

**SOLON CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY  
Single Audit  
For the Fiscal Year Ended June 30, 2014**

***Perry & Associates***  
Certified Public Accountants, A.C





# Dave Yost • Auditor of State

Board of Education  
Solon City School District  
33800 Inwood Road  
Solon, Ohio 44139

We have reviewed the *Independent Auditor's Report* of the Solon City School District, Cuyahoga County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period July 1, 2013 through June 30, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Solon City School District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

March 12, 2015

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

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

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***Perry & Associates***  
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**INDEPENDENT AUDITOR'S REPORT**

December 29, 2014

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

To the Board of Education:

***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the **Solon City School District**, Cuyahoga County, Ohio (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Solon City School District, Cuyahoga County, Ohio, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

*Supplementary and Other Information*

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Schedule of Federal Award Receipts and Expenditures presents additional analysis as required by the 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 financial statements.

The schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected the schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



**Perry and Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)

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, 2014. 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 2014 are as follows:

- The District's net position of governmental activities increased \$10,112,489, which represents a 19.76% increase from 2013.
- General revenues for governmental activities, accounted for \$75,469,939 in revenue or 92.63% of all revenues. Program specific revenues in the form of charges for services and sales and operating grants and contributions accounted for \$6,003,900 or 7.37% of total governmental activities revenues of \$81,473,839.
- The District had \$71,361,350 in expenses related to governmental activities; only \$6,003,900 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 \$75,469,939 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and debt service fund. The general fund had \$73,051,826 in revenues and other financing sources and \$65,106,003 in expenditures and other financing uses. The general fund's fund balance increased \$7,945,823 from a balance of \$24,542,393 to \$32,488,216.
- The debt service fund had \$2,546,322 in revenues and \$2,889,339 in expenditures. The debt service fund's fund balance decreased \$343,017 from \$2,580,045 to \$2,237,028.
- The permanent improvement fund which had been a major fund in 2013 was reclassified to a nonmajor governmental fund in 2014 as shown in Note 3.B.

**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. These statements then proceed to provide an increasingly detailed look at specific financial activities.

The *statement of net position* 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 and debt service fund are by far the most significant funds, and the only governmental funds reported as major funds.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)

**Reporting the District as a Whole**

**Statement of Net Position 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 2014?" The statement of net position and the statement of activities answer this question. These statements include *all assets, deferred outflows of resources, liabilities, deferred inflows of resources, 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 position* and changes in that position. This change in net position 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.

On the statement of net position and in the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net position and statement of activities can be found on pages 16-17 of this report.

**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 and debt service 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 position 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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)

**Proprietary Funds**

The District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District's internal service fund accounts for a self-insurance program which provides medical, dental and vision benefits to employees. 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 assets and liabilities 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 27-60.

**The District as a Whole**

The statement of net position provides the perspective of the District as a whole. The table below provides a summary of the District's net position for 2014 and 2013.

**Net Position of Governmental Activities**

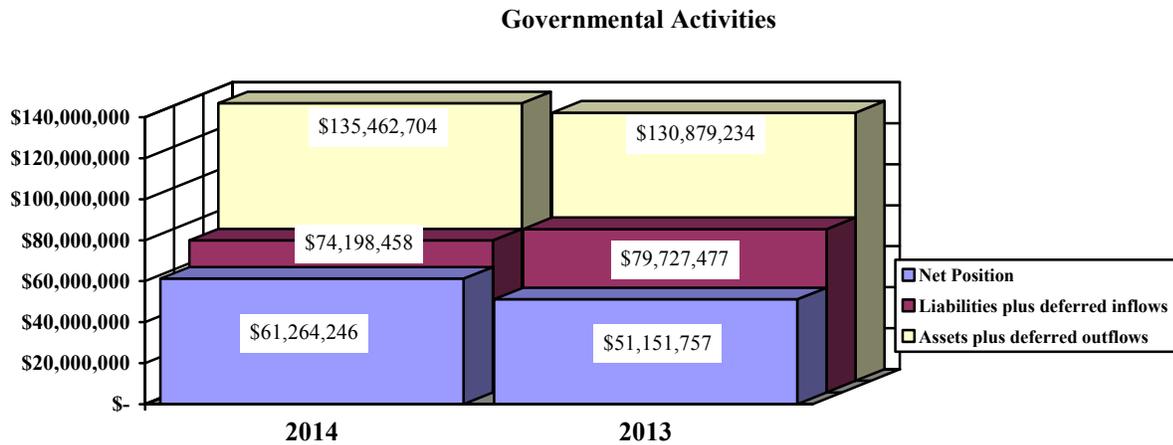
|                                       | <u>2014</u>          | <u>2013</u>          |
|---------------------------------------|----------------------|----------------------|
| <b><u>Assets</u></b>                  |                      |                      |
| Current assets                        | \$ 101,724,924       | \$ 96,201,592        |
| Capital assets, net                   | <u>33,323,150</u>    | <u>34,208,383</u>    |
| Total assets                          | <u>135,048,074</u>   | <u>130,409,975</u>   |
| <b>Deferred outflows of resources</b> | <u>414,630</u>       | <u>469,259</u>       |
| <b><u>Liabilities</u></b>             |                      |                      |
| Current liabilities                   | 9,279,961            | 8,873,292            |
| Long-term liabilities                 | <u>21,596,453</u>    | <u>25,903,006</u>    |
| Total liabilities                     | <u>30,876,414</u>    | <u>34,776,298</u>    |
| <b>Deferred inflows of resources</b>  | <u>43,322,044</u>    | <u>44,951,179</u>    |
| <b><u>Net Position</u></b>            |                      |                      |
| Net investment in capital assets      | 22,188,559           | 20,613,168           |
| Restricted                            | 10,206,018           | 11,551,893           |
| Unrestricted                          | <u>28,869,669</u>    | <u>18,986,696</u>    |
| Total net position                    | <u>\$ 61,264,246</u> | <u>\$ 51,151,757</u> |

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)

Total governmental activities net position increased \$10,112,489. Total assets of the District's governmental activities increased \$4,638,099 from June 30, 2013. Current assets increased \$5,523,332 primarily due to an increase in cash and investments of \$4,460,612. The District's liabilities decreased \$3,899,884, which is primarily due to the payment of long term bond principal of \$2,395,000. Restricted net position decreased primarily in the area of restricted for capital projects and the District increased technology capital spending. Unrestricted net position increased as revenues exceeded expenses in general operations which are unrestricted in use.

The graph below illustrates the District's governmental activities assets plus deferred outflows, liabilities plus deferred inflows and net position at June 30, 2014 and 2013.



The table below shows the change in net position for fiscal years 2014 and 2013.

**Change in Net Position**

|                                       | <u>Governmental Activities</u> |                   |
|---------------------------------------|--------------------------------|-------------------|
|                                       | <u>2014</u>                    | <u>2013</u>       |
| <b>Revenues</b>                       |                                |                   |
| Program revenues:                     |                                |                   |
| Charges for services and sales        | \$ 3,311,682                   | \$ 3,127,576      |
| Operating grants and contributions    | 2,692,218                      | 2,376,744         |
| General revenues:                     |                                |                   |
| Property taxes                        | 57,115,672                     | 52,014,744        |
| Grants and entitlements               | 16,528,652                     | 16,664,713        |
| Payment in lieu of taxes              | 844,250                        | 1,092,128         |
| Gain on disposal of capital assets    | 1,083                          | 8,752             |
| Investment earnings                   | 77,373                         | 82,802            |
| Increase in fair value of investments | 400,330                        | -                 |
| Other                                 | 502,579                        | 412,111           |
| <b>Total revenues</b>                 | <u>81,473,839</u>              | <u>75,779,570</u> |

(Continued)

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)

|   | <u>Governmental Activities</u> |                      |
|---|--------------------------------|----------------------|
| <u>Expenses</u>                         | <u>2014</u>                    | <u>2013</u>          |
| Program expenses:                       |                                |                      |
| Instruction:                            |                                |                      |
| Regular                                 | 33,849,737                     | 33,834,645           |
| Special                                 | 6,692,195                      | 6,870,366            |
| Vocational                              | 619,133                        | 539,212              |
| Other                                   | 906,612                        | 840,338              |
| Support services:                       |                                |                      |
| Pupil                                   | 3,683,216                      | 3,845,111            |
| Instructional staff                     | 1,564,716                      | 1,560,971            |
| Board of Education                      | 61,858                         | 59,051               |
| Administration                          | 4,171,446                      | 3,482,845            |
| Fiscal                                  | 1,913,459                      | 1,746,937            |
| Business                                | 1,032,572                      | 1,151,762            |
| Operations and maintenance              | 7,673,803                      | 6,972,552            |
| Pupil transportation                    | 3,744,943                      | 3,600,396            |
| Central                                 | 1,084,242                      | 1,055,433            |
| Food service                            | 1,724,526                      | 1,930,544            |
| Operation of non-instructional services | 460,469                        | 553,538              |
| Extracurricular activities              | 1,692,850                      | 1,742,835            |
| Interest and fiscal charges             | 485,573                        | 550,630              |
| Bond issuance costs                     | -                              | 109,373              |
| Total expenses                          | <u>71,361,350</u>              | <u>70,446,539</u>    |
| Changes in net position                 | 10,112,489                     | 5,333,031            |
| Net position at beginning of year       | <u>51,151,757</u>              | <u>45,818,726</u>    |
| Net position at end of year             | <u>\$ 61,264,246</u>           | <u>\$ 51,151,757</u> |

**Governmental Activities**

The net position of the District's governmental activities increased \$10,112,489. Total governmental expenses of \$71,361,350 were offset by program revenues of \$6,003,900 and general revenues of \$75,469,939. Program revenues supported 8.40% of the total governmental expenses. The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These two revenue sources represent 90.39% of total governmental revenue. Real estate property is reappraised every six years. The increase in tax revenue for fiscal year 2014 resulted from two factors: (1) the passage of a new \$0.80 mill property tax levy which began collections in calendar year 2014, and (2) fluctuations in the amount of tax advance available from the Cuyahoga County Fiscal Officer at fiscal year-end. The amount of tax advance available can vary depending upon when tax bills are sent out by Cuyahoga County. At June 30, 2014, 2013 and 2012, the amount of tax advance available was \$10,330,751, \$7,411,839 and \$8,588,065, respectively. The amount of tax advance available at fiscal year-end is reported as revenue. The amount of unrestricted grants and entitlements remained comparable to the prior year, decreasing less than 1.0%. The District reported an increase in the fair value of investments of \$400,330 for 2014. For 2013, the fluctuations in the fair value of investments was reported as a component of interest earnings. The District intends to hold all investments to maturity thus eliminating the risk in fluctuations of fair value. Payments in lieu of taxes revenue decreased as a result of less revenue recognized in fiscal year 2014 related to the revenue sharing agreement with the Village of Glenwillow. All other revenue items were comparable to the prior year or were immaterial in variance amount.

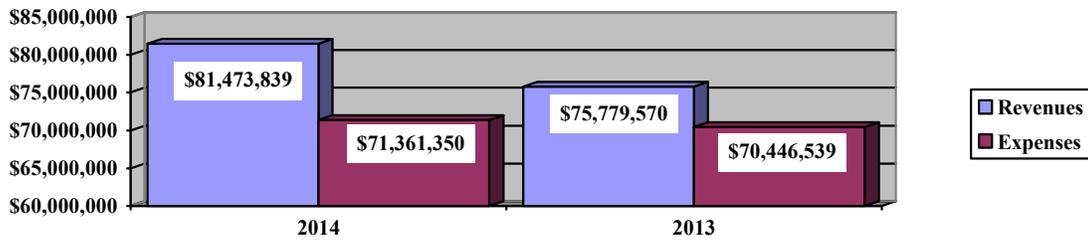
**SOLON CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)**

The primary increase in expenses was in the area of support services which increased \$1,455,197 from 2013. The only significant variances were in the areas of support services administration and support services operations and maintenance. Support services administration increased due to increased personal services expenses while support services operations and maintenance increased due to increased repair, maintenance and other non-capitalized projects performed by the District in fiscal year 2014. During 2014, the District continued with cost control measures to closely monitor expenses. The District has implemented salary freezes, a reduced salary schedule for new certificated hires, and changes in insurance benefits in an attempt to help address future deficits. Expenses of the District increased 1.20% from 2013.

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2014 and 2013.

**Governmental Activities - Revenues and Expenses**



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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)

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 2014 and 2013. It identifies the cost of services supported by tax revenue and restricted State grants and entitlements.

|   | Total Cost of<br>Services<br><u>2014</u> | Net Cost of<br>Services<br><u>2014</u> | Total Cost of<br>Services<br><u>2013</u> | Net Cost of<br>Services<br><u>2013</u> |
|---|--|--|--|--|
| <b>Governmental Activities</b>          |  |  |  |  |
| Instruction:                            |  |  |  |  |
| Regular                                 | \$ 33,849,737                            | \$ 33,098,587                          | \$ 33,834,645                            | \$ 32,266,690                          |
| Special                                 | 6,692,195                                | 5,734,849                              | 6,870,366                                | 6,807,265                              |
| Vocational                              | 619,133                                  | 607,672                                | 539,212                                  | 530,752                                |
| Other                                   | 906,612                                  | 548,179                                | 840,338                                  | 840,338                                |
| Support services:                       |  |  |  |  |
| Pupil                                   | 3,683,216                                | 2,778,523                              | 3,845,111                                | 2,937,405                              |
| Instructional staff                     | 1,564,716                                | 1,476,554                              | 1,560,971                                | 1,440,793                              |
| Board of Education                      | 61,858                                   | 61,858                                 | 59,051                                   | 59,051                                 |
| Administration                          | 4,171,446                                | 4,171,446                              | 3,482,845                                | 3,482,696                              |
| Fiscal                                  | 1,913,459                                | 1,913,459                              | 1,746,937                                | 1,746,937                              |
| Business                                | 1,032,572                                | 1,032,572                              | 1,151,762                                | 1,151,762                              |
| Operations and maintenance              | 7,673,803                                | 7,418,618                              | 6,972,552                                | 6,763,021                              |
| Pupil transportation                    | 3,744,943                                | 3,602,148                              | 3,600,396                                | 3,509,772                              |
| Central                                 | 1,084,242                                | 1,036,788                              | 1,055,433                                | 1,005,983                              |
| Food service operations                 | 1,724,526                                | 140,679                                | 1,930,544                                | 221,168                                |
| Operation of non-instructional services | 460,469                                  | (55,369)                               | 553,538                                  | 163,234                                |
| Extracurricular activities              | 1,692,850                                | 1,305,314                              | 1,742,835                                | 1,355,349                              |
| Interest and fiscal charges             | 485,573                                  | 485,573                                | 550,630                                  | 550,630                                |
| Bond issuance costs                     | -  | -                                      | 109,373                                  | 109,373                                |
| Total expenses                          | <u>\$ 71,361,350</u>                     | <u>\$ 65,357,450</u>                   | <u>\$ 70,446,539</u>                     | <u>\$ 64,942,219</u>                   |

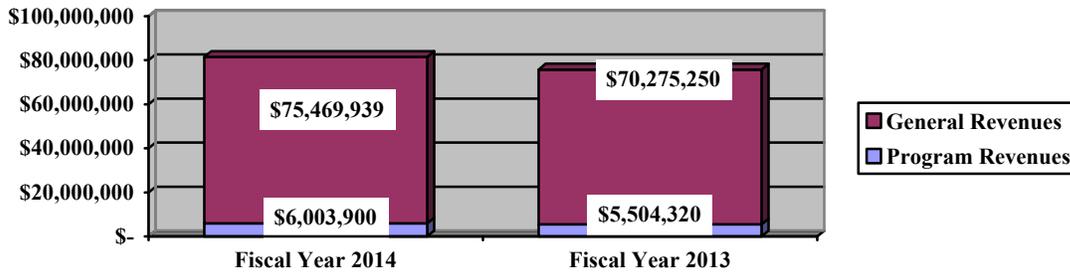
The dependence upon general revenues during fiscal year 2014 for governmental activities is apparent, as 95.06% of 2014 instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 91.59% in 2014. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio, as a whole, are the primary support for District's students.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)

The graph below presents the District's governmental activities revenue for fiscal years 2014 and 2013.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

During 2014 the District's governmental funds (as presented on the balance sheet on page 18) reported a combined fund balance of \$41,977,127, which is above last year's total of \$35,244,677. The District reclassified the permanent improvement fund from a major fund to a nonmajor fund as described in Note 3.B. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2014 and 2013.

|                    | Fund Balance<br>June 30, 2014 | Fund Balance<br>June 30, 2013 | Increase<br>(decrease) | Percentage<br>Change |
|--------------------|-------------------------------|-------------------------------|------------------------|----------------------|
| General            | \$ 32,488,216                 | \$ 24,542,393                 | \$ 7,945,823           | 32.37 %              |
| Debt Service       | 2,237,028                     | 2,580,045                     | (343,017)              | (13.29) %            |
| Other Governmental | 7,251,883                     | 8,122,239                     | (870,356)              | (10.71) %            |
| Total              | <u>\$ 41,977,127</u>          | <u>\$ 35,244,677</u>          | <u>\$ 6,732,450</u>    | 19.10 %              |

**General Fund**

The District's general fund balance increased \$7,945,823 as revenues continued to exceed expenditures in the current year. Equity in pooled cash and investments in the general fund increased \$5,168,091 from \$26,066,466 at June 30, 2013 to \$31,234,557 at June 30, 2014.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)

The tables below assist in illustrating the financial activities of the general fund.

|   | 2014<br><u>Amount</u> | 2013<br><u>Amount</u> | Increase<br><u>(Decrease)</u> | Percentage<br><u>Change</u> |
|---|-----------------------|-----------------------|-------------------------------|-----------------------------|
| <b><u>Revenues</u></b>                  |                       |                       |                               |                             |
| Property taxes                          | \$ 53,357,312         | \$ 48,733,679         | \$ 4,623,633                  | 9.48 %                      |
| Payment in lieu of taxes                | 332,018               | 398,400               | (66,382)                      | (16.66) %                   |
| Tuition                                 | 838,266               | 839,360               | (1,094)                       | (0.13) %                    |
| Earnings on investments                 | 82,274                | 88,663                | (6,389)                       | (7.20) %                    |
| Increase in fair value of investments   | 400,330               | -                     | 400,330                       | 100.00 %                    |
| Intergovernmental                       | 16,600,463            | 16,199,237            | 401,226                       | 2.47 %                      |
| Other revenues                          | <u>1,434,763</u>      | <u>1,008,169</u>      | <u>426,594</u>                | 42.31 %                     |
| Total                                   | <u>\$ 73,045,426</u>  | <u>\$ 67,267,508</u>  | <u>\$ 5,777,918</u>           | 8.58 %                      |
| <b><u>Expenditures</u></b>              |                       |                       |                               |                             |
| Instruction                             | \$ 40,772,526         | \$ 38,538,387         | \$ 2,234,139                  | 5.79 %                      |
| Support services                        | 22,657,929            | 21,676,224            | 981,705                       | 4.52 %                      |
| Operation of non-instructional services | 161,939               | 99,517                | 62,422                        | 62.72 %                     |
| Extracurricular activities              | 1,396,639             | 1,411,014             | (14,375)                      | (1.01) %                    |
| Facilities acquisition and construction | 36,600                | 69,650                | (33,050)                      | (47.45) %                   |
| Capital outlay                          | -                     | 90,570                | (90,570)                      | (100.00) %                  |
| Debt Service                            | <u>30,370</u>         | <u>98,290</u>         | <u>(67,920)</u>               | (69.10) %                   |
| Total                                   | <u>\$ 65,056,003</u>  | <u>\$ 61,983,652</u>  | <u>\$ 3,072,351</u>           | 4.95 %                      |

The increase in tax revenue for fiscal year 2014 resulted from two factors: (1) the passage of a new 0.80 mill property tax levy which began collections in calendar year 2014 (of which 0.40 mills was approved for operating and 0.40 mills was approved for permanent improvements), and (2) fluctuations in the amount of tax advance available from the Cuyahoga County Fiscal Officer at fiscal year-end. The amount of tax advance available can vary depending upon when tax bills are sent out by Cuyahoga County. At June 30, 2014, 2013 and 2012, the amount of tax advance available to the general fund was \$9,628,103, \$6,847,183 and \$7,922,509, respectively. The amount of tax advance available at fiscal year-end is reported as revenue in the general fund on the modified accrual basis of accounting. The District reported an increase in the fair value of investments of \$400,330 for 2014. For 2013, the fluctuations in the fair value of investments was reported as a component of interest earnings. The District intends to hold all investments to maturity thus eliminating the risk in fluctuations of fair value. The increase in other revenues is due to the increase in reimbursements from other sources. All other revenue items were comparable to the prior year or were immaterial in variance amount.

Instruction expenditures increased 5.79% from the prior year. This area is the District's largest expenditure line item. The increase in instruction is a direct result salary increases. The increases in operation of non-instructional services and decrease in facilities acquisition and construction, while large in percentage, are not significant in amount. The overall increase from the prior year expenditures was 4.95%. Capital outlay decreased due to the inception of a new capital lease in 2013.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)

**Debt Service Fund**

The District's debt service fund balance decreased \$343,017. The tables below assist in illustrating the financial activities of the debt service fund.

|                             | <u>2014</u><br><u>Amount</u> | <u>2013</u><br><u>Amount</u> | <u>(Decrease)</u>                    | <u>Percentage</u><br><u>Change</u> |
|-----------------------------|------------------------------|------------------------------|--------------------------------------|------------------------------------|
| <b><u>Revenues</u></b>      |                              |                              |                                      |                                    |
| Property taxes              | \$ 2,303,585                 | \$ 2,703,473                 | \$ (399,888)                         | (14.79) %                          |
| Intergovernmental           | <u>242,737</u>               | <u>290,856</u>               | <u>(48,119)</u>                      | (16.54) %                          |
| Total                       | <u>\$ 2,546,322</u>          | <u>\$ 2,994,329</u>          | <u>\$ (448,007)</u>                  | (14.96) %                          |
|                             | <u>2014</u><br><u>Amount</u> | <u>2013</u><br><u>Amount</u> | <u>Increase</u><br><u>(Decrease)</u> | <u>Percentage</u><br><u>Change</u> |
| <b><u>Expenditures</u></b>  |                              |                              |                                      |                                    |
| Support services            | \$ 9,134                     | \$ 41,691                    | \$ (32,557)                          | (78.09) %                          |
| Debt Service:               |                              |                              |                                      |                                    |
| Principal retirement        | 2,395,000                    | 2,340,000                    | 55,000                               | 2.35 %                             |
| Interest and fiscal charges | <u>485,205</u>               | <u>681,189</u>               | <u>(195,984)</u>                     | (28.77) %                          |
| Total                       | <u>\$ 2,889,339</u>          | <u>\$ 3,062,880</u>          | <u>\$ (173,541)</u>                  | (5.66) %                           |

The decrease in tax revenue for fiscal year 2014 resulted from decreased tax receipts in the debt service fund. Cash-basis tax receipts decreased approximately \$467,000 from 2013 to 2014. Tax bills pertaining to debt service were reduced by 0.80 mills in fiscal year 2014 due to a long-term debt issuance being completely repaid. Intergovernmental revenues decreased from the prior year due to less homestead and rollback from the State of Ohio as a result of the decreased property tax revenues. During 2014, the debt service fund made principal payments on bonds of \$2,395,000. Taxes and intergovernmental revenues were not sufficient to cover debt service and fiscal changes incurred in the fund.

**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 2014, the District amended its general fund budget. 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, original and final budgeted revenues and other financing sources were \$70,757,211. The actual revenues and other financing sources were \$69,339,851, which was \$1,417,360 lower than the final budget revenues. The primary variance between the final budgeted revenues and actual revenues was in the area of intergovernmental-state revenues. This revenue source represents 23.80% of the general fund revenues.

General fund original and final appropriations and other financing uses were \$70,417,064 and \$71,917,064 respectively. The actual budget basis expenditures and other financing uses for fiscal year 2014 totaled \$67,891,939, which were \$4,025,125 less than final budgeted appropriations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)

**Capital Assets and Debt Administration**

**Capital Assets**

During fiscal year 2014, the District had \$33,323,150 invested in land, land improvements, buildings and improvements, furniture and equipment, and buses and other vehicles. This entire amount was reported in governmental activities.

The table below shows fiscal year 2014 balances compared to 2013:

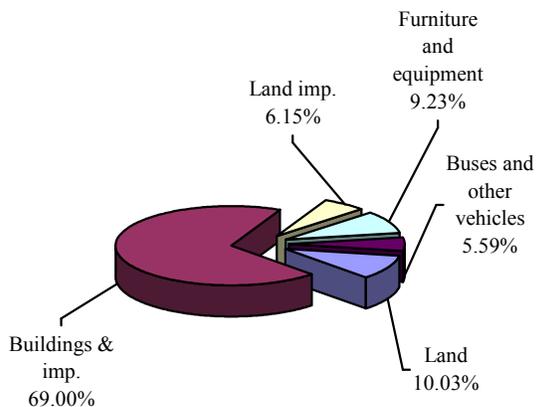
**Capital Assets at June 30 (Net of Depreciation)**

|                            | <u>Governmental Activities</u> |                             |
|----------------------------|--------------------------------|-----------------------------|
|                            | <u>2014</u>                    | <u>2013</u>                 |
| Land                       | \$ 3,346,494                   | \$ 3,346,494                |
| Land improvements          | 2,048,127                      | 2,093,809                   |
| Buildings and improvements | 22,991,645                     | 22,883,190                  |
| Furniture and equipment    | 3,075,750                      | 4,120,828                   |
| Buses and other vehicles   | 1,861,134                      | 1,764,062                   |
| <b>Total</b>               | <b><u>\$ 33,323,150</u></b>    | <b><u>\$ 34,208,383</u></b> |

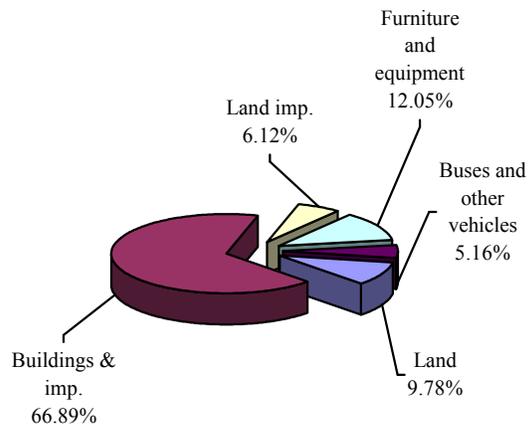
Total additions to governmental activities capital assets for 2014 were \$1,722,568. Governmental activities depreciation expense for fiscal year 2014 was \$2,602,484. Disposals net of accumulated depreciation were \$5,317. Overall, governmental activities capital assets of the District decreased \$885,233.

The following graphs show the breakdown of the governmental activities capital assets by category for 2014 and 2013.

**Capital Assets - 2014**



**Capital Assets - 2013**



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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)

**Debt Administration**

At June 30, 2014 the District had \$11,047,772 in general obligation bonds and capital leases outstanding. Of this total, \$1,464,153 is due within one year and \$9,583,619 is due within greater than one year.

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

**Outstanding Debt, at Year End**

|                          | Balance<br><u>June 30, 2014</u> | Balance<br><u>June 30, 2013</u> |
|--------------------------|---------------------------------|---------------------------------|
| General obligation bonds | \$ 11,008,296                   | \$ 13,360,396                   |
| Capital lease obligation | <u>39,476</u>                   | <u>66,820</u>                   |
| Total                    | <u>\$ 11,047,772</u>            | <u>\$ 13,427,216</u>            |

See Note 10 to the basic financial statements for additional information on the District's debt administration.

**Current Financial Related Activities**

Solon City School District has been consistently rated as one of the top academic public school districts in the state of Ohio over the last decade and a half. The District has held the outstanding academic distinction of being rated an excellent public school district for 15 years. This distinction has been attained while only receiving approximately 5% of its total operating revenues from the State of Ohio's foundation funding formula. Local community and businesses have placed a significant emphasis on providing an outstanding education to its students, and have always supported the District.

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.

The District is not immune to the rough, economic times the state and nation have been currently experiencing in recent years. Due to the struggling real estate market, the district is realizing stagnant growth in tax revenues. The District is in a delicate position continuing to provide an excellent education, and at the same time battling current state economic issues and minimal state foundation funding. It will be increasingly difficult to provide an excellent education to students without a change in the current state funding structure. Furthermore, the District would be significantly harmed should additional tangible personal property (TPP) tax law changes be implemented which would result in a greater amount of reductions in TPP reimbursements.

Significant Solon City School District financial items to note are:

Fiscal Year 2010 - Expenditure reductions of approximately \$1,500,000 per year.

Fiscal Year 2011 - Expenditure reductions of approximately \$2,700,000 per year. On May 4, 2010, the District passed a new 6.9 mill operating levy which began generating revenue in calendar year 2011.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)

Fiscal Year 2012 - Expenditure reductions of approximately \$2,700,000 per year, a reduced salary schedule for new certificated hires, and changes in insurance benefits. \$1,200,000 per year in Tangible Personal Property state reimbursement revenues lost due to changes in State funding. This money is lost in perpetuity.

Fiscal Year 2013 – An additional \$1,200,000 per year in Tangible Personal Property state reimbursement revenues lost due to changes in State funding. This money is lost in perpetuity.

Fiscal Year 2014 - On November 5, 2013, the District passed a new 0.80 mill levy due to a long-term debt issuance being completely repaid and the tax bill being reduced by 0.80 mills. The new 0.80 levy was for 0.40 mills operating and 0.40 permanent improvements. The primary reason for this levy was to help offset increased costs attributed to Safety and Security. This levy began generating revenue in calendar year 2014.

The District closed out its fiscal year on June 30, 2014 on a positive note staying within the total appropriations approved by the Board of Education and spending what was anticipated for the year. The District's ability to carry its cost saving measures into fiscal year 2015 and beyond has continued to prove beneficial to the Solon City School District.

**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 POSITION  
JUNE 30, 2014

|  | <b>Governmental<br/>Activities</b> |
|--|------------------------------------|
| <b>Assets:</b>   |                                    |
| Equity in pooled cash and investments . . . . .                                | \$ 44,812,432                      |
| Receivables:   |                                    |
| Property taxes . . . . .   | 55,483,875                         |
| Payment in lieu of taxes . . . . .   | 334,048                            |
| Accounts . . . . .   | 44,782                             |
| Accrued interest . . . . .   | 44,450                             |
| Loans . . . . .  | 60,000                             |
| Intergovernmental . . . . .  | 823,694                            |
| Materials and supplies inventory . . . . .                                     | 96,105                             |
| Inventory held for resale . . . . .  | 25,538                             |
| Capital assets:  |                                    |
| Nondepreciable capital assets . . . . .  | 3,346,494                          |
| Depreciable capital assets, net . . . . .                                      | 29,976,656                         |
| Capital assets, net . . . . .  | 33,323,150                         |
| Total assets . . . . .   | 135,048,074                        |
| <br><b>Deferred outflows of resources:</b>                                     |                                    |
| Unamortized deferred charges on debt refunding                                 | 414,630                            |
| <br><b>Liabilities:</b>  |                                    |
| Accounts payable . . . . .   | 1,411,798                          |
| Accrued wages and benefits payable . . . . .                                   | 5,210,999                          |
| Pension obligation payable . . . . .   | 1,095,785                          |
| Intergovernmental payable . . . . .  | 353,748                            |
| Unearned revenue . . . . .   | 1,400                              |
| Accrued interest payable . . . . .   | 40,731                             |
| Claims payable . . . . .   | 1,165,500                          |
| Long-term liabilities:   |                                    |
| Due within one year . . . . .  | 3,830,998                          |
| Due in more than one year . . . . .  | 17,765,455                         |
| Total liabilities . . . . .  | 30,876,414                         |
| <br><b>Deferred inflows of resources:</b>                                      |                                    |
| Property taxes levied for the next fiscal year . . . . .                       | 42,987,996                         |
| Payments in lieu of taxes revenue levied<br>for the next fiscal year . . . . . | 334,048                            |
| Total deferred inflows of resources . . . . .                                  | 43,322,044                         |
| <br><b>Net position:</b>   |                                    |
| Net investment in capital assets . . . . .                                     | 22,188,559                         |
| Restricted for:  |                                    |
| Capital projects . . . . .   | 6,918,690                          |
| Debt service . . . . .   | 2,152,718                          |
| Locally funded programs . . . . .  | 185,845                            |
| State funded programs . . . . .  | 93,501                             |
| Federally funded programs . . . . .  | 762,099                            |
| Student activities . . . . .   | 39,824                             |
| Food service operations . . . . .  | 53,341                             |
| Unrestricted . . . . .   | 28,869,669                         |
| Total net position . . . . .   | \$ 61,264,246                      |

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, 2014

|  | <u>Expenses</u>      | <u>Program Revenues</u>               |   | <u>Net (Expense)</u>                       |
|--|----------------------|---------------------------------------|---|--|
|  |                      | <u>Charges for Services and Sales</u> | <u>Operating Grants and Contributions</u> | <u>Revenue and Changes in Net Position</u> |
|  |                      |                                       |   | <u>Governmental Activities</u>             |
| <b>Governmental activities:</b>  |                      |                                       |   |  |
| Instruction:   |                      |                                       |   |  |
| Regular . . . . .  | \$ 33,849,737        | \$ 683,187                            | \$ 67,963                                 | \$ (33,098,587)                            |
| Special . . . . .  | 6,692,195            | 430,085                               | 527,261                                   | (5,734,849)                                |
| Vocational . . . . .   | 619,133              | -                                     | 11,461                                    | (607,672)                                  |
| Other . . . . .  | 906,612              | -                                     | 358,433                                   | (548,179)                                  |
| Support services:  |                      |                                       |   |  |
| Pupil . . . . .  | 3,683,216            | 1,149                                 | 903,544                                   | (2,778,523)                                |
| Instructional staff . . . . .  | 1,564,716            | 5,507                                 | 82,655                                    | (1,476,554)                                |
| Board of education . . . . .   | 61,858               | -                                     | -   | (61,858)                                   |
| Administration . . . . .   | 4,171,446            | -                                     | -   | (4,171,446)                                |
| Fiscal . . . . .   | 1,913,459            | -                                     | -   | (1,913,459)                                |
| Business . . . . .   | 1,032,572            | -                                     | -   | (1,032,572)                                |
| Operations and maintenance . . . . .                                     | 7,673,803            | 250,311                               | 4,874                                     | (7,418,618)                                |
| Pupil transportation . . . . .   | 3,744,943            | -                                     | 142,795                                   | (3,602,148)                                |
| Central . . . . .  | 1,084,242            | -                                     | 47,454                                    | (1,036,788)                                |
| Operation of non-instructional services:                                 |                      |                                       |   |  |
| Food service operations . . . . .  | 1,724,526            | 1,369,402                             | 214,445                                   | (140,679)                                  |
| Other non-instructional services . . . . .                               | 460,469              | 185,187                               | 330,651                                   | 55,369                                     |
| Extracurricular activities . . . . .                                     | 1,692,850            | 386,854                               | 682                                       | (1,305,314)                                |
| Interest and fiscal charges . . . . .                                    | 485,573              | -                                     | -   | (485,573)                                  |
| <b>Total governmental activities . . . . .</b>                           | <b>\$ 71,361,350</b> | <b>\$ 3,311,682</b>                   | <b>\$ 2,692,218</b>                       | <b>(65,357,450)</b>                        |
| <b>General revenues:</b>   |                      |                                       |   |  |
| Property taxes levied for:   |                      |                                       |   |  |
| General purposes . . . . .   |                      |                                       |   | 53,189,394                                 |
| Debt service . . . . .   |                      |                                       |   | 2,279,190                                  |
| Capital outlay . . . . .   |                      |                                       |   | 1,647,088                                  |
| Payments in lieu of taxes . . . . .                                      |                      |                                       |   | 844,250                                    |
| Grants and entitlements not restricted<br>to specific programs . . . . . |                      |                                       |   | 16,528,652                                 |
| Gain on disposal of capital assets . . . . .                             |                      |                                       |   | 1,083                                      |
| Investment earnings . . . . .  |                      |                                       |   | 77,373                                     |
| Increase in fair value of investments . . . . .                          |                      |                                       |   | 400,330                                    |
| Miscellaneous . . . . .  |                      |                                       |   | 502,579                                    |
| <b>Total general revenues . . . . .</b>                                  |                      |                                       |   | <b>75,469,939</b>                          |
| <b>Change in net position . . . . .</b>                                  |                      |                                       |   | <b>10,112,489</b>                          |
| <b>Net position at beginning of year . . . . .</b>                       |                      |                                       |   | <b>51,151,757</b>                          |
| <b>Net position at end of year . . . . .</b>                             |                      |                                       |   | <b>\$ 61,264,246</b>                       |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2014

|  | <u>General</u>       | <u>Debt<br/>Service</u> | <u>Nonmajor<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|----------------------|-------------------------|--|---|
| <b>Assets:</b>   |                      |                         |  |   |
| Equity in pooled cash and investments . . . . .                                | \$ 31,234,557        | \$ 1,841,409            | \$ 8,150,357                               | \$ 41,226,323                           |
| Receivables:   |                      |                         |  |   |
| Property taxes . . . . .   | 51,883,133           | 1,914,712               | 1,686,030                                  | 55,483,875                              |
| Payment in lieu of taxes . . . . .   | 334,048              | -                       | -  | 334,048                                 |
| Accounts . . . . .   | 44,171               | -                       | 611  | 44,782                                  |
| Accrued interest . . . . .   | 44,450               | -                       | -  | 44,450                                  |
| Interfund loans . . . . .  | 260,000              | -                       | -  | 260,000                                 |
| Loans . . . . .  | 60,000               | -                       | -  | 60,000                                  |
| Intergovernmental . . . . .  | 88,070               | -                       | 735,624                                    | 823,694                                 |
| Materials and supplies inventory . . . . .                                     | 91,272               | -                       | 4,833                                      | 96,105                                  |
| Inventory held for resale . . . . .  | 10,364               | -                       | 15,174                                     | 25,538                                  |
| Total assets . . . . .   | <u>\$ 84,050,065</u> | <u>\$ 3,756,121</u>     | <u>\$ 10,592,629</u>                       | <u>\$ 98,398,815</u>                    |
| <b>Liabilities:</b>  |                      |                         |  |   |
| Accounts payable . . . . .   | \$ 479,824           | \$ -                    | \$ 909,711                                 | \$ 1,389,535                            |
| Accrued wages and benefits payable . . . . .                                   | 5,171,169            | -                       | 39,830                                     | 5,210,999                               |
| Compensated absences payable . . . . .   | 1,835,320            | -                       | -  | 1,835,320                               |
| Interfund loans payable . . . . .  | -                    | -                       | 260,000                                    | 260,000                                 |
| Intergovernmental payable . . . . .  | 342,882              | -                       | 10,866                                     | 353,748                                 |
| Unearned revenue . . . . .   | 1,400                | -                       | -  | 1,400                                   |
| Pension obligation payable . . . . .   | 1,090,071            | -                       | 5,714                                      | 1,095,785                               |
| Total liabilities . . . . .  | <u>8,920,666</u>     | <u>-</u>                | <u>1,226,121</u>                           | <u>10,146,787</u>                       |
| <b>Deferred inflows of resources:</b>  |                      |                         |  |   |
| Property taxes levied for the next fiscal year . . . . .                       | 40,230,412           | 1,444,376               | 1,313,208                                  | 42,987,996                              |
| Payments in lieu of taxes revenue levied<br>for the next fiscal year . . . . . | 334,048              | -                       | -  | 334,048                                 |
| Delinquent property tax revenue not available . . . . .                        | 2,024,618            | 74,717                  | 65,793                                     | 2,165,128                               |
| Accrued interest not available . . . . .                                       | 27,044               | -                       | -  | 27,044                                  |
| Intergovernmental revenue not available . . . . .                              | -                    | -                       | 735,624                                    | 735,624                                 |
| Miscellaneous revenue not available . . . . .                                  | 25,061               | -                       | -  | 25,061                                  |
| Total deferred inflows of resources . . . . .                                  | <u>42,641,183</u>    | <u>1,519,093</u>        | <u>2,114,625</u>                           | <u>46,274,901</u>                       |
| <b>Fund balances:</b>  |                      |                         |  |   |
| Nonspendable:  |                      |                         |  |   |
| Materials and supplies inventory . . . . .                                     | 91,272               | -                       | 4,833                                      | 96,105                                  |
| Restricted:  |                      |                         |  |   |
| Debt service . . . . .   | -                    | 2,237,028               | -  | 2,237,028                               |
| Capital improvements . . . . .   | -                    | -                       | 6,852,897                                  | 6,852,897                               |
| Food service operations . . . . .  | -                    | -                       | 48,508                                     | 48,508                                  |
| Non-public schools . . . . .   | -                    | -                       | 25,835                                     | 25,835                                  |
| Special education . . . . .  | -                    | -                       | 11,011                                     | 11,011                                  |
| Targeted academic assistance . . . . .   | -                    | -                       | 11,674                                     | 11,674                                  |
| Other purposes . . . . .   | -                    | -                       | 258,061                                    | 258,061                                 |
| Extracurricular . . . . .  | -                    | -                       | 39,824                                     | 39,824                                  |
| Assigned:  |                      |                         |  |   |
| Student instruction . . . . .  | 1,211,431            | -                       | -  | 1,211,431                               |
| Student and staff support . . . . .  | 1,808,697            | -                       | -  | 1,808,697                               |
| Extracurricular activities . . . . .   | 42,859               | -                       | -  | 42,859                                  |
| Facilities acquisition and construction . . . . .                              | 3,400                | -                       | -  | 3,400                                   |
| School supplies . . . . .  | 96,167               | -                       | -  | 96,167                                  |
| Other purposes . . . . .   | 619,533              | -                       | -  | 619,533                                 |
| Unassigned (deficit) . . . . .   | 28,614,857           | -                       | (760)                                      | 28,614,097                              |
| Total fund balances . . . . .  | <u>32,488,216</u>    | <u>2,237,028</u>        | <u>7,251,883</u>                           | <u>41,977,127</u>                       |
| Total liabilities, deferred inflows and fund balances . . . . .                | <u>\$ 84,050,065</u> | <u>\$ 3,756,121</u>     | <u>\$ 10,592,629</u>                       | <u>\$ 98,398,815</u>                    |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2014

|  |    |              |              |
|--|----|--------------|--------------|
| <b>Total governmental fund balances</b>  |    | \$           | 41,977,127   |
| <i>Amounts reported for governmental activities on the statement of net position are different because:</i>  |    |              |              |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.  |    |              | 33,323,150   |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.   |    |              |              |
| Delinquent property taxes receivable   | \$ | 2,165,128    |              |
| Accrued interest receivable  |    | 27,044       |              |
| Accounts receivable  |    | 25,061       |              |
| Intergovernmental receivable   |    | 735,624      |              |
| Total  |    | 2,952,857    | 2,952,857    |
| 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 position. |    |              | 2,398,346    |
| Unamortized premiums on bonds issued are not recognized in the funds.  |    |              | (619,745)    |
| Unamortized deferred charges on debt refundings are not recognized in the funds.   |    |              | 414,630      |
| Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.  |    |              | (40,731)     |
| 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   |    | (11,008,296) |              |
| Capital lease obligations  |    | (39,476)     |              |
| Compensated absences   |    | (8,093,616)  |              |
| Total  |    | (19,141,388) | (19,141,388) |
| <b>Net position of governmental activities</b>   |    | \$           | 61,264,246   |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

|  | <u>General</u>       | <u>Debt<br/>Service</u> | <u>Nonmajor<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|----------------------|-------------------------|--|---|
| <b>Revenues:</b>                                       |                      |                         |  |   |
| From local sources:                                    |                      |                         |  |   |
| Property taxes . . . . .                               | \$ 53,357,312        | \$ 2,303,585            | \$ 1,635,732                               | \$ 57,296,629                           |
| Payment in lieu of taxes . . . . .                     | 332,018              | -                       | 512,232                                    | 844,250                                 |
| Tuition. . . . .                                       | 838,266              | -                       | -  | 838,266                                 |
| Earnings on investments . . . . .                      | 82,274               | -                       | 20   | 82,294                                  |
| Increase in fair value of investments. . . . .         | 400,330              | -                       | -  | 400,330                                 |
| Charges for services . . . . .                         | -                    | -                       | 1,369,402                                  | 1,369,402                               |
| Extracurricular. . . . .                               | 360                  | -                       | 207,936                                    | 208,296                                 |
| Classroom materials and fees . . . . .                 | 224,321              | -                       | -  | 224,321                                 |
| Rental income . . . . .                                | 250,311              | -                       | -  | 250,311                                 |
| Contributions and donations . . . . .                  | 63,582               | -                       | 3,379                                      | 66,961                                  |
| Contract services. . . . .                             | -                    | -                       | 109,788                                    | 109,788                                 |
| Other local revenues . . . . .                         | 896,189              | -                       | 32,808                                     | 928,997                                 |
| Intergovernmental - state . . . . .                    | 16,600,463           | 242,737                 | 658,216                                    | 17,501,416                              |
| Intergovernmental - federal . . . . .                  | -                    | -                       | 1,732,973                                  | 1,732,973                               |
| Total revenues . . . . .                               | <u>73,045,426</u>    | <u>2,546,322</u>        | <u>6,262,486</u>                           | <u>81,854,234</u>                       |
| <b>Expenditures:</b>                                   |                      |                         |  |   |
| Current:   |                      |                         |  |   |
| Instruction:   |                      |                         |  |   |
| Regular. . . . .                                       | 32,749,948           | -                       | 930,516                                    | 33,680,464                              |
| Special . . . . .                                      | 6,917,531            | -                       | 66,844                                     | 6,984,375                               |
| Vocational . . . . .                                   | 612,045              | -                       | -  | 612,045                                 |
| Other . . . . .  | 493,002              | -                       | 392,498                                    | 885,500                                 |
| Support services:                                      |                      |                         |  |   |
| Pupil . . . . .  | 2,745,451            | -                       | 875,457                                    | 3,620,908                               |
| Instructional staff. . . . .                           | 1,461,780            | -                       | 86,990                                     | 1,548,770                               |
| Board of education . . . . .                           | 44,919               | -                       | -  | 44,919                                  |
| Administration . . . . .                               | 4,060,458            | -                       | -  | 4,060,458                               |
| Fiscal . . . . .                                       | 1,889,652            | 9,134                   | -  | 1,898,786                               |
| Business. . . . .                                      | 1,054,647            | -                       | -  | 1,054,647                               |
| Operations and maintenance . . . . .                   | 6,870,574            | -                       | -  | 6,870,574                               |
| Pupil transportation . . . . .                         | 3,443,680            | -                       | -  | 3,443,680                               |
| Central . . . . .                                      | 1,086,768            | -                       | -  | 1,086,768                               |
| Operation of non-instructional services:               |                      |                         |  |   |
| Food service operations. . . . .                       | -                    | -                       | 1,608,614                                  | 1,608,614                               |
| Other non-instructional services . . . . .             | 161,939              | -                       | 297,006                                    | 458,945                                 |
| Extracurricular activities . . . . .                   | 1,396,639            | -                       | 221,488                                    | 1,618,127                               |
| Facilities acquisition and construction. . . . .       | 36,600               | -                       | 2,703,429                                  | 2,740,029                               |
| Debt service:  |                      |                         |  |   |
| Principal retirement. . . . .                          | 27,344               | 2,395,000               | -  | 2,422,344                               |
| Interest and fiscal charges . . . . .                  | 3,026                | 485,205                 | -  | 488,231                                 |
| Total expenditures . . . . .                           | <u>65,056,003</u>    | <u>2,889,339</u>        | <u>7,182,842</u>                           | <u>75,128,184</u>                       |
| Excess of revenues over (under) expenditures . . . . . | <u>7,989,423</u>     | <u>(343,017)</u>        | <u>(920,356)</u>                           | <u>6,726,050</u>                        |
| <b>Other financing sources (uses):</b>                 |                      |                         |  |   |
| Sale of assets . . . . .                               | 6,400                | -                       | -  | 6,400                                   |
| Transfers in. . . . .                                  | -                    | -                       | 50,000                                     | 50,000                                  |
| Transfers (out). . . . .                               | (50,000)             | -                       | -  | (50,000)                                |
| Total other financing sources (uses) . . . . .         | <u>(43,600)</u>      | <u>-</u>                | <u>50,000</u>                              | <u>6,400</u>                            |
| Net change in fund balances . . . . .                  | 7,945,823            | (343,017)               | (870,356)                                  | 6,732,450                               |
| <b>Fund balances at beginning of year. . . . .</b>     | <u>24,542,393</u>    | <u>2,580,045</u>        | <u>8,122,239</u>                           | <u>35,244,677</u>                       |
| <b>Fund balances at end of year. . . . .</b>           | <u>\$ 32,488,216</u> | <u>\$ 2,237,028</u>     | <u>\$ 7,251,883</u>                        | <u>\$ 41,977,127</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, 2014

|   |                    |                          |
|---|--------------------|--------------------------|
| <b>Net change in fund balances - total governmental funds</b>   | \$                 | 6,732,450                |
| <i>Amounts reported for governmental activities in the statement of activities are different because:</i>   |                    |                          |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense.   |                    |                          |
| Capital asset additions   | \$ 1,722,568       |                          |
| Current year depreciation   | <u>(2,602,484)</u> |                          |
| Total   |                    | (879,916)                |
| The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.   |                    |                          |
|   |                    | (5,317)                  |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.  |                    |                          |
| Delinquent property tax revenue   | (180,957)          |                          |
| Interest revenue  | (4,901)            |                          |
| Other local revenue   | (111,779)          |                          |
| Intergovernmental revenue   | <u>(83,841)</u>    |                          |
| Total   |                    | (381,478)                |
| Repayment of bond and capital lease principal is an expenditure in the funds, but the repayment reduces long-term liabilities on the statement of net position. Principal payments during the year were:  |                    |                          |
| Bonds   | 2,395,000          |                          |
| Capital leases  | <u>27,344</u>      |                          |
| Total   |                    | 2,422,344                |
| In the statement of activities, interest is accrued on outstanding bonds, whereas in the funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:  |                    |                          |
| Decrease in accrued interest payable  | 7,278              |                          |
| Accreted interest on capital appreciation bonds   | (42,900)           |                          |
| Amortization of bond premiums   | 92,909             |                          |
| Amortization of deferred charges  | <u>(54,629)</u>    |                          |
| Total   |                    | 2,658                    |
| Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in the funds.   |                    |                          |
|   |                    | 1,671,944                |
| An 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 revenue (expense) of the internal service fund is allocated among the governmental activities. |                    |                          |
|   |                    | <u>549,804</u>           |
| <b>Change in net position of governmental activities</b>  | <b>\$</b>          | <b><u>10,112,489</u></b> |

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, 2014

|  | <u>Budgeted Amounts</u>     |                             | <u>Actual</u>               | <u>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</u> |
|--|-----------------------------|-----------------------------|-----------------------------|---|
|  | <u>Original</u>             | <u>Final</u>                |                             |   |
| <b>Revenues:</b>                                       |                             |                             |                             |   |
| From local sources:                                    |                             |                             |                             |   |
| Property taxes . . . . .                               | \$ 50,053,777               | \$ 50,053,777               | \$ 50,576,392               | \$ 522,615  |
| Payment in lieu of taxes. . . . .                      | 366,346                     | 366,346                     | 332,018                     | (34,328)  |
| Tuition. . . . .                                       | 921,618                     | 921,618                     | 835,260                     | (86,358)  |
| Earnings on investments . . . . .                      | 88,206                      | 88,206                      | 79,941                      | (8,265)   |
| Extracurricular. . . . .                               | 397                         | 397                         | 360                         | (37)  |
| Classroom materials and fees . . . . .                 | 43,180                      | 43,180                      | 39,134                      | (4,046)   |
| Rental income . . . . .                                | 281,250                     | 281,250                     | 254,896                     | (26,354)  |
| Other local revenues . . . . .                         | 636,741                     | 636,741                     | 577,076                     | (59,665)  |
| Intergovernmental - state . . . . .                    | 18,219,628                  | 18,219,628                  | 16,512,393                  | (1,707,235)   |
| Total revenues . . . . .                               | <u>70,611,143</u>           | <u>70,611,143</u>           | <u>69,207,470</u>           | <u>(1,403,673)</u>  |
| <b>Expenditures:</b>                                   |                             |                             |                             |   |
| Current:   |                             |                             |                             |   |
| Instruction:   |                             |                             |                             |   |
| Regular . . . . .                                      | 33,489,575                  | 34,216,294                  | 32,892,229                  | 1,324,065   |
| Special. . . . .                                       | 7,706,110                   | 7,875,160                   | 7,651,403                   | 223,757   |
| Vocational. . . . .                                    | 1,160,332                   | 1,178,764                   | 834,257                     | 344,507   |
| Other. . . . .   | 471,288                     | 481,692                     | 470,918                     | 10,774  |
| Support services:                                      |                             |                             |                             |   |
| Pupil. . . . .   | 2,942,154                   | 3,006,452                   | 2,910,237                   | 96,215  |
| Instructional staff . . . . .                          | 1,612,304                   | 1,647,357                   | 1,586,558                   | 60,799  |
| Board of education . . . . .                           | 52,715                      | 53,755                      | 47,089                      | 6,666   |
| Administration. . . . .                                | 3,890,938                   | 3,976,517                   | 3,873,431                   | 103,086   |
| Fiscal . . . . .                                       | 2,011,643                   | 2,054,578                   | 1,943,290                   | 111,288   |
| Business . . . . .                                     | 1,786,785                   | 1,820,328                   | 1,518,163                   | 302,165   |
| Operations and maintenance. . . . .                    | 8,261,335                   | 8,429,560                   | 7,614,070                   | 815,490   |
| Pupil transportation . . . . .                         | 3,811,284                   | 3,891,113                   | 3,613,168                   | 277,945   |
| Central. . . . .                                       | 1,414,047                   | 1,440,658                   | 1,204,444                   | 236,214   |
| Extracurricular activities. . . . .                    | 1,386,730                   | 1,415,886                   | 1,319,632                   | 96,254  |
| Facilities acquisition and construction . . . . .      | 49,534                      | 50,485                      | 43,050                      | 7,435   |
| Total expenditures . . . . .                           | <u>70,046,774</u>           | <u>71,538,599</u>           | <u>67,521,939</u>           | <u>4,016,660</u>  |
| Excess of revenues over (under) expenditures . . . . . | <u>564,369</u>              | <u>(927,456)</u>            | <u>1,685,531</u>            | <u>2,612,987</u>  |
| <b>Other financing sources (uses):</b>                 |                             |                             |                             |   |
| Transfers (out). . . . .                               | (50,039)                    | (51,144)                    | (50,000)                    | 1,144   |
| Advances in. . . . .                                   | 121,373                     | 121,373                     | 110,000                     | (11,373)  |
| Advances (out) . . . . .                               | (320,251)                   | (327,321)                   | (320,000)                   | 7,321   |
| Sale of capital assets . . . . .                       | 24,695                      | 24,695                      | 22,381                      | (2,314)   |
| Total other financing sources (uses) . . . . .         | <u>(224,222)</u>            | <u>(232,397)</u>            | <u>(237,619)</u>            | <u>(5,222)</u>  |
| Net change in fund balance . . . . .                   | 340,147                     | (1,159,853)                 | 1,447,912                   | 2,607,765   |
| <b>Fund balance at beginning of year . . . . .</b>     | <b>22,831,977</b>           | <b>22,831,977</b>           | <b>22,831,977</b>           | <b>-</b>  |
| <b>Prior year encumbrances appropriated . . . . .</b>  | <b>2,471,805</b>            | <b>2,471,805</b>            | <b>2,471,805</b>            | <b>-</b>  |
| <b>Fund balance at end of year . . . . .</b>           | <b><u>\$ 25,643,929</u></b> | <b><u>\$ 24,143,929</u></b> | <b><u>\$ 26,751,694</u></b> | <b><u>\$ 2,607,765</u></b>  |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2014

|   | <b>Governmental<br/>Activities -<br/>Internal<br/>Service Fund</b> |
|---|--|
| <b>Assets:</b>                              |  |
| Equity in pooled cash and investments . . . | \$ 3,586,109   |
| Total assets. . . . .                       | <u>3,586,109</u>   |
| <b>Liabilities:</b>                         |  |
| Accounts payable. . . . .                   | 22,263   |
| Claims payable . . . . .                    | <u>1,165,500</u>   |
| Total liabilities . . . . .                 | <u>1,187,763</u>   |
| <b>Net position:</b>                        |  |
| Unrestricted. . . . .                       | <u>2,398,346</u>   |
| Total net position. . . . .                 | <u>\$ 2,398,346</u>  |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

|  | <b>Governmental<br/>Activities -<br/>Internal<br/>Service Fund</b> |
|--|--|
| <b>Operating revenues:</b>                         |  |
| Sales/charges for services . . . . .               | \$ 6,804,183   |
| Total operating revenues . . . . .                 | <u>6,804,183</u>   |
| <b>Operating expenses:</b>                         |  |
| Purchased services . . . . .                       | 42,196   |
| Claims . . . . .                                   | <u>6,212,183</u>   |
| Total operating expenses . . . . .                 | <u>6,254,379</u>   |
| Operating income / change in net position . .      | 549,804  |
| <b>Net position at beginning of year . . . . .</b> | <u>1,848,542</u>   |
| <b>Net position at end of year . . . . .</b>       | <u><u>\$ 2,398,346</u></u>   |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

|   | <b>Governmental<br/>Activities -<br/>Internal<br/>Service Fund</b> |
|---|--|
| <b>Cash flows from operating activities:</b>  |  |
| Cash received from sales/charges for services . . . . .                                     | \$ 6,804,183   |
| Cash payments for personal services . . . . .   | (51,115)   |
| Cash payments for claims . . . . .  | <u>(6,277,083)</u>   |
| Net cash provided by operating activities . . . . .   | <u>475,985</u>   |
| Net increase in cash and cash equivalents . . . . .   | 475,985  |
| <b>Cash and cash equivalents at beginning of year . . .</b>                                 | <b>3,110,124</b>   |
| <b>Cash and cash equivalents at end of year . . . . .</b>                                   | <b><u><u>\$ 3,586,109</u></u></b>                                  |
| <b>Reconciliation of operating income to net<br/>cash provided by operating activities:</b> |  |
| Operating income . . . . .  | \$ 549,804   |
| Changes in assets and liabilities:  |  |
| Decrease in accounts payable . . . . .  | (8,919)  |
| Decrease in claims payable . . . . .  | <u>(64,900)</u>  |
| Net cash provided by operating activities . . . . .   | <u><u>\$ 475,985</u></u>   |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ASSETS AND LIABILITIES  
FIDUCIARY FUND  
JUNE 30, 2014

|   |    | <b>Agency</b> |
|---|----|---------------|
| <b>Assets:</b>                                  |    |               |
| Equity in pooled cash and investments . . . . . | \$ | 322,376       |
| Total assets. . . . .                           | \$ | 322,376       |
| <br><b>Liabilities:</b>                         |    |               |
| Accounts payable. . . . .                       | \$ | 12,096        |
| Loan payable . . . . .                          |    | 60,000        |
| Intergovernmental payable . . . . .             |    | 1,990         |
| Due to students. . . . .                        |    | 248,290       |
| Total liabilities . . . . .                     | \$ | 322,376       |

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, 2014

**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 employs 301 non-certified, 349 certified and 27 administrative employees to provide services to approximately 4,716 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 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” and GASB Statement No. 61, “The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34”. 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 government’s 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, 2014  
(CONTINUED)

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

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

*JOINTLY GOVERNED ORGANIZATION*

The Ohio Schools' Council Association

The Ohio Schools' Council Association (Council) is a jointly governed organization among 199 school districts, educational service centers, joint vocational districts and Developmental Disabilities boards in 34 northern Ohio counties. 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.

In April 2005, the Energy Acquisition Corporation II, a non-profit corporation with a self-appointing board, issued \$246 million in bonds and used the proceeds to prepay for the estimated electric energy costs for 249 entities from Cleveland Electric Illuminating, Ohio Edison and Toledo Edison. The participating school districts are not obligated in any manner for this debt.

The District also participates in the Council's prepaid natural gas program which was implemented during fiscal year 2000. 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 11.C.). 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(CONTINUED)

**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 plus deferred outflows or resources and liabilities plus deferred inflows of resources is reported as fund balance.

The following are the District's major governmental funds:

General fund - The general fund is used to account for and report all financial resources not accounted for and reported 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 and report financial resources that are restricted, committed or assigned to expenditure for principal and interest.

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, and (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

*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. The District has only an internal service fund.

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 to employees.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(CONTINUED)

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

*FIDUCIARY FUNDS*

Fiduciary fund reporting focuses on net position and changes in net position. 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 position 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 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.

The government-wide statement of activities presents a comparison between direct expenses and program revenues 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 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 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 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, current deferred outflows of resources, current liabilities and current deferred inflows of resources, 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(CONTINUED)

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

All proprietary funds 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 position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. 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 - Revenues 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.

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.

Deferred Inflows of Resources and Deferred Outflows of Resources - A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(CONTINUED)

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

Property taxes for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as deferred inflows. Income taxes, payment in lieu of taxes and grants not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at June 30, 2014, are recorded as deferred inflows on the governmental fund financial statements.

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

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. Budgetary Process**

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate in effect when the final appropriations were passed by the Board of Education.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts 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 amounts represent the final appropriation amounts passed by the Board of Education during the fiscal year.

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CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(CONTINUED)

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

**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 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 investments" on the financial statements.

During fiscal year 2014, investments were limited to Federal Farm Credit Bank (FFCB) securities, an International Bank R&D bond, Federal Home Loan Mortgage Corporation (FHLMC) securities, Tennessee Valley Authority (TVA) securities, municipal securities, negotiable certificates of deposit (negotiable CD's), corporate notes, U.S. government money market mutual funds and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Investments are reported at fair value which is based on quoted market prices.

The District has invested funds in STAR Ohio during fiscal year 2014. 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, 2014.

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 2014 amounted to \$82,274 which includes \$25,665 assigned from other District funds.

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 and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method on the government-wide statements and the fund financial statements.

On the fund financial statements, reported material and supplies inventory is equally offset by nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of expendable supplies held for consumption, school supplies held for resale, donated food and purchased food.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(CONTINUED)

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

**H. Capital Assets**

All capital assets of the District are classified as general capital assets. 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 position but are not reported in the fund financial statements.

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.

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:

| <u>Description</u>         | <u>Governmental<br/>Activities<br/>Estimated Lives</u> |
|----------------------------|--|
| Land improvements          | 10 - 30 years  |
| Buildings and improvements | 20 - 40 years  |
| Furniture and equipment    | 5 - 20 years   |
| Buses and other vehicles   | 8 years  |

**I. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund loans receivables/payables". These amounts are eliminated in the governmental activities columns of the statement of net position.

**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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(CONTINUED)

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

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.

**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, 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**

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

*Nonspendable* - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable. For the District, nonspendable fund balance at year-end consisted of materials and supplies inventory.

*Restricted* - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

*Committed* - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(CONTINUED)

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

*Assigned* - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

*Unassigned* - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**M. Net Position**

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component “net investment in capital assets,” consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District 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 position is available.

**N. 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.

**O. 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(CONTINUED)

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

**P. 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 charges for services for the self-insurance program. 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.

**Q. Interfund Activity**

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.

**R. 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 2014, the District had no extraordinary or special items.

**S. Issuance Costs/Bond Premiums and Discounts and Accounting Gain or Loss on Debt Refunding**

On the governmental fund financial statements, issuance costs, bond premiums, bond discounts, and deferred charges from debt refunding are recognized in the current period.

On the government-wide financial statements, issuance costs are recognized in the current period and are not amortized. Bond premiums and discounts are amortized over the term of the bonds using the straight-line method. Unamortized bond premiums are presented as an addition to the face amount of the bonds reported on the statement of net position. Unamortized bond discounts are presented as a reduction to the face amount of the bonds reported on the statement of net position. The reconciliation between the bonds face value and the amount reported on the statement of net position is presented in Note 10.

For advance refunding resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as a deferred outflow of resources.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(CONTINUED)

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2014, the District has implemented GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees".

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the District.

**B. Reclassification of Fund Balance**

The District's permanent improvement fund was not required to be reported as a major fund in fiscal year 2014. Therefore, the District reclassified the permanent improvement fund from a major fund to nonmajor governmental funds. The reclassification of the fund balance resulted in changes to beginning of year balances as detailed below:

|                             | Permanent<br>Improvement<br>Fund | Nonmajor<br>Governmental<br>Funds |
|-----------------------------|----------------------------------|-----------------------------------|
| Fund Balance, June 30, 2013 | \$ 7,938,982                     | \$ 183,257                        |
| Reclassification of Fund    | (7,938,982)                      | 7,938,982                         |
| Fund Balance, July 1, 2013  | \$ -                             | \$ 8,122,239                      |

**C. Deficit Fund Balances**

Fund balances at June 30, 2014 included the following individual fund deficits:

| <u>Nonmajor funds</u>               | <u>Deficit</u> |
|-------------------------------------|----------------|
| Limited English Proficiency         | \$ 226         |
| Preschool Grant for the Handicapped | 141            |
| Improving Teacher Quality           | 393            |

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities. The deficit fund balances in the nonmajor governmental funds are reported as deficit unassigned fund balance in the fund financial statements.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(CONTINUED)

**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;
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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(CONTINUED)

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

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 \$1,451 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and investments".

**B. Deposits with Financial Institutions**

At June 30, 2014, the carrying amount of all District deposits was \$30,805,881. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2014, \$3,539,495 of the District's bank balance of \$4,039,495 was exposed to custodial risk as discussed below, while \$500,000 was covered by the 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. All deposits are collateralized with eligible securities in amounts equal to at least 105% 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(CONTINUED)

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

**C. Investments**

As of June 30, 2014, 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 |
| FFCB                                      | \$ 99,220            | \$ -                  | \$ 99,220           | \$ -                | \$ -                | \$ -                   |
| International Bank R&D bond               | 372,046              | -                     | 124,623             | -                   | 247,423             | -                      |
| FHLMC                                     | 324,414              | -                     | -                   | -                   | -                   | 324,414                |
| TVA                                       | 218,169              | 114,796               | -                   | -                   | 103,373             | -                      |
| Municipal securities                      | 1,889,452            | 91,009                | 297,782             | 103,444             | 586,133             | 811,084                |
| Negotiable CD's                           | 11,300,507           | 1,835,396             | 1,726,673           | 2,759,264           | 3,087,621           | 1,891,553              |
| Corporate notes                           | 113,795              | -                     | -                   | -                   | -                   | 113,795                |
| U.S. government money market mutual funds | 7,045                | 7,045                 | -                   | -                   | -                   | -                      |
| STAR Ohio                                 | 2,828                | 2,828                 | -                   | -                   | -                   | -                      |
| <b>Total</b>                              | <b>\$ 14,327,476</b> | <b>\$ 2,051,074</b>   | <b>\$ 2,248,298</b> | <b>\$ 2,862,708</b> | <b>\$ 4,024,550</b> | <b>\$ 3,140,846</b>    |

The weighted average maturity of investments is 1.60 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.

*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 AA+ 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 municipal securities were rated between Aaa-Aa2 by Moody's and AA by Standard & Poor's. The negotiable CD's are covered by the FDIC. 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 and the municipal 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(CONTINUED)

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

*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, 2014:

| <u>Investment type</u>                       | <u>Fair Value</u>    | <u>% of Total</u> |
|--|----------------------|-------------------|
| FFCB   | \$ 99,220            | 0.69%             |
| International Bank R&D bond                  | 372,046              | 2.60%             |
| FHLMC  | 324,414              | 2.26%             |
| TVA  | 218,169              | 1.52%             |
| Municipal securities                         | 1,889,452            | 13.19%            |
| Negotiable CD's                              | 11,300,507           | 78.88%            |
| Corporate notes                              | 113,795              | 0.79%             |
| U.S. government money<br>market mutual funds | 7,045                | 0.05%             |
| STAR Ohio                                    | <u>2,828</u>         | <u>0.02%</u>      |
| Total  | <u>\$ 14,327,476</u> | <u>100.00%</u>    |

**D. Reconciliation of cash and investments to the statement of Net Position**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2014:

| <u>Cash and investments per note</u> |                      |
|--------------------------------------|----------------------|
| Carrying amount of deposits          | \$ 30,805,881        |
| Investments                          | 14,327,476           |
| Cash on hand                         | <u>1,451</u>         |
| Total                                | <u>\$ 45,134,808</u> |

| <u>Cash and investments per statement of net position</u> |                      |
|---|----------------------|
| Governmental activities                                   | \$ 44,812,432        |
| Agency fund   | <u>322,376</u>       |
| Total   | <u>\$ 45,134,808</u> |

**NOTE 5 - INTERFUND TRANSACTIONS**

A. Interfund loans receivable/payable consisted of the following at June 30, 2014, as reported on the fund statements:

| <u>Receivable Fund</u> | <u>Payable Fund</u>   | <u>Amount</u> |
|------------------------|-----------------------|---------------|
| General                | Nonmajor governmental | \$ 260,000    |

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(CONTINUED)

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

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 position.

- B.** Interfund transfers for the year ended June 30, 2014, consisted of the following, as reported on the fund statements:

| <u>Transfers from general fund to:</u> | <u>Amount</u> |
|--|---------------|
| Nonmajor governmental funds            | \$ 50,000     |

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.

- C.** Loans receivable/payable consisted of the following at June 30, 2014, as reported on the fund statements:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------|---------------------|---------------|
| General                | Agency              | \$ 60,000     |

**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 and public utility property. Real property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, 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 2014 represent the collection of calendar year 2013 taxes. Public utility real and personal property taxes received in calendar year 2014 became a lien on December 31, 2012, were levied after April 1, 2013, 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, 2014  
(CONTINUED)

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

The District receives property taxes from Cuyahoga County. The County Fiscal Officer periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2014, are available to finance fiscal year 2014 operations. The amount available as an advance at June 30, 2014 was \$9,628,103 in the general fund, \$395,619 in the debt service fund and \$307,029 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2013 was \$6,847,183 in the general fund, \$404,144 in the debt service fund and \$160,512 in the permanent improvement fund (a nonmajor governmental 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 delinquent tangible personal property taxes which are measurable as of June 30, 2014 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

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 reported as a deferred inflow.

The assessed values upon which the fiscal year 2014 taxes were collected are:

|   | 2013 Second<br>Half Collections |                | 2014 First<br>Half Collections |                |
|---|---------------------------------|----------------|--------------------------------|----------------|
|   | <u>Amount</u>                   | <u>Percent</u> | <u>Amount</u>                  | <u>Percent</u> |
| Agricultural/residential<br>and other real estate | \$ 1,108,299,570                | 97.98          | \$ 1,116,936,270               | 97.80          |
| Public utility personal                           | <u>22,853,760</u>               | <u>2.02</u>    | <u>25,163,900</u>              | <u>2.20</u>    |
| Total   | <u>\$ 1,131,153,330</u>         | <u>100.00</u>  | <u>\$ 1,142,100,170</u>        | <u>100.00</u>  |
| Tax rate per \$1,000 of<br>assessed valuation     | \$ 82.20                        |                | \$ 82.20                       |                |

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2014 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(CONTINUED)

**NOTE 7 - RECEIVABLES - (Continued)**

Principal items of receivables reported on the statement of net position follows:

**Governmental activities:**

|                               |                      |
|-------------------------------|----------------------|
| Property taxes                | \$ 55,483,875        |
| Payments in lieu of taxes     | 334,048              |
| Accounts                      | 44,782               |
| Loans                         | 60,000               |
| Intergovernmental             | 823,694              |
| Accrued interest              | <u>44,450</u>        |
| Total governmental activities | <u>\$ 56,790,849</u> |

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

**NOTE 8 - CAPITAL LEASES - LESSEE DISCLOSURE**

During fiscal year 2013 and fiscal year 2011, the District entered into capital lease agreements for copiers. These leases meet the criteria of a capital lease as defined by GASB, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term.

Capital lease payments have been reclassified and are reflected as debt service expenditures in the statement of revenues, expenditures and changes in fund balances - general fund. These expenditures are reflected as program/function expenditures on a budgetary basis. Capital assets acquired by lease have been capitalized in the amount of \$240,351, which represents the present value of the future minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2014 was \$204,123 leaving a current book value of \$36,228.

A corresponding liability was recorded in the statement of net position. Principal payments in the 2014 fiscal year totaled \$27,344. This amount is reflected as debt service principal retirement in the general fund and as a reduction to the long-term liabilities reported on the statement of net position. The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2014.

| <u>Fiscal Year Ending June 30,</u>      | <u>Governmental<br/>Activities</u> |
|---|------------------------------------|
| 2015                                    | \$ 20,983                          |
| 2016                                    | <u>20,983</u>                      |
| Total                                   | 41,966                             |
| Less: amount representing interest      | <u>(2,490)</u>                     |
| Present value of minimum lease payments | <u>\$ 39,476</u>                   |

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(CONTINUED)

**NOTE 9 - CAPITAL ASSETS**

Governmental capital asset activity for the fiscal year ended June 30, 2014, was as follows:

|   | <u>Balance</u><br><u>July 1, 2013</u> | <u>Additions</u>    | <u>Deductions</u> | <u>Balance</u><br><u>June 30, 2014</u> |
|---|---------------------------------------|---------------------|-------------------|--|
| <b>Governmental activities:</b>               |                                       |                     |                   |  |
| <i>Capital assets, not being depreciated:</i> |                                       |                     |                   |  |
| Land  | \$ 3,346,494                          | \$ -                | \$ -              | \$ 3,346,494                           |
| Total capital assets, not being depreciated   | <u>3,346,494</u>                      | <u>-</u>            | <u>-</u>          | <u>3,346,494</u>                       |
| <i>Capital assets, being depreciated:</i>     |                                       |                     |                   |  |
| Land improvements                             | 5,510,080                             | 16,150              | -                 | 5,526,230                              |
| Buildings and improvements                    | 55,721,072                            | 1,209,115           | -                 | 56,930,187                             |
| Furniture and equipment                       | 8,824,071                             | 87,603              | -                 | 8,911,674                              |
| Buses and other vehicles                      | 4,616,908                             | 409,700             | (243,474)         | 4,783,134                              |
| Total capital assets, being depreciated       | <u>74,672,131</u>                     | <u>1,722,568</u>    | <u>(243,474)</u>  | <u>76,151,225</u>                      |
| <i>Less: accumulated depreciation</i>         |                                       |                     |                   |  |
| Land improvements                             | (3,416,271)                           | (61,832)            | -                 | (3,478,103)                            |
| Buildings and improvements                    | (32,837,882)                          | (1,100,660)         | -                 | (33,938,542)                           |
| Furniture and equipment                       | (4,703,243)                           | (1,132,681)         | -                 | (5,835,924)                            |
| Buses and other vehicles                      | (2,852,846)                           | (307,311)           | 238,157           | (2,922,000)                            |
| Total accumulated depreciation                | <u>(43,810,242)</u>                   | <u>(2,602,484)</u>  | <u>238,157</u>    | <u>(46,174,569)</u>                    |
| Total capital assets, being depreciated, net  | <u>30,861,889</u>                     | <u>(879,916)</u>    | <u>(5,317)</u>    | <u>29,976,656</u>                      |
| Governmental activities capital assets, net   | <u>\$ 34,208,383</u>                  | <u>\$ (879,916)</u> | <u>\$ (5,317)</u> | <u>\$ 33,323,150</u>                   |

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(CONTINUED)

**NOTE 9 - CAPITAL ASSETS - (Continued)**

Depreciation expense was charged to governmental functions as follows:

|  |                     |
|--|---------------------|
| Instruction:                             |                     |
| Regular                                  | \$ 1,913,786        |
| Special                                  | 16,942              |
| Vocational                               | 7,088               |
| Support Services:                        |                     |
| Pupil                                    | 42,582              |
| Instructional staff                      | 61,557              |
| Board of Education                       | 16,939              |
| Administration                           | 13,849              |
| Fiscal                                   | 497                 |
| Business                                 | 372                 |
| Operations and maintenance of plant      | 22,170              |
| Pupil transportation                     | 319,490             |
| Central                                  | 372                 |
| Operation of non-instructional services: |                     |
| Other non-instructional services         | 1,524               |
| Food service operations                  | 111,789             |
| Extracurricular activities               | <u>73,527</u>       |
| Total depreciation expense               | <u>\$ 2,602,484</u> |

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(CONTINUED)

**NOTE 10 - LONG-TERM OBLIGATIONS**

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

|   | <u>Balance</u><br><u>June 30, 2013</u> | <u>Additions</u>  | <u>Reductions</u>     | <u>Balance</u><br><u>June 30, 2014</u> | <u>Amounts</u><br><u>Due in</u><br><u>One Year</u> |
|---|--|-------------------|-----------------------|--|--|
| <b>Governmental activities:</b>                               |  |                   |                       |  |  |
| General obligation bonds:                                     |  |                   |                       |  |  |
| Series 1997 \$6,000,000 School Improvement Bonds - 3.6 - 5.5% | \$ 2,140,000                           | \$ -              | \$ (475,000)          | \$ 1,665,000                           | \$ 510,000   |
| Series 2003 \$6,000,000 School Improvement Bonds - 2.0 - 5.0% | 280,000                                | -                 | (280,000)             | -                                      | -  |
| Series 2004 \$5,070,000 Refunding Bonds - 2.0 - 5.0%          | 1,000,000                              | -                 | (1,000,000)           | -                                      | -  |
| Series 2005 \$4,000,000 School Improvement Bonds- 3.2 - 4.0%  | 2,945,000                              | -                 | (175,000)             | 2,770,000                              | 180,000  |
| Series 2009 \$4,020,000 Refunding Bonds:                      |  |                   |                       |  |  |
| Current interest - 2.0 - 4.125%                               | 3,365,000                              | -                 | (450,000)             | 2,915,000                              | 450,000  |
| Capital appreciation bonds                                    | 30,000                                 | -                 | -                     | 30,000                                 | -  |
| Accreted interest   | 75,396                                 | 42,900            | -                     | 118,296                                | -  |
| Series 2012 \$3,550,000 Refunding Bonds:                      |  |                   |                       |  |  |
| Current interest - 1.0 - 3.75%                                | <u>3,525,000</u>                       | <u>-</u>          | <u>(15,000)</u>       | <u>3,510,000</u>                       | <u>305,000</u>                                     |
| Total G.O. bonds  | <u>13,360,396</u>                      | <u>42,900</u>     | <u>(2,395,000)</u>    | <u>11,008,296</u>                      | <u>1,445,000</u>                                   |
| Other long-term obligations:                                  |  |                   |                       |  |  |
| Capital lease obligations                                     | 66,820                                 | -                 | (27,344)              | 39,476                                 | 19,153   |
| Compensated absences payable                                  | <u>11,763,136</u>                      | <u>861,798</u>    | <u>(2,695,998)</u>    | <u>9,928,936</u>                       | <u>2,366,845</u>                                   |
| Total governmental activities long-term obligations           | 25,190,352                             | <u>\$ 904,698</u> | <u>\$ (5,118,342)</u> | 20,976,708                             | <u>\$ 3,830,998</u>                                |
| Add: unamortized premium                                      | <u>712,654</u>                         |                   |                       | <u>619,745</u>                         |  |
| Total on statement of net position                            | <u>\$ 25,903,006</u>                   |                   |                       | <u>\$ 21,596,453</u>                   |  |

Compensated absences will be paid from the fund from which the employee is paid which, for the District, is primarily the general fund.

All general obligation bonds will be repaid from property taxes in the debt service fund.

The District's capital lease obligations are detailed on Note 8.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(CONTINUED)

**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

Series 1997 School Improvement General Obligation Bonds

On February 15, 1997, the District issued \$6,000,000 in general obligation bonds with interest rates ranging from 3.6 to 5.5 percent. These bonds were issued to finance various construction and renovation projects undertaken by the District. The final stated maturity date on the bond issue is December 1, 2016.

Series 2003 School Improvement General Obligation Bonds

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. These bonds were issued to finance various construction and renovation projects undertaken by the District. The Series 2003 bonds matured on December 1, 2013.

Series 2004 Refunding General Obligation Bonds

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 2.0 to 5.0 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 matured 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 (See Note 10.B).

Series 2005 School Improvement General Obligation Bonds

On December 22, 2005 the District issued \$4,000,000 of school improvement bonds for the purpose of renovating, remodeling, and 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.

Series 2009 Refunding General Obligation Bonds

On September 3, 2009, the District issued general obligation bonds (Series 2009 Refunding Bonds) to advance refund the callable portion of the Series 2001 school improvement bonds. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position (See Note 10.B).

The refunding issue is comprised of both current interest bonds, par value \$3,990,000, and capital appreciation bonds par value \$30,000. The interest rates on the current interest bonds range from 2.0 to 4.125 percent. The capital appreciation bonds mature on December 1, 2017 (effective interest rate 36.92 percent) at a redemption price equal to 100 percent of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$490,000. Total accreted interest of \$118,296 has been included in the statement of net position at June 30, 2014.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2020.

The reacquisition price exceeded the net carrying amount of the old debt by \$374,045. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued.

**SOLON CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(CONTINUED)

**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

Series 2012 Refunding General Obligation Bonds

On July 17, 2013, the District issued general obligation bonds (Series 2012 Refunding Bonds) to advance refund the callable portion of the Series 2003 school improvement bonds. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position (See Note 10.B).

The refunding issue is comprised of current interest bonds, par value \$3,550,000. The interest rates on the current interest bonds range from 1.0 to 3.75 percent. Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2023.

The reacquisition price exceeded the net carrying amount of the old debt by \$242,276. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued.

The following is a summary of the future debt service requirements to maturity for the District's general obligation bonds:

| Fiscal Year<br>Ending June 30 | Current Interest<br>General Obligation Bonds |                     |                      | Capital Appreciation<br>General Obligation Bonds |                   |                   |
|-------------------------------|--|---------------------|----------------------|--|-------------------|-------------------|
|                               | Principal                                    | Interest            | Total                | Principal  | Interest          | Total             |
| 2015                          | \$ 1,445,000                                 | \$ 405,951          | \$ 1,850,951         | \$ -   | \$ -              | \$ -              |
| 2016                          | 1,515,000                                    | 348,050             | 1,863,050            | -  | -                 | -                 |
| 2017                          | 1,590,000                                    | 282,294             | 1,872,294            | -  | -                 | -                 |
| 2018                          | 530,000                                      | 239,585             | 769,585              | 30,000   | 460,000           | 490,000           |
| 2019                          | 1,060,000                                    | 211,456             | 1,271,456            | -  | -                 | -                 |
| 2020 - 2024                   | 4,155,000                                    | 485,291             | 4,640,291            | -  | -                 | -                 |
| 2025 - 2026                   | 565,000                                      | 25,762              | 590,762              | -  | -                 | -                 |
| Total                         | <u>\$ 10,860,000</u>                         | <u>\$ 1,998,389</u> | <u>\$ 12,858,389</u> | <u>\$ 30,000</u>                                 | <u>\$ 460,000</u> | <u>\$ 490,000</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 advance refunding created a separate irrevocable trust for the retirement of the refunded bonds. The new bonds were issued and the proceeds were used to purchase U.S. Government Securities that were placed in the trust fund. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the refunded debt is considered defeased and has been removed from the District's financial statements. During fiscal year 2014, the Series 1993 defeased debt was retired in full.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(CONTINUED)

**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

In fiscal year 2010, the District issued Series 2009 refunding bonds to advance refund the callable portion of the Series 2001 school improvement bonds. The advance refunding created a separate irrevocable trust for the retirement of the refunded bonds. The 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, 2014, the balance of the Series 2001 defeased debt outstanding, but removed from the financial statements, amounted to \$3,280,000.

In fiscal year 2013, the District issued Series 2012 refunding bonds to advance refund the callable portion of the Series 2003 school improvement bonds. The advance refunding created a separate irrevocable trust for the retirement of the refunded bonds. The 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, 2014, the balance of the Series 2003 defeased debt outstanding, but removed from the financial statements, amounted to \$3,550,000.

**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 used 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, 2014, are a voted debt margin of \$94,136,043, including available funds of \$2,237,028, and an unvoted debt margin of \$1,142,100.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(CONTINUED)

**NOTE 11 - 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 2014, the District contracted with the Ohio School Plan for the following insurance coverage:

| <u>Type of Coverage</u>                 | <u>Coverage</u> |
|---|-----------------|
| Property Coverage:                      |                 |
| Blanket buildings and contents          | \$ 182,862,741  |
| Inland Marine:                          |                 |
| School band uniforms and equipment      | 100,000         |
| Athletic and other equipment            | 100,000         |
| Musical instruments                     | 100,000         |
| Audio visual equipment                  | 100,000         |
| Fine arts                               | 50,000          |
| Signs                                   | 10,000          |
| Shop dwellings                          | Included Above  |
| Commercial Crime Coverage:              |                 |
| Theft, disappearance and destruction    | 25,000          |
| Robbery and safe burglary               | 25,000          |
| Computer fraud                          | 25,000          |
| Forgery or alterations                  | 25,000          |
| Employee dishonesty                     | 100,000         |
| Flood Coverage                          | 1,000,000       |
| Earthquake Coverage                     | 1,000,000       |
| Commercial Computer Coverage:           |                 |
| Equipment                               | 2,723,077       |
| Extra expense                           | 5,000           |
| Auto Liability                          | 1,000,000       |
| Uninsured Motorist                      | 250,000         |
| Commercial General Liability:           |                 |
| Each occurrence                         | 1,000,000       |
| Fire damages                            | 500,000         |
| Medical expense limit                   | 10,000          |
| 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                         | 1,000,000       |

**SOLON CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(CONTINUED)

**NOTE 11 - RISK MANAGEMENT - (Continued)**

| <u>Type of Coverage</u>                      | <u>Coverage</u> |
|--|-----------------|
| School Leaders Errors and Omissions:         |                 |
| Each wrongful act limit                      | \$ 1,000,000    |
| Aggregate limit                              | 1,000,000       |
| Non-monetary relief defense                  | 100,000         |
| Sexual Misconduct and Molestation Liability: |                 |
| Each loss limit                              | 1,000,000       |
| Aggregate limit                              | 1,000,000       |
| Innocent party defense                       | 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 2013.

**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 \$250,000 per employee.

The internal service fund pays for the costs of providing claims servicing and claims payment. The premium charged for family and single coverage is \$850 per month for classified employees and certified employees. The benefits that are included in this lump sum premium are medical, dental, vision and life insurance.

The claims liability of \$1,165,500 reported in the internal service fund at June 30, 2014, 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, 2014 represents an estimate of the liability for unpaid claims costs provided by Medical Mutual of Ohio.

Changes in the claims liability for 201 through 2014 were:

| <u>Fiscal Year</u> | <u>Beginning Balance</u> | <u>Current Year Claims</u> | <u>Claims Payments</u> | <u>Ending Balance</u> |
|--------------------|--------------------------|----------------------------|------------------------|-----------------------|
| 2014               | \$ 1,230,400             | \$ 6,212,183               | \$ (6,277,083)         | \$ 1,165,500          |
| 2013               | 1,273,600                | 6,702,608                  | (6,745,808)            | 1,230,400             |
| 2012               | 1,453,500                | 7,003,178                  | (7,183,078)            | 1,273,600             |

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(CONTINUED)

**NOTE 11 - RISK MANAGEMENT - (Continued)**

**C. Workers' Compensation Program**

For fiscal year 2014, 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

**NOTE 12 - 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 or separation with ten years of service credit, 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 for employees that retire within two years of retirement eligibility. Upon retirement, payment is made to teachers and administrators for 100 percent of total sick leave accumulation, with a maximum accumulation of 75 days and 100 percent of 100 days for administrators.

**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. This payment option was last offered for employees retiring in fiscal year 2012. Final payments pertaining to this incentive will be January 2015.

At June 30, 2014, the District's retirement payout liability was \$1,484,234 and has been recorded as a component of "compensated absences payable" on the financial statements.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(CONTINUED)

**NOTE 13 - 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, disability, survivor 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 District 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 "Employers/Audit Resources".

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 2014, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. 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 14 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 and death benefits to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$1,351,878, \$1,258,314 and \$1,210,374, respectively; 100 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**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), under "Publications".

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(CONTINUED)

**NOTE 13 - PENSION PLANS - (Continued)**

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 2014, plan members were required to contribute 11 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 14 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, 2014, 2013 and 2012 were \$4,345,009, \$4,232,511 and \$4,097,199, respectively; 93.41 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were \$157,569 made by the District and \$123,804 made by the plan members.

**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, 2014 certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**NOTE 14 - 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, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. 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. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "Employers/Audit Resources".

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(CONTINUED)

**NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)**

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 2014, 0.14 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the actuarially determined amount was \$20,250.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, 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, 2014, 2013 and 2012 were \$170,859, \$155,832 and \$195,709, respectively; 100 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$78,430, \$71,080 and \$71,479, respectively; 100 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**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), under "Publications" 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 2014, 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, 2014, 2013 and 2012 were \$334,231, \$325,578 and \$315,169, respectively; 93.41 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(CONTINUED)

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING**

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

The statement of revenue, 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 assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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                            | \$ 1,447,912        |
| Net adjustment for revenue accruals     | 3,272,403           |
| Net adjustment for expenditure accruals | (280,757)           |
| Net adjustment for other sources/uses   | 194,019             |
| Funds budgeted elsewhere                | 76,663              |
| Adjustment for encumbrances             | <u>3,235,583</u>    |
| GAAP basis                              | <u>\$ 7,945,823</u> |

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the special trust fund, the uniform school supplies fund, the adult education fund, and the public school support fund.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(CONTINUED)

**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 not party to litigation that, in the opinion of management, would have a material effect on the financial condition of the District.

**NOTE 17 - SET-ASIDES**

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, 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 fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

|   | <u>Capital<br/>Improvements</u> |
|---|---------------------------------|
| Set-aside balance June 30, 2013             |                                 |
| Current year set-aside requirement          | 813,213                         |
| Current year offsets                        | <u>(813,213)</u>                |
| Total                                       | <u>\$ -</u>                     |
| Balance carried forward to fiscal year 2015 | <u>\$ -</u>                     |
| Set-aside balance June 30, 2014             | <u>\$ -</u>                     |

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(CONTINUED)

**NOTE 18 - 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 Village of Glenwillow to compensate the District for a loss of anticipated revenues resulting from the Community Reinvestment Area and Foreign Trade Zone tax exemptions. During fiscal year 2014, the District received \$470,753 in revenue as a result of the Revenue Sharing Agreement with the Village. This revenue is reported in the permanent improvement fund.

During fiscal year 2014, the District recorded revenue of \$41,479 related to an enterprise zone agreement with the City of Solon. This revenue is reported in the permanent improvement fund.

**B. Tax Increment Financing Payments**

The District receives TIF payments through the tax settlement process. During fiscal year 2014, the District received \$332,018 in TIF payments in the general fund.

**NOTE 19 - OTHER COMMITMENTS**

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

| <u>Fund</u>           | <u>Year-End<br/>Encumbrances</u> |
|-----------------------|----------------------------------|
| General fund          | \$ 2,845,159                     |
| Nonmajor governmental | <u>1,491,625</u>                 |
| Total                 | <u>\$ 4,336,784</u>              |

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

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

| <u>Federal Grantor/<br/>Pass-Through Grantor/<br/>Program or Cluster Title</u> | <u>Federal<br/>CFDA<br/>Number</u> | <u>Receipts</u>     | <u>Non-Cash<br/>Receipts</u> | <u>Expenditures</u> | <u>Non-Cash<br/>Expenditures</u> |
|--|------------------------------------|---------------------|------------------------------|---------------------|----------------------------------|
| <b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>                                   |                                    |                     |                              |                     |                                  |
| <i>Passed Through State Department of Education:</i>                           |                                    |                     |                              |                     |                                  |
| Child Nutrition Cluster:   |                                    |                     |                              |                     |                                  |
| Non-Cash Assistance (Food Distribution):                                       |                                    |                     |                              |                     |                                  |
| National School Lunch Program  | 10.555                             | \$ -                | \$ 28,084                    | \$ -                | \$ 28,084                        |
| Cash Assistance:   |                                    |                     |                              |                     |                                  |
| National School Lunch Program  | 10.555                             | 178,469             | -                            | 178,469             | -                                |
| Total Child Nutrition Cluster  |                                    | 178,469             | 28,084                       | 178,469             | 28,084                           |
| <b>Total U.S. Department of Agriculture</b>                                    |                                    | <b>178,469</b>      | <b>28,084</b>                | <b>178,469</b>      | <b>28,084</b>                    |
| <b><u>U.S. DEPARTMENT OF EDUCATION</u></b>                                     |                                    |                     |                              |                     |                                  |
| <i>Passed through State Department of Education:</i>                           |                                    |                     |                              |                     |                                  |
| Title I, Part A Cluster:   |                                    |                     |                              |                     |                                  |
| Title I Grants to Local Educational Agencies - 2013                            | 84.010                             | 158,319             | -                            | 146,513             | -                                |
| Title I Grants to Local Educational Agencies - 2014                            | 84.010                             | 273,704             | -                            | 255,954             | -                                |
| Total Title I, Part A Cluster  |                                    | 432,023             | -                            | 402,467             | -                                |
| Special Education Cluster (IDEA):  |                                    |                     |                              |                     |                                  |
| Special Education - Grants to States (IDEA, Part B) - 2013                     | 84.027                             | 421,768             | -                            | 410,208             | -                                |
| Special Education - Grants to States (IDEA, Part B) - 2014                     | 84.027                             | 498,063             | -                            | 483,068             | -                                |
| Total Special Education - Grants to States (IDEA, Part B)                      |                                    | 919,831             | -                            | 893,276             | -                                |
| Special Education - Preschool Grants (IDEA Preschool) - 2013                   | 84.173                             | 12,955              | -                            | 12,955              | -                                |
| Special Education - Preschool Grants (IDEA Preschool) - 2014                   | 84.173                             | 12,670              | -                            | 12,670              | -                                |
| Total Special Education Preschool Grants (IDEA Preschool)                      |                                    | 25,625              | -                            | 25,625              | -                                |
| Total Special Education Cluster  |                                    | 945,456             | -                            | 918,901             | -                                |
| English Language Acquisition Grants - 2013                                     | 84.365                             | 17,612              | -                            | 17,612              | -                                |
| English Language Acquisition Grants - 2014                                     | 84.365                             | 23,492              | -                            | 23,492              | -                                |
| Total English Language Acquisition Grants                                      |                                    | 41,104              | -                            | 41,104              | -                                |
| Improving Teacher Quality State Grants -2013                                   | 84.367                             | 40,672              | -                            | 10,215              | -                                |
| Improving Teacher Quality State Grants - 2014                                  | 84.367                             | 62,614              | -                            | 62,393              | -                                |
| Total Improving Teacher Quality State Grants                                   |                                    | 103,286             | -                            | 72,608              | -                                |
| ARRA - Race to the Top Incentive Grants - 2014                                 | 84.395                             | 4,550               | -                            | -                   | -                                |
| <b>Total U.S. Department of Education</b>                                      |                                    | <b>1,526,419</b>    | <b>-</b>                     | <b>1,435,080</b>    | <b>-</b>                         |
| <b>Total Federal Financial Assistance</b>                                      |                                    | <b>\$ 1,704,888</b> | <b>\$ 28,084</b>             | <b>\$ 1,613,549</b> | <b>\$ 28,084</b>                 |

SEE ACCOMPANYING NOTES TO THIS SCHEDULE

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

NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**Note A – Significant Accounting Policies**

The accompanying Schedule of Federal Awards Receipts and Expenditures (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 comingles 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**

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.

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

December 29, 2014

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the **Solon City School District**, (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 29, 2014.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***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, opining 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*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Perry and Associates**  
Certified Public Accountants, A.C.  
*Marietta, Ohio*

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

December 29, 2014

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

To the Board of Education:

***Report on Compliance for Each Major Federal Program***

We have audited the **Solon City School District's** (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Solon City School District's major federal programs for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of audit findings identifies the District's major federal programs.

***Management's Responsibility***

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major programs. However, our audit does not provide a legal determination of the District's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the Solon City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2014.

***Report on Internal Control Over Compliance***

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



**Perry and Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio

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

SCHEDULE OF AUDIT FINDINGS  
OMB CIRCULAR A -133 § .505  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

|                     |   |   |
|---------------------|---|---|
| <i>(d)(1)(i)</i>    | <b>Type of Financial Statement Opinion</b>  | Unmodified  |
| <i>(d)(1)(ii)</i>   | <b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>                        | No  |
| <i>(d)(1)(ii)</i>   | <b>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b> | No  |
| <i>(d)(1)(iii)</i>  | <b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>                              | No  |
| <i>(d)(1)(iv)</i>   | <b>Were there any material internal control weaknesses reported for major federal programs?</b>                             | No  |
| <i>(d)(1)(iv)</i>   | <b>Were there any other significant deficiencies in internal control reported for major federal programs?</b>               | No  |
| <i>(d)(1)(v)</i>    | <b>Type of Major Programs' Compliance Opinion</b>   | Unmodified  |
| <i>(d)(1)(vi)</i>   | <b>Are there any reportable findings under § .510?</b>  | No  |
| <i>(d)(1)(vii)</i>  | <b>Major Programs (list):</b>   | Special Education Cluster (IDEA):<br>Special Education-Grants to States (IDEA, Part B) – CFDA #84.027 and<br>Special Education-Preschool Grants (IDEA Preschool) – CFDA #84.173<br><br>Title I Cluster: Title I Grants to Local Educational Agencies – CFDA #84.010 |
| <i>(d)(1)(viii)</i> | <b>Dollar Threshold: Type A/B Programs</b>  | Type A: > \$ 300,000<br>Type B: all others  |
| <i>(d)(1)(ix)</i>   | <b>Low Risk Auditee?</b>  | Yes   |

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

None

**3. FINDINGS FOR FEDERAL AWARDS**

None

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# Dave Yost • Auditor of State

**SOLON 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  
MARCH 24, 2015**