ 44,811,878	\$ 1,743,230
Payment in lieu of taxes . . . . .	104,774	104,774	100,000	(4,774)
Tuition. . . . .	1,064,426	1,064,426	1,015,922	(48,504)
Earnings on investments. . . . .	683,420	683,420	652,278	(31,142)
Classroom materials and fees. . . . .	76,327	76,327	72,849	(3,478)
Rental income. . . . .	184,222	184,222	175,827	(8,395)
Other local revenues. . . . .	100,963	100,963	96,362	(4,601)
Intergovernmental - State . . . . .	16,506,420	16,506,420	15,754,256	(752,164)
Total revenue . . . . .	<u>63,235,947</u>	<u>61,789,200</u>	<u>62,679,372</u>	<u>890,172</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	32,020,836	32,020,836	31,355,382	665,454
Special. . . . .	7,688,881	7,688,881	7,529,091	159,790
Vocational. . . . .	674,235	674,235	660,223	14,012
Other. . . . .	423,009	423,009	414,218	8,791
Support Services:				
Pupil. . . . .	3,370,736	3,370,736	3,300,686	70,050
Instructional staff . . . . .	1,740,968	1,740,968	1,704,787	36,181
Board of education . . . . .	42,485	42,485	41,602	883
Administration. . . . .	3,642,787	3,642,787	3,567,083	75,704
Fiscal . . . . .	1,491,411	1,491,411	1,460,417	30,994
Business . . . . .	1,293,419	1,293,419	1,266,539	26,880
Operations and maintenance. . . . .	7,561,760	7,561,760	7,404,612	157,148
Pupil transportation . . . . .	3,194,825	3,194,825	3,128,430	66,395
Central. . . . .	1,002,141	1,002,141	981,315	20,826
Extracurricular activities. . . . .	1,156,615	1,156,615	1,132,578	24,037
Total expenditures . . . . .	<u>65,304,108</u>	<u>65,304,108</u>	<u>63,946,963</u>	<u>1,357,145</u>
Excess of revenues over (under) expenditures. . . . .	<u>(2,068,161)</u>	<u>(3,514,908)</u>	<u>(1,267,591)</u>	<u>2,247,317</u>
<b>Other financing sources (uses):</b>				
Sale of assets . . . . .	37,270	37,270	35,572	(1,698)
Advances (out) . . . . .	-	-	(3,000)	(3,000)
Transfers (out) . . . . .	<u>(141,152)</u>	<u>(141,152)</u>	<u>(138,219)</u>	<u>2,933</u>
Total other financing sources (uses) . . . . .	<u>(103,882)</u>	<u>(103,882)</u>	<u>(105,647)</u>	<u>(1,765)</u>
Net change in fund balance . . . . .	(2,172,043)	(3,618,790)	(1,373,238)	2,245,552
<b>Fund balance at beginning of year . . . . .</b>	<b>11,728,708</b>	<b>11,728,708</b>	<b>11,728,708</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>11,496</b>	<b>11,496</b>	<b>11,496</b>	<b>-</b>
<b>Fund balance at end of year. . . . .</b>	<u><b>\$ 9,568,161</b></u>	<u><b>\$ 8,121,414</b></u>	<u><b>\$ 10,366,966</b></u>	<u><b>\$ 2,245,552</b></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SOLON CITY SCHOOL DISTRICT**  
**CUYAHOGA COUNTY, OHIO**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2009**

	<b>Business-Type Activities - Nonmajor Enterprise Funds</b>	<b>Governmental Activities - Internal Service Fund</b>
	<b>Funds</b>	<b>Service Fund</b>
<b>Assets:</b>		
Current assets:		
Equity in pooled cash and cash equivalents . . . . .	\$ 110,724	\$ 2,126,624
Receivables:		
Accounts . . . . .	1,760	200
Materials and supplies inventory . . . . .	4,553	-
Inventory held for resale . . . . .	29,599	-
	146,636	2,126,824
Total current assets . . . . .		
Noncurrent assets:		
Depreciable capital assets, net . . . . .	277,730	-
	424,366	2,126,824
Total assets . . . . .		
<b>Liabilities:</b>		
Accounts payable . . . . .	13,690	9,551
Accrued wages and benefits . . . . .	44,687	-
Interfund loan payable . . . . .	3,000	-
Intergovernmental payable . . . . .	46,148	-
Claims payable . . . . .	-	686,000
	107,525	695,551
Total current liabilities . . . . .		
Long-term liabilities:		
Compensated absences payable . . . . .	101,433	-
	101,433	-
Total long-term liabilities . . . . .		
	208,958	695,551
Total liabilities . . . . .		
<b>Net assets:</b>		
Invested in capital assets . . . . .	277,730	-
Unrestricted (deficit) . . . . .	(62,322)	1,431,273
	\$ 215,408	\$ 1,431,273
Total net assets . . . . .		

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SOLON CITY SCHOOL DISTRICT**  
**CUYAHOGA COUNTY, OHIO**  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<b>Business-Type Activities - Nonmajor Enterprise Funds</b>	<b>Governmental Activities - Internal Service Fund</b>
	<b>Funds</b>	<b>Service Fund</b>
<b>Operating revenues:</b>		
Tuition . . . . .	\$ 129,549	\$ -
Sales/charges for services. . . . .	1,475,213	6,796,454
Classroom materials and fees . . . . .	99,381	-
Other . . . . .	16,850	200
	1,720,993	6,796,654
<b>Operating expenses:</b>		
Saleries and wages . . . . .	606,780	-
Fringe benefits . . . . .	451,640	-
Purchased services. . . . .	120,024	15,866
Materials and supplies . . . . .	799,962	-
Depreciation . . . . .	22,238	-
Claims . . . . .	-	6,522,068
Other. . . . .	12,120	-
	2,012,764	6,537,934
Total operating revenues . . . . .	1,720,993	6,796,654
Total operating expenses. . . . .	2,012,764	6,537,934
Operating income (loss) . . . . .	(291,771)	258,720
<b>Nonoperating revenues:</b>		
Federal donated commodities . . . . .	47,712	-
Interest revenue . . . . .	3,770	-
Grants and subsidies. . . . .	155,286	-
	206,768	-
Total nonoperating revenues . . . . .	206,768	-
Income (loss) before transfers . . . . .	(85,003)	258,720
Transfer in . . . . .	126,000	-
Change in net assets. . . . .	40,997	258,720
<b>Net assets at beginning of year (restated) . .</b>	174,411	1,172,553
<b>Net assets at end of year . . . . .</b>	\$ 215,408	\$ 1,431,273

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SOLON CITY SCHOOL DISTRICT**  
**CUYAHOGA COUNTY, OHIO**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<b>Business-Type Activities - Nonmajor Enterprise Funds</b>	<b>Governmental Activities - Internal Service Funds</b>
	<u>                    </u>	<u>                    </u>
<b>Cash flows from operating activities:</b>		
Cash received from tuition . . . . .	\$ 129,549	\$ -
Cash received from sales/charges for services. . . . .	1,475,017	6,796,454
Cash received from classroom materials and fees . . . . .	99,411	-
Cash received from other operations . . . . .	17,499	-
Cash payments for salaries and wages . . . . .	(598,508)	-
Cash payments for fringe benefits. . . . .	(432,594)	-
Cash payments for contractual services . . . . .	(120,024)	(15,866)
Cash payments for materials and supplies . . . . .	(728,662)	-
Cash payments for claims . . . . .	-	(7,355,474)
Cash payments for other expenses . . . . .	(12,120)	-
Net cash (used in) operating activities . . . . .	<u>(170,432)</u>	<u>(574,886)</u>
<b>Cash flows from noncapital financing activities:</b>		
Cash received from grants and subsidies. . . . .	155,286	-
Cash received from transfers in . . . . .	126,000	-
Net cash provided by noncapital financing activities. . . . .	<u>281,286</u>	<u>-</u>
<b>Cash flows from capital and related financing activities:</b>		
Acquisition of capital assets . . . . .	(17,913)	-
Net cash (used in) capital and related financing activities. . . . .	<u>(17,913)</u>	<u>-</u>
<b>Cash flows from investing activities:</b>		
Interest received . . . . .	3,770	-
Net cash provided by investing activities . . . . .	<u>3,770</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents . . . . .	96,711	(574,886)
<b>Cash and cash equivalents at beginning of year . . . . .</b>	<b>14,013</b>	<b>2,701,510</b>
<b>Cash and cash equivalents at end of year . . . . .</b>	<b><u>\$ 110,724</u></b>	<b><u>\$ 2,126,624</u></b>
<b>Reconciliation of operating income (loss) to net cash (used in) operating activities:</b>		
Operating income (loss) . . . . .	\$ (291,771)	\$ 258,720
Adjustments:		
Depreciation. . . . .	22,238	-
Federal donated commodities . . . . .	47,712	-
Changes in assets and liabilities:		
(Increase) in materials and supplies inventory . . . . .	(755)	-
Decrease in inventory held for resale . . . . .	10,653	-
(Increase) decrease in accounts receivable . . . . .	483	(200)
Decrease in prepayments . . . . .	-	8,121
Increase (decrease) in accounts payable . . . . .	13,690	(3,227)
Increase in accrued wages and benefits . . . . .	8,272	-
Increase in intergovernmental payable . . . . .	9,466	-
Increase in compensated absences payable . . . . .	9,580	-
(Decrease) in claims payable . . . . .	-	(838,300)
Net cash (used in) operating activities . . . . .	<u>\$ (170,432)</u>	<u>\$ (574,886)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SOLON CITY SCHOOL DISTRICT**  
**CUYAHOGA COUNTY, OHIO**  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2009

	<b>Agency</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	\$ 250,897
Receivables:	
Accounts. . . . .	25
	25
Total assets . . . . .	\$ 250,922
	250,922
<b>Liabilities:</b>	
Accounts payable. . . . .	\$ 19,321
Due to students . . . . .	231,601
	231,601
Total liabilities . . . . .	\$ 250,922
	250,922

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SOLON CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

The Solon City School District (the "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 District operates under a locally elected five-member Board of Education and provides educational services as mandated by State and/or federal agencies. The 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 Board oversees the operations of the District's seven instructional facilities.

The District ranks as the 65<sup>th</sup> largest by enrollment among the 922 public school districts and community schools in the State of Ohio. The District employs 255 non-certified, 385 certified and 17 administrative employees to provide services to approximately 5,227 students and community members.

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

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

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary governments financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

**SOLON CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

The District is associated with a public entity risk pool and a jointly governed organization.

*JOINTLY GOVERNED ORGANIZATIONS*

The Ohio Schools' Council Association

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'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. 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 District participates in the Council's electric purchase program. 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 the 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 pre-purchase 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.

The 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 the 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.

*PUBLIC ENTITY RISK POOL*

The Ohio Schools' Council Workers' Compensation Group Rating Program (the "Plan") is an insurance purchasing pool (see Note 10.C.). The plan is intended to reduce premiums for the participants. The Worker's 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.



**SOLON CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

**B. Fund Accounting**

The District uses funds to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types.

*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 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 and payment of general obligation bond principal and interest and certain long-term obligations from governmental resources when the government is obligated in some manner for payment.

*Permanent improvement fund* - This fund is used 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.

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary funds or the permanent improvement fund; and (b) grants and other resources whose use is restricted to a particular purpose.

*PROPRIETARY FUNDS*

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. Proprietary funds consist of enterprise funds and internal service funds.

**SOLON CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

*Enterprise Funds* - The enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The District has no major enterprise funds. The District has three nonmajor enterprise funds account for (1) food service operations, (2) the purchase and sale of school supplies and (3) educational opportunities offered on a tuition basis to preschoolers, youth and adults living within the community.

*Internal Service Funds* - The internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the District, or to other governments, on a cost-reimbursement basis. The internal service fund of the 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 two classifications: private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student activities.

**C. Basis of Presentation**

*Government-wide Financial Statements* - The statement of net assets and the statement of activities display information about the 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 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  
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the 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 District. 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 District.

*Fund Financial Statements* - Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is 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., revenues 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 all 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 District finances and meets the cash flow needs of its proprietary activities.

Agency funds do not report a measurement focus as they do not report operations.

**D. 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 on the fund financial statements. Proprietary and fiduciary funds also use the accrual basis of accounting.

*Revenues - Exchange and Nonexchange Transactions* - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value are 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 District, available means expected to be received within sixty days of fiscal year end.

**SOLON CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

Nonexchange transactions, in which the 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 6). 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 District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange 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.

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2009, but which were levied to finance fiscal year 2010 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2009 are recorded as deferred revenue in the governmental funds.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities received during the year is reported as donated commodities revenue with a like amount reported as materials and supplies expense in the proprietary fund statements.

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.

**E. Budgets**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budget documents within an established timetable. The major documents prepared are the Tax Budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. All funds, other than agency funds, are required to be budgeted and appropriated. The legal level of budgetary control is at the fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

**SOLON CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with legal restriction that appropriations cannot exceed estimated resources, as certified. The amounts reported as the original budgeted revenues in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted revenues in the budgetary statement reflect the amounts in the amended certificate that was in effect at the time the final appropriations were passed by the Board of Education. The amounts reported as the original budgeted expenditures reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted expenditures represent the final appropriation amounts passed by the Board during the year.

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.

*ESTIMATED RESOURCES*

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the 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 District. The amounts reported in the budgetary statements reflect the amounts in the original and final amended certificate of estimated resources issued during fiscal year 2009.

*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 at the fund level of expenditures for all funds, which is the legal level of budgetary control. Prior to the passage of the annual appropriation resolution, the Board of Education may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution 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 appropriations at the legal level of control must be approved by the Board of Education. The District maintains budgetary information at the object level and has the authority to allocate appropriations at the object level in all funds without resolution by the Board of Education.

**SOLON CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

The Board of Education may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. Supplemental appropriations were legally enacted by the Board during fiscal year 2009.

The budget figures, which appear in the statement of budgetary comparisons, represent the original and final appropriation amounts, 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.

*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 the subsequent year expenditures for governmental funds. A reserve for encumbrances is not reported on the 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 re-appropriated.

**F. Cash and Investments**

To improve cash management, cash received by the District, other than cash reported in segregated accounts, is pooled. Monies for all funds, including proprietary and fiduciary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

During fiscal year 2009, investments were limited to federal agency securities, negotiable certificates of deposit, U.S. government money market mutual funds and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). All investments are reported at fair value which is based on quoted market prices.

The District has invested funds in STAR Ohio during fiscal year 2009. STAR 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. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2009.

**SOLON CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

Under existing Ohio statute, interest earnings are allotted to the general fund unless the Board of Education has, by resolution, specified funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2009 amounted to \$601,505 which includes \$331,269 assigned from other District funds.

The District has a depository account that is held separate from the internal investment pool. The balance of this depository account is reported on the financial statements as "cash in segregated accounts".

For presentation on the financial statements, Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the District's investment account at fiscal year end is provided in Note 4.

**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, except donated commodities, are stated at the lower of cost or market. Donated commodities are stated at their entitlement value. For all funds, cost is determined on a first-in, first-out basis. 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 and are expensed when used. Inventories for governmental funds and proprietary funds are accounted for using the consumption method.

**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 District maintains a capitalization threshold of \$5,000 for its general capital assets. The 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. Interest incurred during the construction of general capital assets is not capitalized.

**SOLON CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

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:

Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities 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**

Compensated absences of the District consist of vacation leave and sick leave liability to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

A liability for sick leave is accrued 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 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, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.



**SOLON CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**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, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds and other long-term obligations are recognized as a liability in the fund financial statements when due.

**L. Fund Balance Reserves**

The District reserves those portions of fund equity 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 which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, materials and supplies inventory, prepayments and property taxes unavailable for appropriation. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute.

**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 borrowings 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 or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

**N. Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the financial statements using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

**SOLON CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

**O. Non-Public Schools**

Within the District boundaries are various non-public schools. Current state legislation provides funding to these non-public schools. These monies are received and disbursed on behalf of the non-public schools by the Treasurer of the District, as directed by the non-public school. The fiduciary responsibility of the District for these monies is reflected in a special revenue fund (a nonmajor governmental fund) for financial reporting purposes.

**P. Estimates**

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

**Q. Restricted Assets**

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. The District had no restricted assets at June 30, 2009.

**R. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are tuition for adult education classes, sales for food service, uniform school supplies and charges for services for self-insurance programs. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund. All revenues not related to operating activities have been reported as nonoperating revenue.

**S. 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 financing 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  
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

**T. 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 within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. During fiscal year 2009, the District had no extraordinary or special items.

**U. Unamortized Bond Issuance Costs and Bond Premiums**

On government-wide financial statements, issuance costs are deferred and amortized over the term of the bonds using the straight-line method. Unamortized issuance costs are recorded as a separate line item on the statement of net assets.

Bond premiums are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds.

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the current period. The reconciliation between the bonds face value and the amount reported on the statement of net assets is presented in Note 10.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2009, the District has implemented GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations", GASB Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments", GASB Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 56 "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards".

GASB Statement No. 49 addresses accounting and financial reporting standards for pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The implementation of GASB Statement No. 49 did not have an effect on the financial statements of the District.

GASB Statement No. 52 improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income. The implementation of GASB Statement No. 52 did not have an effect on the financial statements of the District.

**SOLON CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB's authoritative literature. The implementation of GASB Statement No. 55 did not have an effect on the financial statements of the District.

GASB Statement No. 56 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' (AICPA) Statements on Auditing Standards. The implementation of GASB Statement No. 56 did not have an effect on the financial statements of the District.

**B. Deficit Net Assets**

Net assets at June 30, 2009 included the following individual fund deficits:

	Deficit
<u>Nonmajor enterprise funds</u>	
Adult and community education	\$ (14,300)

The general fund is liable for any deficits and provides transfers when cash is required, not when accruals occur. The deficit net assets resulted from adjustments for accrued liabilities. The deficit in the nonmajor enterprise fund should be eliminated by future tuition revenues not recognized under GAAP at June 30.

**C. Restatement of Fund Balance**

For fiscal year 2009, the District has restated fund balances of the governmental funds to report certain fund reclassifications. The District has reclassified funds previously reported as special revenue funds to agency funds. These fund reclassifications were made to better report the activities and purposes of the funds. The fund reclassifications had the following effect on fund balances as previously reported:

	General	Bond Retirement	Permanent Improvement	Other Governmental Funds	Total
Fund balances, June 30, 2008	\$ 10,301,803	\$ 2,231,210	\$ 8,735,988	\$ 2,158,184	\$ 23,427,185
Fund reclassifications	-	-	-	(137,382)	(137,382)
Restated fund balances, June 30, 2008	\$ 10,301,803	\$ 2,231,210	\$ 8,735,988	\$ 2,020,802	\$ 23,289,803

**SOLON CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

**D. Restatement of Net Assets**

The net assets of the governmental activities, business-type activities and the nonmajor enterprise funds have been restated to correct for errors and omissions in the amounts previously reported as capital assets. During the fiscal year 2009, the District obtained a new appraisal of their capital assets. Prior year balances were restated to agree to the new appraisal report and adjustments resulted primarily from (1) the removal of items previously reported that did not meet the District's capitalization threshold and (2) accumulated depreciation for buildings was adjusted due to a new appraisal. In addition, the fund reclassifications described above also had an effect on the governmental activities net assets as previously reported at June 30, 2008. Net assets of the governmental activities, business-type activities and nonmajor enterprise funds have been restated as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Nonmajor Enterprise Funds</u>
Net assets (deficit), June 30, 2008	\$ 43,582,683	\$ (23,048)	\$ (23,048)
Adjustment to capital assets	(10,123,254)	197,459	197,459
Fund reclassifications	<u>(137,382)</u>	<u>-</u>	<u>-</u>
Restated net assets, June 30, 2008	<u>\$ 33,322,047</u>	<u>\$ 174,411</u>	<u>\$ 174,411</u>

**NOTE 4 - DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the 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 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 obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

**SOLON CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE 4 - 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 provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time: and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Protection of District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**A. Cash on Hand**

At year-end, the District had \$900 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and cash equivalents."

**SOLON CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**B. Cash in Segregated Accounts**

The District had \$15,106 in a depository account held separate from the District's internal investment pool. This depository account, used to account for the District's flexible savings plan, is included in "deposits with financial institutions" below.

**C. Deposits with Financial Institutions**

At June 30, 2009, the carrying amount of all District deposits was \$11,000,192. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2009, \$11,190,670 of the District's bank balance of \$12,375,732 was exposed to custodial risk as discussed below, while \$1,185,062 was covered by Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. It is the District's policy that all deposits be collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral 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 the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

**D. Investments**

As of June 30, 2009, the District had the following investments and maturities:

Investment type	Fair Value	Investment Maturities				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater Than 24 months
FHLMC	\$ 1,645,159	\$ -	\$ 523,125	\$ 1,122,034	\$ -	\$ -
FHLB	4,627,820	-	-	2,612,820	2,015,000	-
FNMA	3,675,088	-	673,938	-	988,750	2,002,400
Negotiable CD	94,707	-	94,707	-	-	-
U.S Government Money						
Market Mutual Funds	1,359,995	1,359,995	-	-	-	-
STAR Ohio	2,450,894	2,450,894	-	-	-	-
	<u>\$ 13,853,663</u>	<u>\$ 3,810,889</u>	<u>\$ 1,291,770</u>	<u>\$ 3,734,854</u>	<u>\$ 3,003,750</u>	<u>\$ 2,002,400</u>

The weighted average maturity of investments is 1.29 years.

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

**SOLON CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

*Credit Risk:* Standard & Poor's has assigned STAR Ohio an AAAM money market rating. STAR Ohio must maintain the highest letter or numerical rating provided by at least one nationally recognized standard service. The federal agency securities were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The U.S. government money market mutual funds were rated AAAM by Standard & Poor's. The District's investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the 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 federal agency securities 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 District's name. The 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 District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2009:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FHLMC	\$ 1,645,159	11.88%
FHLB	4,627,820	33.41%
FNMA	3,675,088	26.53%
Negotiable CD	94,707	0.68%
U.S. Government Money		
Market Mutual Funds	1,359,995	9.82%
STAR Ohio	<u>2,450,894</u>	<u>17.68%</u>
	<u>\$ 13,853,663</u>	<u>100.00%</u>



**SOLON CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**D. Reconciliation of cash and investments to the statement of net assets**

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2009:

<u>Cash and investments per footnote</u>	
Carrying amount of deposits	\$ 11,000,192
Investments	13,853,663
Cash on hand	<u>900</u>
Total	<u>\$ 24,854,755</u>
<u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 24,493,134
Business-type activities	110,724
Agency fund	<u>250,897</u>
Total	<u>\$ 24,854,755</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

A. Interfund loans receivable/payable consisted of the following at June 30, 2009, as reported on the fund statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor enterprise fund	\$ 3,000
General Fund	Nonmajor governmental fund	<u>3,000</u>
	Total	<u>\$ 6,000</u>

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received.

Interfund loans receivable/payable between governmental funds are eliminated for reporting on the statement of net assets. Interfund loan balances between governmental funds (governmental activities) and enterprise funds (business-type activities) are reported on the statement of net assets as an "internal balance". There is a \$3,000 internal balance between governmental activities and business-type activities at June 30, 2009.

**SOLON CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE 5 - INTERFUND TRANSACTIONS – (Continued)**

- B.** Interfund transfers for the year ended June 30, 2009, consisted of the following, as reported on the fund statements:

	<u>Amount</u>
Transfers from general fund to:	
Nonmajor governmental funds	\$ 12,219
Nonmajor enterprise funds	<u>126,000</u>
Total	<u>\$ 138,219</u>

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers between governmental funds are eliminated for reporting on the statement of activities. There were no transfers between governmental activities and business-type activities to report on the statement of activities at June 30, 2009.

**NOTE 6 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis while the District fiscal year runs from July through June. First half tax collections are received by the 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 property, public utility property and tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed values as of January 1, 2008, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, 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 revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien on December 31, 2007, were levied after April 1, 2008, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

**SOLON CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 6 - PROPERTY TAXES - (Continued)**

Tangible personal property tax revenues received in calendar year 2009 (other than public utility property) represent the collection of calendar year 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2009 were levied after October 1, 2008, on the value as of December 31, 2008. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, 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 District prior to June 30.

The District receives property taxes from Cuyahoga County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2009, are available to finance fiscal year 2009 operations. The amount available as an advance at June 30, 2009 was \$6,435,908 in the general fund, \$479,742 in the bond retirement debt service fund and \$179,837 in the permanent improvement fund. These amounts are recorded as revenue. The amount available for 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 fund. The amount of second-half real property taxes available for advance at fiscal year end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2009 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 unearned revenue.

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

The assessed values upon which the fiscal year 2009 taxes were collected are:

	2008 Second Half Collections		2009 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 1,148,114,670	94.65	\$ 1,165,528,830	94.78%
Public utility personal	17,665,170	1.46	18,654,750	1.52%
Tangible personal property	<u>47,210,936</u>	<u>3.89</u>	<u>45,589,773</u>	<u>3.71%</u>
Total	<u>\$ 1,212,990,776</u>	<u>100.00</u>	<u>\$ 1,229,773,353</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$75.30		\$75.30	

**SOLON CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2009 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest and intergovernmental grants and entitlements. 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. Principal items of receivables reported on the statement of net assets follows:

**Governmental activities:**

Taxes	\$ 48,316,752
Accounts	20,438
Intergovernmental	427,260
Accrued interest	<u>74,018</u>
Total governmental activities	<u>\$ 48,838,468</u>

**Business-type activities**

Accounts	<u>\$ 1,760</u>
Total business-type activities	<u>\$ 1,760</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

**SOLON CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 8 - CAPITAL ASSETS**

**A. Governmental activities**

Capital asset of the governmental activities has been restated at June 30, 2008 to correct for errors and omissions in the amounts previously reported as described in Note 3.D. The restatement had the following effect on capital asset balances previously reported:

	Balance		Restated
	<u>June 30, 2008</u>	<u>Restatement</u>	<u>June 30, 2008</u>
<b>Governmental activities:</b>			
Capital assets, not being depreciated:			
Land	\$ 2,874,494	\$ -	\$ 2,874,494
Construction in progress	<u>92,055</u>	<u>-</u>	<u>92,055</u>
Total capital assets, not being depreciated	<u>2,966,549</u>	<u>-</u>	<u>2,966,549</u>
Capital assets, being depreciated:			
Land improvements	6,233,650	246,507	6,480,157
Building and improvements	55,648,804	(1,346,850)	54,301,954
Furniture and equipment	13,588,199	(9,042,062)	4,546,137
Buses and other vehicles	<u>3,671,094</u>	<u>(418,378)</u>	<u>3,252,716</u>
Total capital assets, being depreciated	<u>79,141,747</u>	<u>(10,560,783)</u>	<u>68,580,964</u>
Less: accumulated depreciation			
Land improvements	(2,504,148)	640,098	(1,864,050)
Building and improvements	(18,345,913)	(8,636,909)	(26,982,822)
Furniture and equipment	(11,159,457)	8,457,789	(2,701,668)
Buses and other vehicles	<u>(1,926,564)</u>	<u>(23,449)</u>	<u>(1,950,013)</u>
Total accumulated depreciation	<u>(33,936,082)</u>	<u>437,529</u>	<u>(33,498,553)</u>
Governmental activities capital assets, net	<u>\$ 48,172,214</u>	<u>\$ (10,123,254)</u>	<u>\$ 38,048,960</u>

**SOLON CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 8 - CAPITAL ASSETS - (Continued)**

Capital asset activity for the fiscal year-ended June 30, 2009, was as follows:

	Restated Balance			Balance
	<u>June 30, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2009</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 2,874,494	\$ 335,000	\$ -	\$ 3,209,494
Construction in progress	92,055	326,248	(418,303)	-
Total capital assets, not being depreciated	<u>2,966,549</u>	<u>661,248</u>	<u>(418,303)</u>	<u>3,209,494</u>
Capital assets, being depreciated:				
Land improvements	6,480,157	6,438	-	6,486,595
Building and improvements	54,301,954	272,303	-	54,574,257
Furniture and equipment	4,546,137	442,695	-	4,988,832
Buses and other vehicles	3,252,716	399,740	(154,379)	3,498,077
Total capital assets, being depreciated	<u>68,580,964</u>	<u>1,121,176</u>	<u>(154,379)</u>	<u>69,547,761</u>
Less: accumulated depreciation				
Land improvements	(1,864,050)	(343,429)	-	(2,207,479)
Building and improvements	(26,982,822)	(1,195,164)	-	(28,177,986)
Furniture and equipment	(2,701,668)	(580,882)	-	(3,282,550)
Buses and other vehicles	(1,950,013)	(299,703)	154,379	(2,095,337)
Total accumulated depreciation	<u>(33,498,553)</u>	<u>(2,419,178)</u>	<u>154,379</u>	<u>(35,763,352)</u>
Governmental activities capital assets, net	<u>\$ 38,048,960</u>	<u>\$ (636,754)</u>	<u>\$ (418,303)</u>	<u>\$ 36,993,903</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 1,464,344
Special	33,982
Vocational	11,266
Support Services:	
Pupil	67,519
Administration	21,606
Fiscal	7,086
Business	5,315
Operations and maintenance of plant	294,204
Pupil transportation	266,429
Central	5,315
Operation of non-instructional services	61,371
Extracurricular activities	<u>180,741</u>
Total depreciation expense	<u>\$ 2,419,178</u>

**SOLON CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 8 - CAPITAL ASSETS - (Continued)**

**B. Business-type activities**

Capital asset of the business-type activities has been restated at June 30, 2008 to correct for errors and omissions in the amounts previously reported as described in Note 3.D. The restatement had the following effect on capital asset balances previously reported:

	<u>Balance</u>	<u>Restatement</u>	<u>Restated Balance</u>
	<u>June 30, 2008</u>	<u>Restatement</u>	<u>June 30, 2009</u>
<b>Business-type activities:</b>			
Capital assets, being depreciated:			
Furniture and equipment	\$ 603,313	\$ (112,751)	\$ 490,562
Less: accumulated depreciation	<u>(518,717)</u>	<u>310,210</u>	<u>(208,507)</u>
Business-type activities capital assets, net	<u>\$ 84,596</u>	<u>\$ 197,459</u>	<u>\$ 282,055</u>

Capital asset activity for the fiscal year-ended June 30, 2009, was as follows:

	<u>Restated Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u>
	<u>June 30, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2009</u>
<b>Business-type activities:</b>				
Capital assets, being depreciated:				
Furniture and equipment	\$ 490,562	\$ 17,913	\$ -	\$ 508,475
Less: accumulated depreciation	<u>(208,507)</u>	<u>(22,238)</u>	<u>-</u>	<u>(230,745)</u>
Business-type activities capital assets, net	<u>\$ 282,055</u>	<u>\$ (4,325)</u>	<u>\$ -</u>	<u>\$ 277,730</u>

Depreciation expense was charged to business-type activities as follows:

Food service	<u>\$ 22,238</u>
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**SOLON CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 9 - LONG-TERM OBLIGATIONS**

A. The changes in the District's long-term obligations during the year consist of the following:

	<u>Balance</u> <u>June 30, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2009</u>	<u>Amounts</u> <u>Due in</u> <u>One Year</u>
<b>Governmental activities:</b>					
General obligation bonds:					
1989 \$2,850,000 School					
Improvement Bonds - 6.9%	\$ 485,000	\$ -	\$ (235,000)	\$ 250,000	\$ 250,000
1993 \$19,699,962 Refunding School					
Improvement Bonds - 2.8 - 5.3%	248,765	-	(248,765)	-	-
1997 \$6,000,000 School					
Improvement Bonds - 3.6 - 5.5%	3,980,000	-	(305,000)	3,675,000	335,000
2001 \$7,000,000 School					
Improvement Bonds - 4.0 - 5.125%	5,310,000	-	(300,000)	5,010,000	315,000
2003 \$6,000,000 School					
Improvement Bonds - 2.0 - 5.0%	5,100,000	-	(240,000)	4,860,000	245,000
2004 \$5,070,000 Refunding					
Bonds - 2.0 - 5.0%	4,995,000	-	(25,000)	4,970,000	1,010,000
2005 \$4,000,000 School					
Improvement Bonds- 3.2 - 4.0%	<u>3,730,000</u>	<u>-</u>	<u>(150,000)</u>	<u>3,580,000</u>	<u>150,000</u>
Total G.O. bonds	<u>23,848,765</u>	<u>-</u>	<u>(1,503,765)</u>	<u>22,345,000</u>	<u>2,305,000</u>
Compensated absences payable	<u>8,550,679</u>	<u>1,894,017</u>	<u>(1,211,333)</u>	<u>9,233,363</u>	<u>1,144,948</u>
Total governmental activities long-term liabilities	32,399,444	1,894,017	(2,715,098)	31,578,363	<u>\$ 3,449,948</u>
Add: unamortized premium	<u>235,701</u>	<u>-</u>	<u>(33,297)</u>	<u>202,404</u>	
Total on statement of net assets	<u>\$ 32,635,145</u>	<u>\$ 1,894,017</u>	<u>\$ (2,748,395)</u>	<u>\$ 31,780,767</u>	
<b>Business-Type Activities</b>					
Compensated absences	<u>\$ 91,853</u>	<u>\$ 9,580</u>	<u>\$ -</u>	<u>\$ 101,433</u>	<u>\$ -</u>

During fiscal year 1989, the District issued \$2,850,000 in general obligation bonds at 6.9 percent with a maturity date of December 1, 2009.

On July 1, 1993 the District issued \$19,699,962 in 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. During fiscal year 2005, the District advance refunded \$5,085,000 of the Series 1993 refunding bonds using the proceeds of the Series 2004 refunding bonds described below. The non-refunded portion of the Series 1993 refunding bonds were retired in full in fiscal year 2009.

On February 15, 1997, the District issued \$6,000,000 in general obligation bonds with an interest rates ranging from 3.6 to 5.5 percent with a maturity date of December 1, 2016.



**SOLON CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)**

On May 1, 2001, the District issued \$7,000,000 in general obligation bonds with interest rates ranging from 4.0 to 5.125 percent with a maturity date of June 30, 2020.

On December 1, 2003 the 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.

On December 22, 2004 the District issued School Improvement Refunding Bonds in the amount of \$5,070,000 (par value) with interest rates ranging from 2.00-5.00 percent to advance refund Series 1993 refunding bonds in the amount of \$5,085,000 (par value) with an interest rate of 5.3 percent. The refunding bonds mature on December 1, 2013. These bonds were issued at a premium of \$260,255 with issuance costs of \$103,878. The advance refunding met the requirement of an in-substance debt defeasance and the advance refunded bonds were removed from the District's government-wide financial statements.

On December 22, 2005 the 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 District sites. The school improvement bonds have interest rates ranging from 3.2 to 4.0 percent, payable semiannually, with a maturity date of December 1, 2025.

All 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 fund from which the employee is paid which, for the District, is primarily the general fund. The following is a summary of the future debt service requirements to maturity for the school improvement bonds and general obligation refunding bonds:

Fiscal Year Ending	General Obligation Bonds		
	Principal	Interest	Total
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	2,310,000	611,993	2,921,993
2015 - 2019	6,440,000	1,914,442	8,354,442
2020 - 2024	4,260,000	581,148	4,841,148
2025 - 2026	565,000	25,762	590,762
Total	<u>\$ 22,345,000</u>	<u>\$ 6,572,628</u>	<u>\$ 28,917,628</u>

**B. Defeased Debt**

In fiscal year 2005, the District issued Series 2004 refunding bonds to advance refund the callable portion of the Series 1993 refunding bonds. The advanced refunding created a separate irrevocable trust for the retirement of the refunded bonds. New bonds were issued and the proceeds were used to purchase U.S. Government Securities that were placed in the trust funds. 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 refunded debt is considered defeased and has been removed from the District's financial statements. As of June 30, 2009, the balance of the Series 1993 defeased debt outstanding but removed from the financial statements amounted to \$5,085,000.

**SOLON CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)**

**C. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation use in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2009, are a voted debt margin of \$88,837,205 and an unvoted debt margin of \$1,184,112.

**NOTE 10 - RISK MANAGEMENT**

**A. Comprehensive**

The 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 2009, the District contracted with the Ohio Casualty Insurance Company for the following insurance coverage:

Type of Coverage	Coverage
Property Coverage:	
Blanket buildings and contents	\$ 124,862,557
Inland Marine:	
Athletic and other equipment	100,000
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

**SOLON CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 10 - RISK MANAGEMENT - (Continued)**

Type of Coverage	Coverage
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 disease	1,000,000
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	10,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in coverage from fiscal year 2008.

**B. Employee Benefits**

The 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.

**SOLON CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 10 - RISK MANAGEMENT - (Continued)**

The internal service fund pays for the costs of providing claims servicing and claims payment. The premium charged for family coverage is \$999 and single coverage is \$333 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 \$686,000 reported in the internal service fund at June 30, 2009, is based on an estimate provided by the third party administrator and the requirements of GASB 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, 2009 represents an estimate of the liability for unpaid claims costs provided by Medical Mutual of Ohio. In fiscal year 2009, the District paid \$648,459 in administrative costs and stop loss payments. Changes in the claims liability for 2007 through 2009 were:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2009	\$ 1,524,300	\$ 6,517,174	\$ (7,355,474)	\$ 686,000
2008	1,498,600	5,910,791	(5,885,091)	1,524,300
2007	1,479,000	5,916,781	(5,897,181)	1,498,600

**C. Workers' Compensation Program**

For fiscal year 2009, the District participated in the Ohio Schools' Council Workers' Compensation Group Rating Program (the Plan), an insurance purchasing pool. 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 District pays an enrollment fee to the Plan to cover costs of administering the program

**SOLON CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 11 - 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.

**B. Retirement Incentive**

Starting in fiscal year 2002, the 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 the State Teachers Retirement System will be paid the retirement incentive.

At June 30, 2009, the District's retirement payout liability was \$665,939 and has been recorded as a component of "compensated absences payable" on the financial statements.

**NOTE 12 - PENSION PLANS**

**A. School Employees Retirement System**

Plan Description - The 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. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under *Forms and Publications*.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2009, 9.09 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 District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008 and 2007 were \$874,510, \$974,171 and \$922,423, respectively; 50.15 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**SOLON CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 12 - PENSION PLANS - (Continued)**

**B. State Teachers Retirement System of Ohio**

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. 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 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website 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. The 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 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 fiscal year 2009, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. 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 District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008 and 2007 were \$4,323,710, \$4,100,399 and \$3,908,976 million, respectively; 84.41 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$65,142 made by the District and \$118,951 made by the plan members.

**SOLON CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE 12 - PENSION PLANS - (Continued)**

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2009, three members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**NOTE 13 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit 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 HMO's, PPO's 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 St., 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 105(e). For 2009, 4.16 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 2009, this amount was \$144,119.

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 District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2009, 2008, and 2007 were \$582,667, \$497,866 and \$458,974, respectively; 50.15 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2009, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$72,154, \$62,026 and \$58,731, respectively; 50.15 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**SOLON CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)**

**B. State Teachers Retirement System of Ohio**

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "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 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$332,593, \$423,257 and \$400,243, respectively; 84.41 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance on the basis of GAAP, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The statement of revenues, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented 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 the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Investments are reported at fair value (GAAP basis) rather than cost (budget basis); and,
- (e) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).



**SOLON CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

**Net Change in Fund Balance**

	<u>General Fund</u>
Budget basis	\$ (1,373,238)
Net adjustment for revenue accruals	85,513
Net adjustment for expenditure accruals	(599,438)
Net adjustment for other sources/uses	3,000
Adjustment for encumbrances	627,764
GAAP basis	\$ (1,256,399)

**NOTE 15 - STATUTORY RESERVES**

The 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 the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year end. These amounts must be carried forward to be used for the same purposes in future years.

The balance of the textbooks/instructional materials set-aside cash balance at June 30, 2008 has been restated by \$2,322,381 from \$0 to \$2,322,381 to correct for allowable carryover expenditures that were not properly carried over to the subsequent year for the textbook/instructional materials set-aside in prior years. The following cash basis information describes the change in the year end set-aside amounts for textbooks/instructional materials and capital acquisition. Disclosure of this information is required by state statute:

	<u>Textbooks/ Instructional Materials</u>	<u>Capital Acquisition</u>
Set-aside cash balance at June 30, 2008 (restated)	\$ (2,322,381)	\$ -
Current year set-aside requirement	865,412	865,412
Qualifying off-sets	-	(1,296,194)
Qualifying disbursements	(779,863)	(92,979)
Total	\$ (2,236,832)	\$ (523,761)
Balance carried forward to fiscal year 2010	\$ (2,236,832)	\$ -

**SOLON CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE 15 - STATUTORY RESERVES - (Continued)**

The District had carryover balance and qualifying disbursements during the year that reduced the textbook/instructional materials set-aside amount below zero. This extra amount may be used to reduce the set-aside requirement for future years for textbooks/instructional materials. The negative amount is therefore presented as being carried forward to next fiscal year. Although the District had offsets and qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement of future years. The negative amount is therefore not presented as being carried forward to next fiscal year.

**NOTE 16 - CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, State and local 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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

**B. Litigation**

The District is a party to legal proceedings seeking damages or injunctive relief generally incidental to its operations and spending projects. The District management is of the opinion that disposition of the claim and legal proceedings will not have a material effect, if any, on the financial condition of the District.

**NOTE 17 - PAYMENT IN LIEU OF TAXES**

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

In March 2004, Swagelok Company, located within the 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 District entered into a Revenue Sharing Agreement with the City of Solon to compensate the 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 District for a portion of the loss of anticipated revenue resulting from the property tax exemptions. The District will receive \$50,000 per year from Swagelok Company through the year 2014.

During fiscal year 2009, the District received \$585,000 in revenue as a result of the Revenue Sharing Agreement with the City and \$100,000 in revenue as a result of the agreement with Swagelok Company. The revenue received from the City is reported in the Permanent Improvement fund while the revenue received by Swagelok Company is reported in the general fund.

**Solon City School District, Cuyahoga County**  
**Schedule of Federal Awards Receipts and Expenditures**  
**For the Fiscal Year Ended June 30, 2009**

<b>Federal Grantor Pass-Through Grantor Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Federal Receipts</b>	<b>Federal Non-Cash Receipts</b>	<b>Federal Expenditures</b>	<b>Federal Non-Cash Expenditures</b>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>					
Passed through State Department of Education:					
Title I Grants to Local Educational Agencies	84.010	\$ 242,692	\$ -	\$ 213,692	\$ -
Special Education Cluster:					
Special Education - Grants to States	84.027	166,344	-	166,344	-
Special Education - Grants to States	84.027	745,980	-	672,817	-
Total Special Education - Grants to States		<u>912,324</u>	<u>-</u>	<u>839,161</u>	<u>-</u>
Special Education - Preschool Grants	84.173	5,769	-	5,784	-
Special Education - Preschool Grants	84.173	22,778	-	20,778	-
Total Special Education Preschool Grants		<u>28,547</u>	<u>-</u>	<u>26,562</u>	<u>-</u>
Total Special Education Cluster		940,871	-	865,723	-
Safe and Drug-Free Schools and Communities	84.186	10,213	-	10,213	-
Education Technology State Grants	84.318	1,281	-	1,000	-
English Language Acquisition Grants	84.365	33,404	-	29,904	-
Improving Teacher Quality State Grants	84.367	-	-	280	-
Improving Teacher Quality State Grants	84.367	-	-	778	-
Improving Teacher Quality State Grants	84.367	-	-	5,023	-
Improving Teacher Quality State Grants	84.367	55,698	-	53,678	-
Total Improving Teacher Quality State Grants		<u>55,698</u>	<u>-</u>	<u>59,759</u>	<u>-</u>
Title V Innovative Programs	84.298	-	-	4,437	-
Title V Innovative Programs	84.298	403	-	405	-
Total Innovative Programs		<u>403</u>	<u>-</u>	<u>4,842</u>	<u>-</u>
<b>Total U.S. Department of Education</b>		1,284,562	-	1,185,133	-
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>					
Passed Through State Department of Education:					
Non-Cash Assistance (Food Distribution):					
National School Lunch Program	10.555	-	47,712	-	47,712
Cash Assistance					
National School Lunch Program	10.555	152,825	-	152,825	-
<b>Total U.S. Department of Agriculture</b>		<u>152,825</u>	<u>47,712</u>	<u>152,825</u>	<u>47,712</u>
<b>Total Federal Financial Assistance</b>		<u><u>\$ 1,437,387</u></u>	<u><u>\$ 47,712</u></u>	<u><u>\$ 1,337,958</u></u>	<u><u>\$ 47,712</u></u>

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

**SOLON CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Solon City School District's (the District's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

**NOTE B - CHILD NUTRITION CLUSTER**

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

**NOTE C – FOOD DONATION PROGRAM**

The District reports commodities consumed on the Schedule at the fair value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.



# 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, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 5, 2010. 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 March 5, 2010.

### **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 a certain noncompliance or other matter that we reported to the District's management in a separate letter dated March 5, 2010.

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

March 5, 2010



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE 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, 2009. 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 complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2009.

### 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

March 5, 2010



**SOLON CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2009**

**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>	Unqualified
<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: Special Education Grants to States – CFDA #84.027 Special Education Preschool Grants – CFDA #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

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# Mary Taylor, CPA

Auditor of State

## Independent Accountants' Report on Applying Agreed-Upon Procedures

Solon City School District  
Cuyahoga County  
13800 Inwood Road  
Solon, Ohio 44139

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Solon City School District (the District) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy at its meeting on October 25, 2004.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
  - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
  - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
  - (3) A procedure for reporting prohibited incidents;
  - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;

- (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
- (6) A procedure for documenting any prohibited incident that is reported;
- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management, Audit Committee, and the Board of Education and is not intended to be and should not be used by anyone other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

March 5, 2010



**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 1, 2010**