



**SOUTH EUCLID-LYNDBURST CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2008**



**Mary Taylor, CPA**  
Auditor of State



**SOUTH EUCLID-LYNDHURST CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

South Euclid-Lyndhurst City School District  
Cuyahoga County  
5044 Mayfield Road  
Lyndhurst, Ohio 44124

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of South Euclid-Lyndhurst City School District, Cuyahoga County, Ohio (the District), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of South Euclid-Lyndhurst City School District, Cuyahoga County, Ohio, as of June 30, 2008, and the respective changes in financial position, thereof and the budgetary comparison for the General funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 4, 2009, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

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

**Mary Taylor, CPA**  
Auditor of State

September 4, 2009

**South Euclid-Lyndhurst City School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2008  
Unaudited

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

### **Financial Highlights**

Key financial highlights for 2008 are as follows:

- Net assets decreased \$620,825. This is a 5.93 percent decrease from fiscal year 2007.
- Total revenues decreased to \$64,025,924 from \$65,779,363 in fiscal year 2008. This was a decrease of \$1,753,439 or 2.67 percent.
- Total program expenses were \$64,646,749. This is an increase of 8.53 percent.
- The School District had \$64,646,749 in expenses related to governmental activities; only \$6,964,988 of these expenses were offset by program specific charges for services, grants or contributions.

### **Using this Annual Financial Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets and Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School 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 and what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the School District, the general fund is by far the most significant fund.

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

#### *Statement of Net Assets and the Statement of Activities*

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

**South Euclid-Lyndhurst City School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2008  
Unaudited

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

In the Statement of Net Assets and the Statement of Activities, Governmental Activities include the School District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities and non-instructional services.

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

***Fund Financial Statements***

The analysis of the School District's funds begins on page 8. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and the permanent improvement capital projects fund.

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

***Fiduciary Funds*** Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the School District's programs. These funds use the accrual basis of accounting.

**The School District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2008 compared to 2007.



**South Euclid-Lyndhurst City School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2008  
Unaudited

**(Table 1)**  
**Net Assets**

|                            | Governmental Activities |                     |                    |
|----------------------------|-------------------------|---------------------|--------------------|
|                            | 2008                    | 2007                | Change             |
| <b>Assets</b>              |                         |                     |                    |
| Current and Other Assets   | \$55,761,184            | \$66,884,016        | (\$11,122,832)     |
| Capital Assets, Net        | 18,572,862              | 8,579,989           | 9,992,873          |
| <i>Total Assets</i>        | <u>74,334,046</u>       | <u>75,464,005</u>   | <u>(1,129,959)</u> |
| <b>Liabilities</b>         |                         |                     |                    |
| Current Liabilities        | 52,426,508              | 53,573,290          | (1,146,782)        |
| Long Term Liabilities:     |                         |                     |                    |
| Due Within One Year        | 1,204,453               | 1,192,103           | 12,350             |
| Due in More than One Year  | 10,848,572              | 10,223,274          | 625,298            |
| <i>Total Liabilities</i>   | <u>64,479,533</u>       | <u>64,988,667</u>   | <u>(509,134)</u>   |
| <b>Net Assets</b>          |                         |                     |                    |
| Invested in Capital Assets | 716,844                 | 746,618             | (29,774)           |
| Restricted:                |                         |                     |                    |
| Capital Projects           | 0                       | 453,900             | (453,900)          |
| Debt Service               | 1,920,761               | 1,478,297           | 442,464            |
| Set Asides                 | 534,738                 | 534,738             | 0                  |
| Other Purposes             | 933,591                 | 1,623,059           | (689,468)          |
| Unrestricted (Deficit)     | 5,748,579               | 5,638,726           | 109,853            |
| <i>Total Net Assets</i>    | <u>\$9,854,513</u>      | <u>\$10,475,338</u> | <u>(\$620,825)</u> |

Total net assets decreased by \$620,825. Total assets decreased by \$1,129,959 which was the net effect of a decrease in current assets of \$11,122,832 and an increase in capital assets of \$9,992,873. The District received debt proceeds in April 2007 which were spent in the current year for the building improvement projects.

Total liabilities decreased \$509,134. This decrease resulted from deferred revenue driven by estimated taxes and the first property tax advance received in July 2008.

**South Euclid-Lyndhurst City School District**  
Management's Discussion and Analysis  
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Table 2 shows the change in net assets for fiscal years 2008 and 2007.

**(Table 2)**  
**Changes in Net Assets**

|  | Governmental Activities |                     |                    |
|--|-------------------------|---------------------|--------------------|
|  | 2008                    | 2007                | Change             |
| <b>Revenues</b>  |                         |                     |                    |
| Program Revenues:  |                         |                     |                    |
| Charges for Services and Sales                                 | \$2,893,860             | \$2,565,614         | \$328,246          |
| Operating Grants and Contributions                             | 3,762,202               | 4,898,524           | (1,136,322)        |
| Capital Grants and Contributions                               | 308,926                 | 252,103             | 56,823             |
| <i>Total Program Revenues</i>                                  | <u>6,964,988</u>        | <u>7,716,241</u>    | <u>(751,253)</u>   |
| General Revenues:  |                         |                     |                    |
| Property Taxes   | 42,760,279              | 44,136,920          | (1,376,641)        |
| Grants and Entitlements not Restricted<br>to Specific Programs | 12,486,363              | 12,121,012          | 365,351            |
| Interest   | 883,995                 | 879,314             | 4,681              |
| Other  | 930,299                 | 676,577             | 253,722            |
| <i>Total General Revenues</i>                                  | <u>57,060,936</u>       | <u>57,813,823</u>   | <u>(752,887)</u>   |
| <i>Total Revenues</i>  | <u>64,025,924</u>       | <u>65,530,064</u>   | <u>(1,504,140)</u> |
| <b>Program Expenses</b>  |                         |                     |                    |
| Instruction  | 35,555,474              | 32,380,871          | 3,174,603          |
| Support Services:  |                         |                     |                    |
| Pupil  | 3,774,057               | 3,489,899           | 284,158            |
| Instructional Staff  | 1,609,239               | 1,468,774           | 140,465            |
| Board of Education   | 192,283                 | 197,284             | (5,001)            |
| Administration   | 3,640,761               | 3,735,985           | (95,224)           |
| Fiscal   | 1,522,780               | 1,459,208           | 63,572             |
| Business   | 373,839                 | 310,079             | 63,760             |
| Operation and Maintenance of Plant                             | 7,104,672               | 7,542,191           | (437,519)          |
| Pupil Transportation   | 3,686,641               | 3,391,167           | 295,474            |
| Central  | 1,985,428               | 1,216,558           | 768,870            |
| Operation of Non-Instructional Services                        | 3,099,592               | 2,719,283           | 380,309            |
| Extracurricular Activities                                     | 1,095,337               | 1,131,755           | (36,418)           |
| Interest and Fiscal Charges                                    | 1,006,646               | 523,936             | 482,710            |
| <i>Total Program Expenses</i>                                  | <u>64,646,749</u>       | <u>59,566,990</u>   | <u>5,079,759</u>   |
| Change in Net Assets   | (620,825)               | 5,963,074           | (6,583,899)        |
| <i>Net Assets, Beginning of Year</i>                           | <u>10,475,338</u>       | <u>4,512,264</u>    | <u>5,963,074</u>   |
| <i>Net Assets, End of Year</i>                                 | <u>\$9,854,513</u>      | <u>\$10,475,338</u> | <u>(\$620,825)</u> |

**South Euclid-Lyndhurst City School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2008  
Unaudited

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***Governmental Activities***

While program revenues decreased for governmental activities from \$7,730,062 in fiscal 2007 to \$6,964,988 in fiscal year 2008, the vast majority of revenues supporting governmental activities are general revenues. General revenues decreased from \$58,049,301 in fiscal year 2007 to \$57,060,936 in fiscal year 2008. General revenues, for fiscal year 2008, comprised 89.12 percent of total revenues. The primary source for the decrease was from property tax revenue which showed a decrease from fiscal year 2007 to fiscal year 2008 of 2.93 percent, which was due to the decrease in actual tax revenues and the amounts available for advance.

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

Thus, school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to voters to maintain a constant level of service. Property taxes made up 66.79 percent of revenue for governmental activities for the School District in fiscal year 2008.

Program expenses increased from \$59,566,990 in fiscal year 2007 to \$64,646,749 in fiscal year 2008, an 8.53 percent increase. The School District's largest program expense is instructional services, which increased by approximately 9.80 percent from fiscal year 2007 to 2008.

Total governmental expenses of \$64,646,749 were mostly offset by program revenues of \$6,964,988, general revenues of \$57,060,936 and prior year cash balances. Program revenues made up 10.88 percent of total governmental revenues, in fiscal year 2008.

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

**South Euclid-Lyndhurst City School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2008  
Unaudited

**(Table 3)**  
**Governmental Activities**

| Programs   | Total Cost<br>of Services<br>2008 | Net Cost<br>of Services<br>2008 | Total Cost<br>of Services<br>2007 | Net Cost<br>of Services<br>2007 |
|--|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| Instruction  | \$35,555,474                      | (\$32,489,765)                  | \$32,380,871                      | (\$28,326,200)                  |
| Support Services:  |                                   |                                 |                                   |                                 |
| Pupil and Instructional Staff                              | 5,383,296                         | (4,903,197)                     | 4,958,673                         | (4,284,150)                     |
| Board of Education, Administration,<br>Business and Fiscal | 5,729,663                         | (5,729,663)                     | 5,702,556                         | (5,664,104)                     |
| Operation and Maintenance of Plant                         | 7,104,672                         | (7,104,672)                     | 7,542,191                         | (7,538,591)                     |
| Pupil Transportation                                       | 3,686,641                         | (3,066,413)                     | 3,391,167                         | (3,364,847)                     |
| Central  | 1,985,428                         | (1,984,848)                     | 1,216,558                         | (1,170,959)                     |
| Operation of Non-Instructional Services                    | 3,099,592                         | (429,431)                       | 2,719,283                         | (43,328)                        |
| Extracurricular Activities                                 | 1,095,337                         | (967,126)                       | 1,131,755                         | (920,813)                       |
| Interest and Fiscal Charges                                | 1,006,646                         | (1,006,646)                     | 523,936                           | (523,936)                       |
| Total Expenses   | <u>\$64,646,749</u>               | <u>(\$57,681,761)</u>           | <u>\$59,566,990</u>               | <u>(\$51,836,928)</u>           |

**The School District's Funds**

As previously stated, governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenue of \$63,221,468 a decrease of \$214,072 or .34 percent from the prior fiscal year and expenditures of \$73,991,509 which were \$11,951,272 or 19.26 percent higher than the prior fiscal year. The total fund balance for all of the governmental funds decreased in fiscal year 2008 due to the School District spending the note proceeds obtained in fiscal year 2007 for the building improvement projects. The community as a whole is by far the primary support for the South Euclid-Lyndhurst City School District's students.

**General Fund Budgeting Highlights**

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

During the course of fiscal year 2008, the School District did modify its general fund budget. The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, final budget basis revenue, (exclusive of other financing sources) of \$54,253,336 was higher than the original budget estimate of \$53,479,989 by \$773,347.

For the general fund, final budget basis expenditures of \$57,578,354 (exclusive of other financing uses) were \$279,308 more than the original budget basis expenditures of \$57,299,046. This increase was largely due to final estimated expenditures being slightly more than the original estimates.

Total actual expenditures on the budget basis were \$55,626,120, \$1,952,234 less than final budget amounts. This is largely attributable to the School District's cost cutting measures.

**South Euclid-Lyndhurst City School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2008  
Unaudited

**Capital Assets**

At the end of fiscal year 2008, the School District had \$18,572,862 invested in land, construction in progress, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows fiscal year 2008 balances compared to 2007.

**(Table 4)**  
**Capital Assets at June 30, 2008**  
**(Net of Depreciation)**

|                            | Governmental Activities |                    |
|----------------------------|-------------------------|--------------------|
|                            | 2008                    | 2007               |
| Land                       | \$693,109               | \$693,109          |
| Construction in Progress   | 11,416,624              | 1,389,390          |
| Buildings and Improvements | 3,397,626               | 3,649,363          |
| Furniture and Equipment    | 2,017,087               | 2,106,677          |
| Vehicles                   | 1,048,416               | 741,450            |
| <b>Total</b>               | <b>\$18,572,862</b>     | <b>\$8,579,989</b> |

The increase was the result of construction on the building improvement projects. Please see Note 9 for more information.

Senate Bill 345 requires school districts to set aside certain general fund revenues in each of two areas, one for the purpose of textbooks and instructional materials and the other for capital improvements (See Note 16). For fiscal year 2008, this amounted to \$704,429 for each set aside. The School District has qualifying disbursements or offsets exceeding these requirements for textbooks. This amount may be used to reduce the set-aside requirement of future years. The School District also had qualifying expenditures during the year that reduced the capital acquisition set-aside amount below zero. This amount may not be used to reduce the set-aside requirements for future years.

**Debt**

At June 30, 2008, the School District had \$19,568,182 in outstanding debt. See Note 14 and 15 for additional details. Table 5 summarizes the outstanding debt.

**South Euclid-Lyndhurst City School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2008  
Unaudited

(Table 5)  
Outstanding Debt at Fiscal Year End

|   | 2008                | 2007                |
|---|---------------------|---------------------|
| School Improvement Refunding Bonds - 2006 | \$8,123,187         | \$8,732,820         |
| Capital Appreciation Bonds - 2006         | 494,995             | 494,995             |
| Bond Anticipation Note - 2008             | 1,000,000           | 1,250,000           |
| Tax Anticipation Note - 2007              | 9,950,000           | 9,950,000           |
| Total Debt                                | <u>\$19,568,182</u> | <u>\$20,427,815</u> |

On June 28, 2006, the School District issued \$9,389,995 in voted general obligation bonds, which included serial, term and capital appreciation bonds in the amount of \$7,065,000, \$1,830,000 and \$494,995, respectively. The bonds advance refunded \$5,605,000 of outstanding 1993 School Improvement General Obligation Bonds and \$3,785,000 of outstanding 1996 School Improvement General Obligation Bonds.

On April 19, 2007 the School District issued \$9,950,000 in tax anticipation notes in order to finance new construction. The notes were issued for an eleven year period and have a final maturity date of December 1, 2017.

On November 30, 2006, the School District issued \$1,250,000 in bond anticipation notes for the purpose of updating school buildings to conserve energy. The School District paid \$250,000 on the notes and reissued them for \$1,000,000 on November 29, 2007 at a stated interest rate of 3.60 percent.

**Current Financial Related Activities**

As the preceding information shows, the School District relies heavily on its property tax payers. The School District placed a 6.95 mill continuing operating levy on the ballot in March 2008 and that levy was defeated by the community. Subsequently the School District implemented reductions to the educational program of approximately \$2.5 million as indicated during the levy campaign. The School District then placed a 5.4 mill continuing operating levy on the ballot in November 2008 and that levy was approved by the community.

It is anticipated that the School District would bring back approximately \$500,000 in previous educational program reductions beginning in fiscal year 2010 (July 1, 2009) and by doing so, the next anticipated operating levy would be during calendar year 2010 potentially 2011.

With its major sources of revenue not keeping pace with expenditure increases, the School District must continually seek additional tax revenue to continue current operations.

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

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information, contact Paul J. Pestello, Treasurer of South Euclid-Lyndhurst City School District, 5044 Mayfield Road, Lyndhurst, Ohio 44124 or pestello@sel.k12.oh.us.

**South Euclid-Lyndhurst City School District**

*Statement of Net Assets*

*June 30, 2008*

|   | <u>Governmental<br/>Activities</u> |
|---|------------------------------------|
| <b>Assets</b>                                   |                                    |
| Equity in Pooled Cash and Cash Equivalents      | \$8,362,579                        |
| Accounts Receivable                             | 69,068                             |
| Intergovernmental Receivable                    | 78,680                             |
| Prepaid Items                                   | 470,495                            |
| Inventory Held for Resale                       | 17,005                             |
| Property Taxes Receivable                       | 46,387,398                         |
| Investment in Joint Venture                     | 126,499                            |
| Deferred Charges                                | 249,460                            |
| Non-depreciable Capital Assets                  | 12,109,733                         |
| Depreciable Capital Assets, Net                 | <u>6,463,129</u>                   |
| <i>Total Assets</i>                             | <u>74,334,046</u>                  |
| <b>Liabilities</b>                              |                                    |
| Accounts Payable                                | 596,920                            |
| Accrued Wages and Benefits                      | 3,767,891                          |
| Intergovernmental Payable                       | 2,403,134                          |
| Contracts Payable                               | 606,038                            |
| Retainage Payable                               | 165,868                            |
| Accrued Interest Payable                        | 80,996                             |
| Deferred Revenue                                | 34,228,316                         |
| Notes Payable                                   | 10,577,345                         |
| Long-Term Liabilities:                          |                                    |
| Due Within One Year                             | 1,204,453                          |
| Due In More Than One Year                       | <u>10,848,572</u>                  |
| <i>Total Liabilities</i>                        | <u>64,479,533</u>                  |
| <b>Net Assets</b>                               |                                    |
| Invested in Capital Assets, Net of Related Debt | 716,844                            |
| Restricted for:                                 |                                    |
| Debt Service                                    | 1,920,761                          |
| Sixth Grade Camp                                | 441,273                            |
| Auxiliary Services                              | 133,278                            |
| Title VI-B                                      | 132,460                            |
| Title VI-R                                      | 136,851                            |
| Budget Stabilization                            | 534,738                            |
| Other Purposes                                  | 89,729                             |
| Unrestricted                                    | <u>5,748,579</u>                   |
| <i>Total Net Assets</i>                         | <u><u>\$9,854,513</u></u>          |

See accompanying notes to the basic financial statements

**South Euclid-Lyndhurst City School District**

*Statement of Activities*

*For the Fiscal Year Ended June 30, 2008*

|  | Program Revenues    |                                |                                    | Governmental Activities | Net (Expense) Revenue and Changes in Net Assets |
|--|---------------------|--------------------------------|------------------------------------|-------------------------|---|
|  | Expenses            | Charges for Services and Sales | Operating Grants and Contributions |                         |   |
| <b>Governmental Activities</b>           |                     |                                |                                    |                         |   |
| Instruction:                             |                     |                                |                                    |                         |   |
| Regular                                  | \$26,487,343        | \$1,171,903                    | \$669,067                          | \$26,896                | (\$24,619,477)                                  |
| Special                                  | 7,450,264           | 288,276                        | 842,001                            | 0                       | (6,319,987)                                     |
| Vocational                               | 1,617,867           | 67,566                         | 0                                  | 0                       | (1,550,301)                                     |
| Support Services:                        |                     |                                |                                    |                         |   |
| Pupil                                    | 3,774,057           | 39,712                         | 289,556                            | 0                       | (3,444,789)                                     |
| Instructional Staff                      | 1,609,239           | 6,254                          | 144,577                            | 0                       | (1,458,408)                                     |
| Board of Education                       | 192,283             | 0                              | 0                                  | 0                       | (192,283)                                       |
| Administration                           | 3,640,761           | 0                              | 0                                  | 0                       | (3,640,761)                                     |
| Fiscal                                   | 1,522,780           | 0                              | 0                                  | 0                       | (1,522,780)                                     |
| Business                                 | 373,839             | 0                              | 0                                  | 0                       | (373,839)                                       |
| Operation and Maintenance of Plant       | 7,104,672           | 0                              | 0                                  | 0                       | (7,104,672)                                     |
| Pupil Transportation                     | 3,686,641           | 308,682                        | 29,516                             | 282,030                 | (3,066,413)                                     |
| Central                                  | 1,985,428           | 580                            | 0                                  | 0                       | (1,984,848)                                     |
| Operation of Non-Instructional Services: |                     |                                |                                    |                         |   |
| Food Service Operations                  | 1,883,845           | 876,323                        | 644,903                            | 0                       | (362,619)                                       |
| Other Non-Instructional Services         | 1,215,747           | 6,353                          | 1,142,582                          | 0                       | (66,812)  |
| Extracurricular Activities               | 1,095,337           | 128,211                        | 0                                  | 0                       | (967,126)                                       |
| Interest and Fiscal Charges              | 1,006,646           | 0                              | 0                                  | 0                       | (1,006,646)                                     |
| <b>Totals</b>                            | <b>\$64,646,749</b> | <b>\$2,893,860</b>             | <b>\$3,762,202</b>                 | <b>\$308,926</b>        | <b>(57,681,761)</b>                             |

**General Revenues**

Property Taxes Levied for:

|   |            |
|---|------------|
| General Purposes  | 39,739,088 |
| Debt Service  | 1,722,417  |
| Capital Projects  | 1,298,774  |
| Grants and Entitlements not Restricted to Specific Programs | 12,486,363 |
| Investment Earnings   | 883,995    |
| Miscellaneous   | 930,299    |

*Total General Revenues* 57,060,936

Change in Net Assets (620,825)

*Net Assets, Beginning of Year - Restated (See Note 3)* 10,475,338

*Net Assets, End of Year* \$9,854,513

See accompanying notes to the basic financial statements



**South Euclid-Lyndhurst City School District**

*Balance Sheet*

*Governmental Funds*

*June 30, 2008*

|  | General             | Permanent<br>Improvement | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|---------------------|--------------------------|--------------------------------|--------------------------------|
| <b>Assets</b>                              |                     |                          |                                |                                |
| Equity in Pooled Cash and Cash Equivalents | \$2,948,929         | \$1,840,049              | \$3,017,311                    | \$7,806,289                    |
| Restricted Assets:                         |                     |                          |                                |                                |
| Equity in Pooled Cash and Cash Equivalents | 556,290             | 0                        | 0                              | 556,290                        |
| Accounts Receivable                        | 64,565              | 0                        | 4,503                          | 69,068                         |
| Intergovernmental Receivable               | 0                   | 0                        | 78,680                         | 78,680                         |
| Prepaid Items                              | 449,733             | 0                        | 20,762                         | 470,495                        |
| Inventory Held for Resale                  | 0                   | 0                        | 17,005                         | 17,005                         |
| Interfund Receivable                       | 23,000              | 0                        | 0                              | 23,000                         |
| Property Taxes Receivable                  | 43,183,391          | 2,135,623                | 1,068,384                      | 46,387,398                     |
| Investment in Joint Venture                | 126,499             | 0                        | 0                              | 126,499                        |
| <i>Total Assets</i>                        | <u>\$47,352,407</u> | <u>\$3,975,672</u>       | <u>\$4,206,645</u>             | <u>\$55,534,724</u>            |
| <b>Liabilities and Fund Balances</b>       |                     |                          |                                |                                |
| <b>Liabilities</b>                         |                     |                          |                                |                                |
| Accounts Payable                           | \$185,176           | \$33,222                 | \$378,522                      | \$596,920                      |
| Accrued Wages and Benefits                 | 3,757,570           | 0                        | 10,321                         | 3,767,891                      |
| Accrued Interest Payable                   | 0                   | 35,725                   | 4,500                          | 40,225                         |
| Intergovernmental Payable                  | 2,313,516           | 0                        | 89,618                         | 2,403,134                      |
| Contracts Payable                          | 0                   | 606,038                  | 0                              | 606,038                        |
| Retainage Payable                          | 0                   | 165,868                  | 0                              | 165,868                        |
| Interfund Payable                          | 0                   | 0                        | 23,000                         | 23,000                         |
| Notes Payable                              | 0                   | 10,327,345               | 250,000                        | 10,577,345                     |
| Deferred Revenue                           | 38,196,671          | 1,875,487                | 967,210                        | 41,039,368                     |
| <i>Total Liabilities</i>                   | <u>44,452,933</u>   | <u>13,043,685</u>        | <u>1,723,171</u>               | <u>59,219,789</u>              |
| <b>Fund Balances</b>                       |                     |                          |                                |                                |
| Reserved for Encumbrances                  | 650,084             | 1,068,364                | 220,373                        | 1,938,821                      |
| Reserved for Property Taxes                | 5,078,850           | 259,170                  | 146,383                        | 5,484,403                      |
| Reserved for Budget Stabilization          | 534,738             | 0                        | 0                              | 534,738                        |
| Reserved for Unclaimed Monies              | 21,552              | 0                        | 0                              | 21,552                         |
| Unreserved, Undesignated                   |                     |                          |                                |                                |
| Reported in:                               |                     |                          |                                |                                |
| General Fund (Deficit)                     | (3,385,750)         | 0                        | 0                              | (3,385,750)                    |
| Special Revenue Funds                      | 0                   | 0                        | 704,653                        | 704,653                        |
| Debt Service Funds                         | 0                   | 0                        | 1,637,951                      | 1,637,951                      |
| Capital Projects Funds (Deficit)           | 0                   | (10,395,547)             | (225,886)                      | (10,621,433)                   |
| <i>Total Fund Balances (Deficit)</i>       | <u>2,899,474</u>    | <u>(9,068,013)</u>       | <u>2,483,474</u>               | <u>(3,685,065)</u>             |
| <i>Total Liabilities and Fund Balances</i> | <u>\$47,352,407</u> | <u>\$3,975,672</u>       | <u>\$4,206,645</u>             | <u>\$55,534,724</u>            |

See accompanying notes to the basic financial statements

**South Euclid-Lyndhurst City School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities*  
 June 30, 2008

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|   |               |
|---|---------------|
| <b>Total Governmental Fund Balances</b> | (\$3,685,065) |
|---|---------------|

*Amounts reported for governmental activities in the  
 statement of net assets are different because:*

|   |            |
|---|------------|
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | 18,572,862 |
|---|------------|

|  |           |           |
|--|-----------|-----------|
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds: |           |           |
| Delinquent Property Taxes  | 6,638,932 |           |
| Grants   | 45,621    |           |
| Investment in Joint Venture  | 126,499   |           |
| Total  |           | 6,811,052 |

|  |         |
|--|---------|
| In the statement of activities, bond issuance costs are amortized over the term of the bonds, whereas in governmental funds bond issuance expenditures are reported when bonds are issued. | 249,460 |
|--|---------|

|  |          |
|--|----------|
| In the statement of activities, interest is accrued on outstanding loans, whereas in governmental funds, an interest expenditure is reported when due. | (40,771) |
|--|----------|

|  |             |              |
|--|-------------|--------------|
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds: |             |              |
| General Obligation Bonds   | (7,900,000) |              |
| Amortization of Loss on Refunding  | 182,711     |              |
| Capital Appreciation Bonds   | (494,995)   |              |
| Accretion on Capital Appreciation Bonds  | (98,315)    |              |
| Bond Anticipation Note   | (750,000)   |              |
| Unamortized Bond Premium   | (307,583)   |              |
| Compensated Absences   | (2,684,843) |              |
| Total  |             | (12,053,025) |

|  |             |
|--|-------------|
| <i>Net Assets of Governmental Activities</i> | \$9,854,513 |
|--|-------------|

See accompanying notes to the basic financial statements

**South Euclid-Lyndhurst City School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2008*

|  | General            | Permanent<br>Improvement | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|--------------------|--------------------------|--------------------------------|--------------------------------|
| <b>Revenues</b>  |                    |                          |                                |                                |
| Property Taxes   | \$38,187,146       | \$1,219,581              | \$1,677,687                    | \$41,084,414                   |
| Intergovernmental  | 13,185,639         | 261,897                  | 3,847,357                      | 17,294,893                     |
| Interest   | 671,550            | 206,284                  | 6,161                          | 883,995                        |
| Tuition and Fees   | 1,504,496          | 0                        | 113,984                        | 1,618,480                      |
| Extracurricular Activities                                     | 17,584             | 0                        | 114,908                        | 132,492                        |
| Contributions and Donations                                    | 0                  | 0                        | 73,943                         | 73,943                         |
| Charges for Services   | 85,889             | 0                        | 931,072                        | 1,016,961                      |
| Rentals  | 184,491            | 0                        | 1,500                          | 185,991                        |
| Miscellaneous  | 743,376            | 0                        | 186,923                        | 930,299                        |
| <i>Total Revenues</i>  | <u>54,580,171</u>  | <u>1,687,762</u>         | <u>6,953,535</u>               | <u>63,221,468</u>              |
| <b>Expenditures</b>  |                    |                          |                                |                                |
| Current:   |                    |                          |                                |                                |
| Instruction:   |                    |                          |                                |                                |
| Regular  | 23,313,198         | 295,277                  | 676,341                        | 24,284,816                     |
| Special  | 6,245,148          | 0                        | 882,428                        | 7,127,576                      |
| Vocational   | 1,505,718          | 0                        | 72,653                         | 1,578,371                      |
| Support Services:  |                    |                          |                                |                                |
| Pupil  | 3,250,826          | 0                        | 370,011                        | 3,620,837                      |
| Instructional Staff  | 1,250,833          | 0                        | 287,628                        | 1,538,461                      |
| Board of Education   | 192,211            | 0                        | 72                             | 192,283                        |
| Administration   | 3,379,919          | 0                        | 189,076                        | 3,568,995                      |
| Fiscal   | 1,564,236          | 0                        | 0                              | 1,564,236                      |
| Business   | 324,339            | 0                        | 0                              | 324,339                        |
| Operation and Maintenance of Plant                             | 7,045,306          | 240,714                  | 21,970                         | 7,307,990                      |
| Pupil Transportation   | 3,500,790          | 0                        | 59,330                         | 3,560,120                      |
| Central  | 1,160,250          | 773,189                  | 52,931                         | 1,986,370                      |
| Operation of Non-Instructional Services:                       |                    |                          |                                |                                |
| Food Service Operations  | 0                  | 0                        | 1,794,401                      | 1,794,401                      |
| Other Non-Instructional Services                               | 17,834             | 0                        | 1,197,913                      | 1,215,747                      |
| Extracurricular Activities                                     | 834,614            | 0                        | 153,029                        | 987,643                        |
| Capital Outlay   | 0                  | 11,457,711               | 25,799                         | 11,483,510                     |
| Debt Service:  |                    |                          |                                |                                |
| Principal Retirement   | 0                  | 0                        | 645,000                        | 645,000                        |
| Principal Retirement - Current Refunding                       | 0                  | 0                        | 250,000                        | 250,000                        |
| Interest and Fiscal Charges                                    | 59,937             | 0                        | 900,877                        | 960,814                        |
| <i>Total Expenditures</i>                                      | <u>53,645,159</u>  | <u>12,766,891</u>        | <u>7,579,459</u>               | <u>73,991,509</u>              |
| <i>Excess of Revenues Over (Under) Expenditures</i>            | <u>935,012</u>     | <u>(11,079,129)</u>      | <u>(625,924)</u>               | <u>(10,770,041)</u>            |
| <b>Other Financing Sources (Uses)</b>                          |                    |                          |                                |                                |
| Bond Anticipation Notes Issued                                 | 0                  | 0                        | 750,000                        | 750,000                        |
| Current Refunding  | 0                  | 0                        | (750,000)                      | (750,000)                      |
| Transfers In   | 50,211             | 0                        | 490,000                        | 540,211                        |
| Transfers Out  | (490,000)          | 0                        | (50,211)                       | (540,211)                      |
| <i>Total Other Financing Sources (Uses)</i>                    | <u>(439,789)</u>   | <u>0</u>                 | <u>439,789</u>                 | <u>0</u>                       |
| <i>Net Change in Fund Balances</i>                             | 495,223            | (11,079,129)             | (186,135)                      | (10,770,041)                   |
| <i>Fund Balances Beginning of Year - Restated (See Note 3)</i> | <u>2,404,251</u>   | <u>2,011,116</u>         | <u>2,669,609</u>               | <u>7,084,976</u>               |
| <i>Fund Balances (Deficit) End of Year</i>                     | <u>\$2,899,474</u> | <u>(\$9,068,013)</u>     | <u>\$2,483,474</u>             | <u>(\$3,685,065)</u>           |

See accompanying notes to the basic financial statements

**South Euclid-Lyndhurst City School District**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2008*

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**Net Change in Fund Balances - Total Governmental Funds** (\$10,770,041)

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

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

|                           |            |           |
|---------------------------|------------|-----------|
| Capital Asset Additions   | 10,948,144 |           |
| Current Year Depreciation | (955,271)  |           |
|                           |            |           |
| Total                     |            | 9,992,873 |

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

|                             |           |         |
|-----------------------------|-----------|---------|
| Delinquent Property Taxes   | 1,675,865 |         |
| Grants                      | (811,345) |         |
| Investment in Joint Venture | (60,064)  |         |
|                             |           |         |
| Total                       |           | 804,456 |

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 1,645,000

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

|                                     |          |          |
|-------------------------------------|----------|----------|
| Accrued Interest on Bonds           | 13,557   |          |
| Annual Accretion                    | (46,719) |          |
| Amortization of Bond Premium        | 27,962   |          |
| Amortization of Loss on Refunding   | (16,610) |          |
| Amortization of Bond Issuance Costs | (24,022) |          |
|                                     |          |          |
| Total                               |          | (45,832) |

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 governmental funds. (1,497,281)

Other financing sources in the governmental funds such as general obligation notes issued, increase long-term liabilities in the statement of net assets. (750,000)

*Change in Net Assets of Governmental Activities* (\$620,825)

See accompanying notes to the basic financial statements

**South Euclid-Lyndhurst City School District**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2008*

|  | Budgeted Amounts   |                    | Actual             | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|--------------------|--------------------|--------------------|---|
|  | Original           | Final              |                    |   |
| <b>Revenues</b>                              |                    |                    |                    |   |
| Property Taxes                               | \$37,842,836       | \$37,842,836       | \$37,868,795       | \$25,959  |
| Intergovernmental                            | 12,614,724         | 13,254,218         | 13,250,841         | (3,377)   |
| Interest                                     | 652,362            | 652,362            | 652,362            | 0   |
| Tuition and Fees                             | 1,412,314          | 1,506,507          | 1,507,736          | 1,229   |
| Extracurricular Activities                   | 70,659             | 70,659             | 70,659             | 0   |
| Charges for Services                         | 0                  | 0                  | 85,889             | 85,889  |
| Rentals                                      | 572,201            | 612,201            | 184,491            | (427,710)   |
| Miscellaneous                                | 314,893            | 314,553            | 683,076            | 368,523   |
| <i>Total Revenues</i>                        | <u>53,479,989</u>  | <u>54,253,336</u>  | <u>54,303,849</u>  | <u>50,513</u>   |
| <b>Expenditures</b>                          |                    |                    |                    |   |
| Current:                                     |                    |                    |                    |   |
| Instruction:                                 |                    |                    |                    |   |
| Regular                                      | 25,460,701         | 24,994,102         | 24,625,318         | 368,784   |
| Special                                      | 6,511,307          | 6,821,369          | 6,661,599          | 159,770   |
| Vocational                                   | 1,686,338          | 1,638,107          | 1,540,371          | 97,736  |
| Support Services:                            |                    |                    |                    |   |
| Pupil  | 3,210,847          | 3,383,546          | 3,328,948          | 54,598  |
| Instructional Staff                          | 1,494,974          | 1,450,027          | 1,314,731          | 135,296   |
| Board of Education                           | 439,579            | 594,781            | 213,696            | 381,085   |
| Administration                               | 3,799,528          | 3,636,298          | 3,485,120          | 151,178   |
| Fiscal                                       | 1,509,532          | 1,615,178          | 1,595,379          | 19,799  |
| Business                                     | 365,353            | 381,943            | 329,976            | 51,967  |
| Operation and Maintenance of Plant           | 7,434,484          | 7,181,582          | 6,958,066          | 223,516   |
| Pupil Transportation                         | 3,237,000          | 3,628,081          | 3,516,488          | 111,593   |
| Central                                      | 1,144,898          | 1,248,788          | 1,157,293          | 91,495  |
| Operation of Non-Instructional Services      | 66,000             | 65,970             | 17,834             | 48,136  |
| Extracurricular Activities                   | 938,505            | 938,582            | 881,301            | 57,281  |
| <i>Total Expenditures</i>                    | <u>57,299,046</u>  | <u>57,578,354</u>  | <u>55,626,120</u>  | <u>1,952,234</u>  |
| <i>Excess of Revenues Under Expenditures</i> | <u>(3,819,057)</u> | <u>(3,325,018)</u> | <u>(1,322,271)</u> | <u>2,002,747</u>  |
| <b>Other Financing Sources (Uses)</b>        |                    |                    |                    |   |
| Transfers In                                 | 50,211             | 50,211             | 50,211             | 0   |
| Advances In                                  | 3,800              | 3,800              | 3,800              | 0   |
| Transfers Out                                | (540,000)          | (490,000)          | (490,000)          | 0   |
| Advances Out                                 | (5,000)            | (8,550)            | (23,000)           | (14,450)  |
| <i>Total Other Financing Sources (Uses)</i>  | <u>(490,989)</u>   | <u>(444,539)</u>   | <u>(458,989)</u>   | <u>(14,450)</u>   |
| <i>Net Change in Fund Balance</i>            | <u>(4,310,046)</u> | <u>(3,769,557)</u> | <u>(1,781,260)</u> | <u>1,988,297</u>  |
| <i>Fund Balance Beginning of Year</i>        | <u>3,163,009</u>   | <u>3,163,009</u>   | <u>3,163,009</u>   | <u>0</u>  |
| Prior Year Encumbrances Appropriated         | <u>1,236,663</u>   | <u>1,236,663</u>   | <u>1,236,663</u>   | <u>0</u>  |
| <i>Fund Balance End of Year</i>              | <u>\$89,626</u>    | <u>\$630,115</u>   | <u>\$2,618,412</u> | <u>\$1,988,297</u>                                      |

See accompanying notes to the basic financial statements

**South Euclid-Lyndhurst City School District**

*Statement of Fiduciary Assets and Liabilities*

*Agency Funds*

*June 30, 2008*

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|  |                         |
|--|-------------------------|
| <b>Assets</b>                              |                         |
| Equity in Pooled Cash and Cash Equivalents | \$410,307               |
| Accounts Receivable                        | <u>21</u>               |
| <i>Total Assets</i>                        | <u><u>\$410,328</u></u> |
| <b>Liabilities</b>                         |                         |
| Undistributed Monies                       | \$318,283               |
| Due to Students                            | <u>92,045</u>           |
| <i>Total Liabilities</i>                   | <u><u>\$410,328</u></u> |

See accompanying notes to the basic financial statements

## **South Euclid-Lyndhurst School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

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### **Note 1 - Description of the School District and Reporting Entity**

The South Euclid-Lyndhurst City School District (School District) is a body public and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The School District is governed by a locally-elected five-member Board of Education (Board) and provides educational services as mandated by state and/or federal agencies. This Board controls the School District's six instructional/support facilities which are staffed by 254 classified and 366 certificated personnel who provide services to 4,384 students and other community members.

#### *Reporting Entity*

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes. The School District does not have any component units.

The School District participates in two jointly governed organizations, one joint venture, and one insurance purchasing pool. These organizations are the Lakeshore Northeast Ohio Computer Association, Ohio Schools Council Association, South Euclid-Lyndhurst Recreation Commission and Ohio School Boards Association Workers' Compensation Group Rating Program. These organizations are presented in Notes 17, 18, and 19 of the basic financial statements.

### **Note 2 - Summary of Significant Accounting Policies**

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

# South Euclid-Lyndhurst School District

## *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

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### **A. Basis of Presentation**

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

**Government-wide Financial Statements** The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type. The School District, however, has no business-type activities.

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

**Fund Financial Statements** During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The fiduciary funds are reported by type.

### **B. Fund Accounting**

The School District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The funds of the School District are divided into two categories, governmental and fiduciary.

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

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



## South Euclid-Lyndhurst School District

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

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***Permanent Improvement Fund*** The permanent improvement fund accounts for all transactions related to acquiring, constructing, or improving of such permanent improvements as are authorized by Chapter 5707 of the Ohio Revised Code.

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

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

#### ***C. Measurement Focus***

***Government-wide Financial Statements*** The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (i.e.; revenues) and decreases (i.e.; expenses) in total net assets.

***Fund Financial Statements*** All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

#### ***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. Fiduciary funds also use the accrual basis of accounting. Differences between the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

***Revenues - Exchange and Non-Exchange Transactions*** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within 60 days of fiscal year-end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from

## South Euclid-Lyndhurst School District

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

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property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from 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 year-end: property taxes available as an advance, interest, tuition, grants, fees and rentals.

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

Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

***Expenses/Expenditures*** On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The 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 Data***

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 set 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 object level within each function for the general fund and at the fund level for all other funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original and final budgeted amounts in the budgetary statements reflect the amounts in the amended certificate that was in effect at the time the original and 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 by fund. 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 fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

## **South Euclid-Lyndhurst School District**

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

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#### ***F. Cash and Cash Equivalents***

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "equity in pooled cash and cash equivalents."

During fiscal year 2008, investments were limited to STAROhio. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with 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 STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2008.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2008 amounted to \$671,550 which includes \$317,952 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents.

#### ***G. Prepaid Items***

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

#### ***H. Restricted Assets***

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the general fund include amounts required by State statute to be set aside to create a reserve for budget stabilization and money set aside for unclaimed monies. See Note 16 for additional information regarding set-asides.

#### ***I. Inventory***

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventories consist of expendable supplies held for consumption and donated and purchased food held for resale.

#### ***J. Capital Assets***

The School District's only capital assets are general capital assets. These assets generally result from expenditures in the governmental funds. They are reported in the governmental activities column of the governmental-wide statement of net assets but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting assets by backtrending (i.e., estimating the current replacement cost of the asset to be capitalized

## South Euclid-Lyndhurst School District

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

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and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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>Estimated Lives</u> |
|----------------------------|------------------------|
| Buildings and Improvements | 10-40 years            |
| Furniture and Equipment    | 5-20 years             |
| Vehicles                   | 10 years               |

#### ***K. Interfund Balances***

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

#### ***L. Bond Issuance Costs***

On the government-wide financial statements, bond issuance costs are deferred and amortized over the term of the applicable bonds using the effective interest method. On the governmental fund statements, bond issuance costs are expended in the year the bonds are issued. Issuance costs are generally paid from bond proceeds.

#### ***M. Bond Premium***

On the government-wide financial statements, bond premiums are deferred and amortized over the term of the bonds using the effective interest method. Bond premiums are presented as an increase of the face amount of the bonds payable. On the governmental fund statements, bond premiums are received in the year the bonds are issued.

#### ***N. Gain/Loss on Refunding***

On the government-wide financial statements, the difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt, the gain/loss on refunding, is being amortized as a component of interest expense. This deferred amount is amortized over the life of the old or new debt, whichever is shorter, using the effective interest method.

#### ***O. Compensated Absences***

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

## **South Euclid-Lyndhurst School District**

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

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Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for employees after 20 years of current service with the School District and attaining the age of 40.

#### ***P. Accrued Liabilities and Long-Term Obligations***

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, and contractually required pension contributions 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 the payment during the current fiscal year. Bonds are recognized as a liability on the fund financial statements when due.

#### ***Q. Net Assets***

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The government-wide statement of net assets reports restricted net assets of \$3,389,090 none of which is restricted by enabling legislation. Net assets restricted for other purposes include resources restricted for athletic programs, education management information systems, entry-year programs, school-net professional development, miscellaneous state grant programs, Title I, drug free schools and miscellaneous federal grant programs.

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

#### ***R. Fund Balance Reserves***

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures. The reserve for unclaimed monies represents cash that, under Ohio law, must remain unclaimed for five years before it becomes available for appropriation.

## South Euclid-Lyndhurst School District

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

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#### ***S. Internal Activity***

Transfers between governmental funds are eliminated on the government-wide financial statements. Internal events that are allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Interfund payments for services provided and used are eliminated.

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. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

#### ***T. Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence.

#### ***U. Estimates***

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

### **Note 3 – Change in Accounting Principles and Restatement of Fund Balance/Net Assets**

#### ***A. Change in Accounting Principles***

For 2008, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions”, GASB Statement No. 48, “Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues”, and GASB Statement No. 50, “Pension Disclosures”.

GASB Statement No. 45 improves the relevance and usefulness of financial reporting by requiring systematic, accrual-basis measurement and recognition of OPEB costs over a period that approximated employees’ years of service and providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. The implementation of this statement did not result in any change to the School District’s financial statements. An OPEB liability at transition was determined in accordance with this Statement for both the SERS and STRS post-employment healthcare plans in the amount of \$234,850 and \$42,739, respectively, which are the same as previously reported liabilities.

GASB Statement No. 48 addresses how to account for the exchange of interest in expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments. The statement established criteria used to determine whether the transaction should be recorded as revenue or as a liability (a sale or a collateralized borrowing). The implementation of this statement did not result in any change to the financial statements.

**South Euclid-Lyndhurst School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

GASB Statement No. 50 requires employers contributing to defined benefit pension plans to include the legal or contractual maximum contribution rates in the notes to the financial statements. The implementation of this statement did not result in any change to the financial statements.

***B. Restatement of Prior Year Fund Balance and Net Assets***

During fiscal year 2008, it was determined that notes payable and accrued interest payable were understated at June 30, 2007 in the permanent improvement (a major fund) and building capital projects funds. It was also determined that the unclaimed monies agency fund should be reclassified to the general fund.

|   | General                | Permanent<br>Improvement | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|------------------------|--------------------------|--------------------------------|--------------------------------|
| Fund Balance, June 30, 2007                 | \$2,355,336            | \$12,418,612             | \$2,928,109                    | \$17,702,057                   |
| Notes Payable                               | 0                      | (10,365,719)             | (250,000)                      | (10,615,719)                   |
| Accrued Interest Payable                    | 0                      | (41,777)                 | (8,500)                        | (50,277)                       |
| Unclaimed Monies                            | 48,915                 | 0                        | 0                              | 48,915                         |
| <br>Adjusted Fund Balance,<br>June 30, 2007 | <br><u>\$2,404,251</u> | <br><u>\$2,011,116</u>   | <br><u>\$2,669,609</u>         | <br><u>\$7,084,976</u>         |

In addition to the notes and accrued interest payable restatements above, the School District determined that the investment in joint venture was understated. This restatement had the following effect on net assets as they were previously reported.

|  | Governmental<br>Activities |
|--|----------------------------|
| Net Assets, December 31, 2007              | \$10,239,860               |
| Unclaimed Monies                           | 48,915                     |
| Investment in Joint Venture                | 186,563                    |
| <br>Adjusted Net Assets, December 31, 2007 | <br><u>\$10,475,338</u>    |

## South Euclid-Lyndhurst School District

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

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#### **Note 4 – Accountability**

At June 30, 2008, the following funds have deficit balances:

|                          |             |
|--------------------------|-------------|
| <b>Major Fund:</b>       |             |
| Capital Projects Fund:   |             |
| Permanent Improvement    | \$9,068,013 |
| <b>Nonmajor Funds:</b>   |             |
| Special Revenue Funds:   |             |
| Food Service             | 215,598     |
| Uniform School Supplies  | 3,779       |
| Entry Year Grant         | 22          |
| Alternative School Grant | 940         |
| Capital Projects Fund:   |             |
| Building Improvements    | 253,785     |

The deficits in the nonmajor special revenue funds are caused by the recognition of expenditures on the modified accrual basis of accounting. The general fund is liable for any deficits in these funds and provides operating transfers when cash is required, rather than when accruals occur.

The deficits in the capital projects funds are the result of the issuance of anticipation notes which are used to finance projects until bonds are issued. Once the notes are retired or the bonds are issued, the deficits will be eliminated.

#### **Note 5 - Budgetary Basis of Accounting**

While the School District is 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, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

- a. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- b. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- c. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
- d. Advances-In and Advances-Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
- e. Unrecorded cash represents amounts received but not reported by the School District on the operating statement (budget basis) but which are reported on the (GAAP basis) operating statement.



## South Euclid-Lyndhurst School District

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

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

|   | <u>General</u>              |
|---|-----------------------------|
| GAAP Basis                                      | \$495,223                   |
| Net Adjustment for Revenue Accruals             | (388,836)                   |
| Advances In                                     | 3,800                       |
| Beginning Fair Value Adjustment for Investments | 93,324                      |
| Ending Fair Value Adjustment for Investments    | 19,190                      |
| Net Adjustment for Expenditure Accruals         | (1,113,344)                 |
| Advances Out                                    | (23,000)                    |
| Adjustment for Encumbrances                     | <u>(867,617)</u>            |
| Budget Basis                                    | <u><u>(\$1,781,260)</u></u> |

### **Note 6 - Deposits and Investments**

Monies held by the School District are classified by State statute into three categories.

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

Inactive deposits are public deposits that the Board 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 held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, 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 obligation or security 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;

## South Euclid-Lyndhurst School District

### *Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2008*

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3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAROhio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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

#### **Investments**

As of June 30, 2008, the School District investments with STAROhio were \$9,894,903 and an average maturity of 53.8 days.

**Credit Risk** Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that addresses credit risk.

**Interest Rate Risk** The School District has no policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity.

#### **Note 7 - Property Taxes**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007 and are collected in 2008 with real property

## **South Euclid-Lyndhurst School District**

### *Notes to the Basic Financial Statements*

#### *For the Fiscal Year Ended June 30, 2008*

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taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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

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

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

The amount available as an advance at June 30, 2008 was \$5,078,850 in the general fund, \$146,383 in the bond retirement debt service fund and \$259,170 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2007, was \$4,794,868 in the general fund, \$138,198 in the bond retirement debt service fund and \$244,679 in the permanent improvement capital projects fund.

The late tax settlement made by the County for fiscal year 2008 was \$34,369 in the general fund, \$412 in the bond retirement fund debt service fund and \$966 in the permanent improvement capital projects fund.

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

**South Euclid-Lyndhurst School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

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

|   | 2007 Second<br>Half Collections |                 | 2008 First<br>Half Collections |                 |
|---|---------------------------------|-----------------|--------------------------------|-----------------|
|   | <u>Amount</u>                   | <u>Percent</u>  | <u>Amount</u>                  | <u>Percent</u>  |
| Agricultural/Residential<br>and Other Real Estate | \$959,788,970                   | 96.63 %         | \$963,851,510                  | 98.26 %         |
| Public Utility Personal                           | 13,411,100                      | 1.35            | 9,506,880                      | 0.97            |
| Tangible Personal Property                        | <u>20,014,566</u>               | <u>2.02</u>     | <u>7,560,675</u>               | <u>0.77</u>     |
| Total   | <u>\$993,214,636</u>            | <u>100.00 %</u> | <u>\$980,919,065</u>           | <u>100.00 %</u> |
| <br>Tax rate per \$1,000 of<br>assessed valuation | <br>\$96.30                     |                 | <br>\$96.20                    |                 |

**Note 8 - Receivables**

Receivables at June 30, 2008, consisted of taxes, accounts (rent and tuition), and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes. All receivables, except delinquent property taxes, are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

| <u>Intergovernmental Receivables</u> | <u>Amounts</u>  |
|--------------------------------------|-----------------|
| Project Lead the Way State Grant     | \$14,400        |
| Title III                            | 3,059           |
| Title II-D                           | 10,576          |
| 21st Century Grant                   | <u>50,645</u>   |
| Total                                | <u>\$78,680</u> |

**South Euclid-Lyndhurst School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

**Note 9 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2008 was as follows:

|   | Balance<br>6/30/07        | Additions                 | Deletions         | Balance<br>6/30/08         |
|---|---------------------------|---------------------------|-------------------|----------------------------|
| <b>Governmental Activities</b>                      |                           |                           |                   |                            |
| <i>Capital Assets, not being depreciated:</i>       |                           |                           |                   |                            |
| Land  | \$693,109                 | \$0                       | \$0               | \$693,109                  |
| Construction in Progress                            | 1,389,390                 | 10,027,234                | 0                 | 11,416,624                 |
| <i>Total Capital Assets, not being depreciated</i>  | <u>2,082,499</u>          | <u>10,027,234</u>         | <u>0</u>          | <u>12,109,733</u>          |
| <i>Capital Assets, being depreciated:</i>           |                           |                           |                   |                            |
| Buildings and Improvements                          | 16,518,837                | 0                         | 0                 | 16,518,837                 |
| Furniture and Equipment                             | 6,251,502                 | 432,120                   | 0                 | 6,683,622                  |
| Vehicles  | 2,554,988                 | 488,790                   | 0                 | 3,043,778                  |
| <i>Total Capital Assets, being depreciated</i>      | <u>25,325,327</u>         | <u>920,910</u>            | <u>0</u>          | <u>26,246,237</u>          |
| <i>Less Accumulated Depreciation:</i>               |                           |                           |                   |                            |
| Buildings and Improvements                          | (12,869,474)              | (251,737)                 | 0                 | (13,121,211)               |
| Furniture and Equipment                             | (4,144,825)               | (521,710)                 | 0                 | (4,666,535)                |
| Vehicles  | (1,813,538)               | (181,824)                 | 0                 | (1,995,362)                |
| <i>Total Accumulated Depreciation</i>               | <u>(18,827,837)</u>       | <u>(955,271) *</u>        | <u>0</u>          | <u>(19,783,108)</u>        |
| <i>Total Capital Assets, being depreciated, net</i> | <u>6,497,490</u>          | <u>(34,361)</u>           | <u>0</u>          | <u>6,463,129</u>           |
| <b>Governmental Activities Capital Assets, Net</b>  | <u><u>\$8,579,989</u></u> | <u><u>\$9,992,873</u></u> | <u><u>\$0</u></u> | <u><u>\$18,572,862</u></u> |

\* Depreciation expense was charged to governmental functions as follow:

|  |                         |
|--|-------------------------|
| Instruction:                             |                         |
| Regular                                  | \$449,580               |
| Special                                  | 2,579                   |
| Vocational                               | 4,380                   |
| Support Services:                        |                         |
| Pupil                                    | 6,304                   |
| Instructional Staff                      | 59,286                  |
| Administration                           | 29,756                  |
| Fiscal                                   | 3,586                   |
| Business                                 | 10,185                  |
| Operation and Maintenance of Plant       | 46,896                  |
| Pupil Transportation                     | 161,632                 |
| Central                                  | 48,119                  |
| Operation of Non-Instructional Services: |                         |
| Food Service Operations                  | 14,703                  |
| Other Non-Instructional Services         | 42,805                  |
| Extracurricular Activities               | 75,460                  |
| Total Depreciation Expense               | <u><u>\$955,271</u></u> |

## **South Euclid-Lyndhurst School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

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### **Note 10 - Risk Management**

#### ***A. Property and Liability***

The School District is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of assets, errors, and omissions, injuries to employees, and natural disasters. The School District has addressed these various types of risk by purchasing a comprehensive insurance policy through commercial carriers.

General liability insurance is maintained in the amount of \$1,000,000 for each occurrence and \$2,000,000 in the aggregate.

The School District maintains fleet insurance in the amount of \$1,000,000 for any one accident or loss.

The School District maintains replacement cost insurance on buildings and contents in the amount of \$150,000,000.

Settled claims have not exceeded coverage within the last three years. There has not been a significant reduction in coverage from the prior years.

#### ***B. Workers' Compensation***

For fiscal year 2008, the School District participated in the Ohio School Boards Association Workers' Compensation Grouping Rating Program (GRP), an insurance purchasing pool (Note 19). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. 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 GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley Uniserve provides administration, cost control, and actuarial services to the GRP.

### **Note 11 - Defined Benefit Pension Plans**

#### ***A. School Employee Retirement System***

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008,

## South Euclid-Lyndhurst School District

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

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9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$1,396,544, \$1,256,427 and \$1,212,655 respectively; 42.80 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

#### ***B. State Teachers Retirement System***

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement 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 Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

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

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$3,787,648, \$3,249,132, and \$3,059,496 respectively; 82.76

## **South Euclid-Lyndhurst School District**

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

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percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$26,051 made by the School District and \$95,401 made by the plan members.

#### **C. Social Security System**

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

### **Note 12 - Post Employment Benefits**

#### ***A. School Employee Retirement System***

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

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$146,686.

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

The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$405,358, \$458,691, and \$489,338 respectively; 45.19 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$64,004, \$85,437, and \$87,581 respectively; 45.19 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.



## South Euclid-Lyndhurst School District

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

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#### ***B. State Teachers Retirement System***

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$33,437, \$248,515, and \$218,535 respectively; 82.06 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

#### **Note 13 - Employee Benefits**

##### ***A. Compensated Absences***

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees whose established contractual year is 240 days or more earn ten to twenty-five days of vacation per year, depending upon length of service and hours worked. Teachers do not earn vacation time. Administrators employed to work 260 days per year earn twenty days of vacation annually. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment.

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Employee sick leave may be accumulated to a maximum number of days, classified employees, teachers and administrators have an unlimited number of days. Upon retirement, employees receive payment for a percentage of their total sick leave accumulation, up to a maximum number of days. Classified employees receive thirty percent of their total sick leave accumulation to a maximum of 75 days, teachers receive thirty percent of their total sick leave accumulation to a maximum of 70 days, and administrators receive thirty percent of their total sick leave to a maximum of 86 days.

##### ***B. Insurance Benefits***

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Anthem, in the amount of \$50,000 for all certified employees, \$50,000 for classified employees, and for administrators it is \$135,000.

The School District provides health insurance coverage through Medical Mutual of Ohio and is subject to certain deductibles, co-pays, and maximum benefits as outlined in the plan. In order for employees to be eligible to receive health insurance coverage they must work at least twenty hours or more for classified employees and at least half-time for certified employees. Per negotiated agreement, the premium is paid based on full time equivalency. If an employee is not full time, the School District pays a pro-rated share of the premium.

## South Euclid-Lyndhurst School District

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

The School District provides dental coverage through Medical Mutual of Ohio and is also subject to certain deductibles, co-pays and maximum benefits as outlined in the plan. In order for employees to be eligible to receive dental coverage they must work at least twenty hours or more for classified employees and at least half-time for certified employees. Per negotiated agreement, the premium is paid based on full time equivalency. If an employee is not full time, the School District pays the premium for an employee who has single coverage and the difference between the monthly family premium and the employee contribution for family coverage.

The School District provides vision coverage through VSP and is also subject to certain deductibles, co-pays and maximum benefits as outlined in the plan. In order for employees to be eligible to receive vision coverage they must work at least twenty hours or more for classified and at least half time for certified employees. Per the negotiated agreement, the premium is paid based on full time equivalency. If an employee is not full time, the School District pays the premium for an employee who has single coverage and the difference between the monthly family premium and the employee contribution for family coverage.

#### **Note 14 - Long-Term Obligations**

The original issue date, interest rate, original issue amount and date of maturity of each of the School District's bonds are:

| <u>Debt Issue</u>                   | <u>Interest Rate</u> | <u>Original<br/>Issue Amount</u> | <u>Date of Maturity</u> |
|-------------------------------------|----------------------|----------------------------------|-------------------------|
| <i>General Obligation Bonds:</i>    |                      |                                  |                         |
| School Improvement Refunding - 2006 |                      |                                  |                         |
| Serial and Term Bonds               | 4.0-5.0%             | \$8,895,000                      | December 1, 2018        |
| Capital Appreciation Bonds          | 6.155-13.656%        | 494,995                          | December 1, 2010        |
| <i>Long-Term Notes:</i>             |                      |                                  |                         |
| Tax Anticipation Note - 2008        | 4.0-5.0%             | 9,950,000                        | December 1, 2017        |
| Bond Anticipation Note - 2007       | 3.60%                | 1,000,000                        | November 28, 2008       |

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

**South Euclid-Lyndhurst School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

|   | Principal<br>Outstanding<br>6/30/07 | Additions                 | (Reductions)                | Principal<br>Outstanding<br>6/30/08 | Amount<br>Due in<br>One Year |
|---|-------------------------------------|---------------------------|-----------------------------|-------------------------------------|------------------------------|
| <b>Governmental Activities:</b>         |                                     |                           |                             |                                     |                              |
| General Obligations Bonds:              |                                     |                           |                             |                                     |                              |
| School Improvement Refunding - 2006     |                                     |                           |                             |                                     |                              |
| Serial and Term Bonds                   | \$8,545,000                         | \$0                       | (\$645,000)                 | \$7,900,000                         | \$670,000                    |
| Capital Appreciation Bonds              | 494,995                             | 0                         | 0                           | 494,995                             | 0                            |
| Accretion on Capital Appreciation Bonds | 51,596                              | 46,719                    | 0                           | 98,315                              | 0                            |
| Unamortized Premium                     | 335,545                             | 0                         | (27,962)                    | 307,583                             | 0                            |
| Unamortized Loss                        | (199,321)                           | 16,610                    | 0                           | (182,711)                           | 0                            |
| <i>Total General Obligation Bonds</i>   | <u>9,227,815</u>                    | <u>63,329</u>             | <u>(672,962)</u>            | <u>8,618,182</u>                    | <u>670,000</u>               |
| Long-Term Notes:                        |                                     |                           |                             |                                     |                              |
| Bond Anticipation Note - 2007           | 1,000,000                           | 0                         | (1,000,000)                 | 0                                   | 0                            |
| Bond Anticipation Note - 2008           | 0                                   | 750,000                   | 0                           | 750,000                             | 0                            |
| <i>Total Long-Term Notes</i>            | <u>1,000,000</u>                    | <u>750,000</u>            | <u>(1,000,000)</u>          | <u>750,000</u>                      | <u>0</u>                     |
| Compensated Absences                    | 1,187,562                           | 1,936,683                 | (439,402)                   | 2,684,843                           | 534,453                      |
| <b>Total Governmental Activities</b>    | <u><u>\$11,415,377</u></u>          | <u><u>\$2,750,012</u></u> | <u><u>(\$2,112,364)</u></u> | <u><u>\$12,053,025</u></u>          | <u><u>\$1,204,453</u></u>    |

General obligation bonds issued for the purpose of renovating and making additions to school buildings will be paid from property taxes in the debt service fund.

Bond anticipation notes will be paid from the permanent improvement capital projects fund. Compensated absences will be paid from the general fund and food service and sixth grade camp special revenue funds.

***2006 School Improvement Advance Refunding General Obligation Bonds***

On June 28, 2006, the School District issued \$9,389,995 in voted general obligation bonds, which included serial, term, and capital appreciation (deep discount) bonds in the amount of \$7,065,000, \$1,830,000 and \$494,995, respectively. The bonds advance refunded \$5,605,000 of outstanding 1993 School Improvement General Obligation Bonds and \$3,785,000 of outstanding 1996 School Improvement General Obligation Bonds.

The bonds were issued with a premium of \$363,507. The amortization of the premium for fiscal year 2008 was \$27,962. The refunding resulted in a difference between the net carrying amount of the old debt and the acquisition price of \$215,931. This difference, reported as a deduction from bonds payable, is being charged to interest through fiscal year 2019. The amortization of this difference for fiscal year 2008 was \$16,610.

The capital appreciation bonds will mature December 1, 2009 and 2010. The maturity amount of the bonds is \$705,000. For fiscal year 2008, \$46,719 was accreted for a total bond value of \$593,310.

**South Euclid-Lyndhurst School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

**2007 Bond Anticipation Note**

The bond anticipation note was issued on November 29, 2007 for the purpose of paying costs of installations, modifications, and remodeling of school buildings to conserve energy. The note has a stated interest rate of 3.60 percent and matures November 28, 2008. Bond anticipation notes that were rolled prior to the issuance of the financial statements and have a new maturity beyond the end of the fiscal year in which the report is issued have been reported in the government wide statements. The note is backed by the full faith of the South Euclid-Lyndhurst School District.

The School District's overall debt margin was \$70,118,307 with an unvoted debt margin of \$978,433 at June 30, 2008. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2008 are as follows:

| Fiscal Year<br>Ending June, 30 | Serial and Term    |                    | Capital Appreciation Bonds |                  | Total              |                    |
|--------------------------------|--------------------|--------------------|----------------------------|------------------|--------------------|--------------------|
|                                | Principal          | Interest           | Principal                  | Interest         | Principal          | Interest           |
| 2009                           | \$670,000          | \$327,250          | \$0                        | \$0              | \$670,000          | \$327,250          |
| 2010                           | 295,000            | 307,950            | 325,000                    | 75,000           | 620,000            | 382,950            |
| 2011                           | 400,000            | 294,050            | 169,995                    | 135,005          | 569,995            | 429,055            |
| 2012                           | 725,000            | 271,550            | 0                          | 0                | 725,000            | 271,550            |
| 2013                           | 745,000            | 242,150            | 0                          | 0                | 745,000            | 242,150            |
| 2014-2018                      | 3,235,000          | 674,525            | 0                          | 0                | 3,235,000          | 674,525            |
| 2019-2023                      | 1,830,000          | 18,600             | 0                          | 0                | 1,830,000          | 18,600             |
| Total                          | <u>\$7,900,000</u> | <u>\$2,136,075</u> | <u>\$494,995</u>           | <u>\$210,005</u> | <u>\$8,394,995</u> | <u>\$2,346,080</u> |

In 2006, the School District defeased 1993 and 1996 school improvement bond issues, in order to take advantage of lower interest rates. The proceeds of the new bonds were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the School District's financial statements. On June 30, 2008, \$8,394,995 of the defeased bonds are still outstanding.

**Note 15 – Short-Term Debt**

The School District's note activity, including amounts outstanding and interest rates is as follows:

|                              | Balance<br>6/30/2007 | Additions        | Deletions        | Balance<br>6/30/2008 |
|------------------------------|----------------------|------------------|------------------|----------------------|
| Bond Anticipation Note 2007  | \$250,000            | \$0              | \$250,000        | \$0                  |
| Bond Anticipation Note 2008  | 0                    | 250,000          | 0                | 250,000              |
| Tax Anticipation Note 2007   | 9,950,000            | 0                | 0                | 9,950,000            |
| Unamortized Premium          | 415,719              | 0                | 38,374           | 377,345              |
| <i>Total Short-Term Debt</i> | <u>\$10,615,719</u>  | <u>\$250,000</u> | <u>\$288,374</u> | <u>\$10,577,345</u>  |

The energy conservation improvement note is backed by the full faith and credit of the School District and will mature within one year. The note liability is reflected in the fund which received the proceeds.

**South Euclid-Lyndhurst School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

The tax anticipation notes will be paid from the general fund with property tax revenue. Principal and interest payments to retire the tax anticipation notes are as follows:

|             | <u>Principal</u>   | <u>Interest</u>    | <u>Total</u>        |
|-------------|--------------------|--------------------|---------------------|
| 2009        | \$810,000          | \$428,700          | \$1,238,700         |
| 2010        | 850,000            | 387,200            | 1,237,200           |
| 2011        | 900,000            | 347,950            | 1,247,950           |
| 2012        | 930,000            | 311,350            | 1,241,350           |
| 2013        | 970,000            | 273,350            | 1,243,350           |
| 2014 - 2018 | <u>5,490,000</u>   | <u>689,725</u>     | <u>6,179,725</u>    |
|             | <u>\$9,950,000</u> | <u>\$2,438,275</u> | <u>\$12,388,275</u> |

**Note 16 - Set-Asides**

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by fiscal year end or offset by similarly restricted resources received during the year must be held in cash at fiscal year end and carried forward to be used for the same purposes in future years. In prior years, the School District was also required to set aside money for budget stabilization. At June 30, 2008, only the unspent portion of certain workers' compensation refunds continues to be required to be set aside.

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

|  | <u>Textbooks<br/>Instructional<br/>Materials<br/>Reserve</u> | <u>Capital<br/>Improvement<br/>Reserve</u> | <u>Budget<br/>Reserve</u> |
|--|--|--|---------------------------|
| Set-aside Reserve Balance as of June 30, 2007            | (\$1,455,683)  | \$0  | \$534,738                 |
| Current Year Set-aside Requirement                       | 704,429  | 704,429                                    | 0                         |
| Qualifying Disbursements                                 | <u>(1,221,542)</u>   | <u>(14,985,074)</u>                        | <u>0</u>                  |
| Totals   | <u>(\$1,972,796)</u>   | <u>(\$14,280,645)</u>                      | <u>\$534,738</u>          |
| Set-aside Balance Carried Forward to Future Fiscal Years | <u>(\$1,972,796)</u>   | <u>(\$14,280,645)</u>                      | <u>\$534,738</u>          |
| Set-aside Reserve Balance as of June 30, 2008            | <u>\$0</u>   | <u>\$0</u>                                 | <u>\$534,738</u>          |

The School District had qualifying disbursements and offsets during the fiscal year that reduced the textbooks and capital improvements set-aside amounts below zero. These amounts may be used to reduce the textbook and capital improvements set-aside requirements of future fiscal years. The total reserve for the three set-asides at the end of the fiscal year was \$534,738.

## **South Euclid-Lyndhurst School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

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### **Note 17 - Jointly Governed Organizations**

#### ***Lakeshore Northeast Ohio Computer Association***

The Lakeshore Northeast Ohio Computer Association (LNOCA) is a jointly governed organization among sixteen school districts, one educational service center and the South Euclid-Lyndhurst City School District. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among the member districts. Each of the school districts support LNOCA based on a per pupil charge. In fiscal year 2008, the School District paid \$130,138 to LNOCA.

The Governing Board consists of the superintendent from each of the participating school districts and the educational service center. The degree of control exercised by any participant is limited to its representation on the Governing Board. The Board exercises total control over the operation of the organization including budgeting, appropriating, contracting and designating management. A copy of LNOCA's financial statements may be obtained by contacting the Educational Service Center at 5811 West Canal Road, Valley View, Ohio 44125.

#### ***B. Ohio Schools Council Association***

The Ohio Schools Council Association (Council) is a jointly governed organization among 121 school districts. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to the member districts. Each district supports the Council by paying an annual participation fee. The Council's Board consists of seven superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 2008, the School District paid \$931,075 to the Council. Financial information can be obtained by contacting Dr. David A. Cottrell, the Executive Director of the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

The School District participates in the natural gas purchase program. This program allows the School District to purchase natural gas at reduced rates if the School District will commit to participating for a twelve year period. There are currently 137 districts in the Program. The participants make monthly payments based on estimated usage. Each September, these estimated payments are compared to their actual usage for the year (July to June). Districts that paid more in estimated billings than their actual billings are issued credits on future billings in September until the credits are exhausted and districts that did not pay enough on estimated billings are invoiced for the difference on the September monthly estimated billing.

The School District also participates in the Council's electric purchase program. The Council provides 238 school districts and 11 MR/DD boards in the First Energy territory (Cleveland Electric Illuminating, Ohio Edison, Toledo Edison) the ability to purchase electricity at reduced rates if the school district committed to participating in either a thirty-six month (Cleveland Electric Illuminating Company) or a forty-four month (Ohio Edison and Toledo Edison) program beginning either May 1, 2005 or January 1, 2006 and ending December 31, 2008. Each month, the Council invoices participants based on estimated usage that was determined when the program was established. Each September, these estimated payments are compared to their actual usage for the year (July to June). Refund checks are issued to districts that consumed less than their projected usage of electrical energy and districts that over-consumed are invoiced.

## **South Euclid-Lyndhurst School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

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### **Note 18 – Joint Venture**

The South Euclid-Lyndhurst Recreation Commission (SELREC) is a joint venture that is jointly owned and operated by the Cities of South Euclid and Lyndhurst, and the South Euclid-Lyndhurst City School District for the purpose of operating the Cities' and the School District's playgrounds, playing fields and indoor recreation centers. Each of these governments supports SELREC through funds that are appropriated in their budgets and each shares in the equity of SELREC.

The operation of SELREC is controlled by a nine member board consisting of the following: one member appointed by the Mayor of the City of South Euclid and one member appointed by the Mayor of the City of Lyndhurst, three members that are residents of the City of South Euclid, three members that are residents of the City of Lyndhurst, and one member that is a resident of the South Euclid-Lyndhurst City School District and that lives in either the City of South Euclid or the City of Lyndhurst (jointly appointed by the Mayors of the Cities of South Euclid and Lyndhurst ). The continued existence of the joint venture depends on the City's continued participation. SELREC is not accumulating significant financial resources or experiencing fiscal stress which would cause additional benefit or burden on the School District. During fiscal year 2008, the School District did not contribute to SELREC. The School District also has a measurable equity interest in SELREC because the joint venture agreement stipulates that the participants have a claim to assets and sets forth the method of distribution upon dissolution of the joint venture. SELREC has no capital assets. SELREC is audited on a two-year basis; the latest reported is for the fiscal year ended June 30, 2008. Financial statements may be obtained by contacting the Treasurer of the South Euclid-Lyndhurst City School District at 6044 Mayfield Road, Lyndhurst, Ohio 44124.

### **Note 19 – Insurance Purchasing Pool**

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

### **Note 20 - Contingencies**

The School District received financial assistance from federal and state agencies in the form of grants. The disbursements of funds received under these programs generally require 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 general fund or other applicable funds. However, in the opinion of management, any disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2008.

**South Euclid-Lyndhurst School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

**Note 21 – Interfund Balances and Transfers**

***A. Interfund Balances***

Interfund balances at June 30, 2008, consist of the following individual fund receivables and payables:

| <u>Interfund Payable</u>           | <u>Interfund<br/>Receivable</u> |
|------------------------------------|---------------------------------|
|                                    | <u>General</u>                  |
| <b>Nonmajor Governmental Funds</b> |                                 |
| Athletics                          | \$300                           |
| Project Lead the Way               | 14,400                          |
| Uniform School Supplies            | 3,900                           |
| Cosmetology Customer Service       | <u>4,400</u>                    |
| <br>Total                          | <br><u><u>\$23,000</u></u>      |

The interfund payables are advances for grant monies that were not received by fiscal year end and were for support to programs and projects in the special revenue funds. Advances will be repaid within one year.

***B. Interfund Transfers***

Transfers made during fiscal year 2008 were as follows:

| <u>Fund</u>                        | <u>Transfer<br/>In</u>      | <u>Transfer<br/>Out</u>     |
|------------------------------------|-----------------------------|-----------------------------|
| General Fund                       | \$50,211                    | \$490,000                   |
| <b>Nonmajor Governmental Funds</b> |                             |                             |
| Sixth Grade Camp                   | 8,000                       | 0                           |
| Athletics                          | 40,000                      | 0                           |
| E-Rate                             | 0                           | 50,211                      |
| Building Fund                      | 300,000                     | 0                           |
| Food Service                       | <u>142,000</u>              | <u>0</u>                    |
| <br>Total                          | <br><u><u>\$540,211</u></u> | <br><u><u>\$540,211</u></u> |

The transfers from the general fund are to move unrestricted balances to support programs and projects accounted for in other funds. The \$50,211 transfer from the E-Rate special revenue fund to the general fund was a residual equity transfer. The fund was no longer being used and the School District was required to move the balance to the general fund.



**South Euclid-Lyndhurst School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

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**Note 22 – Contract Obligations**

At June 30, 2008, the School District’s significant contractual commitments consisted of:

| Company                      | Contract<br>Amount  | Amount<br>Paid      | Remaining on<br>Contract |
|------------------------------|---------------------|---------------------|--------------------------|
| John G. Johnson Construction | \$3,864,596         | \$3,302,022         | \$562,574                |
| E.B. Katz Company            | 2,302,078           | 2,127,725           | 174,353                  |
| London Road Electric         | 1,743,835           | 1,593,501           | 150,334                  |
| Rizzi Distributions, Inc.    | 78,150              | 75,277              | 2,873                    |
| Lakeland Management Systems  | 3,581,333           | 3,160,570           | 420,763                  |
| Lesko                        | 1,032,296           | 998,865             | 33,431                   |
| Stanley Security             | 169,006             | 0                   | 169,006                  |
| E.M. Associates              | 4,481               | 3,386               | 1,095                    |
| Total                        | <u>\$12,775,775</u> | <u>\$11,261,346</u> | <u>\$1,514,429</u>       |

**Note 23 – Subsequent Event**

On November 28, 2008, the School District refinanced the bond anticipation note in the amount of \$750,000. The new note will mature November 27, 2009 and carries an interest rate of 2.48 percent. The proceeds were used to retire the November 29, 2007 \$1,000,000 note.

Also, in November 2008, the voters in the School District approved a continuing levy for 5.40 mills to raise \$5,200,000 per year commencing in calendar year 2009.

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**SOUTH EUCLID-LYNDBURST CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY  
SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2008**

| Federal Grantor/<br>Pass Through Grantor/<br>Program Title        | Federal<br>CFDA<br>Number | Receipts           | Non-Cash<br>Receipts | Disbursements      | Non-Cash<br>Disbursements |
|---|---------------------------|--------------------|----------------------|--------------------|---------------------------|
| <b>U.S. DEPARTMENT OF AGRICULTURE</b>                             |                           |                    |                      |                    |                           |
| <i>Passed Through Ohio Department of Education:</i>               |                           |                    |                      |                    |                           |
| Nutrition Cluster:  |                           |                    |                      |                    |                           |
| School Breakfast Program  | 10.553                    | \$109,399          | \$0                  | \$109,399          | \$0                       |
| National School Lunch Program                                     | 10.555                    | 514,590            | 0                    | 514,590            | 0                         |
| Total Nutrition Cluster   |                           | <u>623,989</u>     | <u>0</u>             | <u>623,989</u>     | <u>0</u>                  |
| Food Distribution   | 10.550                    | 0                  | 53,654               | 0                  | 53,654                    |
| Total U.S. Department of Agriculture                              |                           | <u>623,989</u>     | <u>53,654</u>        | <u>623,989</u>     | <u>53,654</u>             |
| <b>U.S. DEPARTMENT OF EDUCATION</b>                               |                           |                    |                      |                    |                           |
| <i>Passed Through Ohio Department of Education:</i>               |                           |                    |                      |                    |                           |
| Special Education Cluster:  |                           |                    |                      |                    |                           |
| Special Education: Grants to States FY 2007                       | 84.027                    | (124,370)          | 0                    | 51,941             | 0                         |
| Special Education: Grants to States FY 2008                       | 84.027                    | 1,322,885          | 0                    | 1,194,503          | 0                         |
| Total Special Education Grants to States                          |                           | <u>1,198,515</u>   | <u>0</u>             | <u>1,246,444</u>   | <u>0</u>                  |
| Special Education: Preschool Grants - FY 2007                     | 84.173                    | (9,883)            | 0                    | 1,337              | 0                         |
| Special Education: Preschool Grants - FY 2008                     | 84.173                    | 58,277             | 0                    | 52,452             | 0                         |
| Total Special Education Preschool Grants                          |                           | <u>48,394</u>      | <u>0</u>             | <u>53,789</u>      | <u>0</u>                  |
| Total Special Education Cluster                                   |                           | <u>1,246,909</u>   | <u>0</u>             | <u>1,300,233</u>   | <u>0</u>                  |
| Title I Grants to Local Educational Agencies - FY 2007            | 84.010                    | (9,517)            | 0                    | (2,872)            | 0                         |
| Title I Grants to Local Educational Agencies - FY 2008            | 84.010                    | 168,831            | 0                    | 168,467            | 0                         |
| Total Title I Grants to Local Education Agencies                  |                           | <u>159,314</u>     | <u>0</u>             | <u>165,595</u>     | <u>0</u>                  |
| Safe and Drug-Free Schools and Communities State Grants - FY 2007 | 84.186                    | 757                | 0                    | 7,517              | 0                         |
| Safe and Drug-Free Schools and Communities State Grants - FY 2008 | 84.186                    | 9,778              | 0                    | 9,778              | 0                         |
| Total Safe and Drug-Free Schools and Communities State Grants     |                           | <u>10,535</u>      | <u>0</u>             | <u>17,295</u>      | <u>0</u>                  |
| Twenty First Century Community Learning Center - FY 2007          | 84.287                    | 0                  | 0                    | 23,644             | 0                         |
| Twenty First Century Community Learning Center - FY 2008          | 84.287                    | 249,355            | 0                    | 179,962            | 0                         |
| Total Twenty First Century Community Learning Center              |                           | <u>249,355</u>     | <u>0</u>             | <u>203,606</u>     | <u>0</u>                  |
| Innovative Education Program Strategies - FY 2007                 | 84.298                    | (1,955)            | 0                    | 793                | 0                         |
| Innovative Education Program Strategies - FY 2008                 | 84.298                    | 8,485              | 0                    | 303                | 0                         |
| Total Innovative Education Program Strategies                     |                           | <u>6,530</u>       | <u>0</u>             | <u>1,096</u>       | <u>0</u>                  |
| Education Technology State Grants - FY 2007                       | 84.318                    | (763)              | 0                    | 1,502              | 0                         |
| Education Technology State Grants - FY 2008                       | 84.318                    | 17,947             | 0                    | 12,031             | 0                         |
| Total Education Technology State Grants                           |                           | <u>17,184</u>      | <u>0</u>             | <u>13,533</u>      | <u>0</u>                  |
| English Language Acquisition Grants - FY 2006                     | 84.365                    | 0                  | 0                    | 402                | 0                         |
| English Language Acquisition Grants - FY 2007                     | 84.365                    | 322                | 0                    | 2,281              | 0                         |
| Total English Language Acquisition Grants                         |                           | <u>322</u>         | <u>0</u>             | <u>2,683</u>       | <u>0</u>                  |
| Mathematics and Science Partnerships - FY 2007                    | 84.366                    | (17,845)           | 0                    | 28,216             | 0                         |
| Mathematics and Science Partnerships - FY 2008                    | 84.366                    | 58,515             | 0                    | 36,203             | 0                         |
| Total Mathematics and Science Partnerships                        |                           | <u>40,670</u>      | <u>0</u>             | <u>64,419</u>      | <u>0</u>                  |
| Improving Teacher Quality State Grants - FY 2007                  | 84.367                    | (12,725)           | 0                    | 0                  | 0                         |
| Improving Teacher Quality State Grants - FY 2008                  | 84.367                    | 117,379            | 0                    | 102,970            | 0                         |
| Total Improving Teacher Quality State Grants                      |                           | <u>104,654</u>     | <u>0</u>             | <u>102,970</u>     | <u>0</u>                  |
| Total U.S. Department of Education                                |                           | <u>1,835,473</u>   | <u>0</u>             | <u>1,871,430</u>   | <u>0</u>                  |
| <b>Total Federal Assistance</b>                                   |                           | <u>\$2,459,462</u> | <u>\$53,654</u>      | <u>\$2,495,419</u> | <u>\$53,654</u>           |

The accompanying notes to this schedule are an integral part of this schedule.

**SOUTH EUCLID-LYNDHURST CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FISCAL YEAR ENDED JUNE 30, 2008**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) summarizes activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

**NOTE B - CHILD NUTRITION CLUSTER**

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

**NOTE C – FOOD DONATION PROGRAM**

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair value of the commodities received.

**NOTE D – FEDERAL TRANSFERS**

The Ohio Department of Education (ODE) transferred federal monies remaining from the 2007 grant year to the 2008 grant year for various grants. These amounts are shown as negative receipts for the 2007 grant year and positive receipts in the 2008 grant year. This action by ODE allowed the District to extend the availability period for expenditure of these receipts.



# Mary Taylor, CPA

Auditor of State

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

South Euclid-Lyndhurst City School District  
Cuyahoga County  
5044 Mayfield Road  
Lyndhurst, Ohio 44124

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of South Euclid-Lyndhurst City School District, Cuyahoga County, (the District) as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 4, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

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

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

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

We noted certain matters that we reported to the District's management in a separate letter dated September 4, 2009.

### **Compliance and Other Matters**

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

We did note certain noncompliance or other matters that we reported to the District's management in a separate letter dated September 4, 2009.

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

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

**Mary Taylor, CPA**  
Auditor of State

September 4, 2009



# Mary Taylor, CPA

Auditor of State

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

South Euclid-Lyndhurst City School District  
Cuyahoga County  
5044 Mayfield Road  
Lyndhurst, Ohio 44124

To the Board of Education:

### Compliance

We have audited the compliance of South Euclid-Lyndhurst City School District, Cuyahoga County, Ohio (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended June 30, 2009. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the South Euclid-Lyndhurst City School District, Cuyahoga County, Ohio, complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2008.

### Internal Control Over Compliance

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

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

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

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

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



**Mary Taylor, CPA**  
Auditor of State

September 4, 2009



**SOUTH EUCLID-LYNDHURST CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

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

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

|                     |   |   |
|---------------------|---|---|
| <b>(d)(1)(i)</b>    | <b>Type of Financial Statement Opinion</b>  | Unqualified   |
| <b>(d)(1)(ii)</b>   | <b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>                        | No  |
| <b>(d)(1)(ii)</b>   | <b>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b> | No  |
| <b>(d)(1)(iii)</b>  | <b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>                              | No  |
| <b>(d)(1)(iv)</b>   | <b>Were there any material internal control weaknesses reported for major federal programs?</b>                             | No  |
| <b>(d)(1)(iv)</b>   | <b>Were there any other significant deficiencies in internal control reported for major federal programs?</b>               | No  |
| <b>(d)(1)(v)</b>    | <b>Type of Major Programs' Compliance Opinion</b>   | Unqualified   |
| <b>(d)(1)(vi)</b>   | <b>Are there any reportable findings under § .510?</b>  | No  |
| <b>(d)(1)(vii)</b>  | <b>Major Programs (list):</b>   | Nutrition Cluster – 10.553 and 10.555<br>Improving Teacher Quality – 84.367 |
| <b>(d)(1)(viii)</b> | <b>Dollar Threshold: Type A\B Programs</b>  | Type A: > \$ 300,000<br>Type B: all others                                  |
| <b>(d)(1)(ix)</b>   | <b>Low Risk Auditee?</b>  | Yes   |

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

None

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

None

**SOUTH EUCLID-LYNDHURST CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
June 30, 2008**

| Finding Number | Finding Summary                              | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b> |
|----------------|--|------------------|--|
| 2007-001       | Appropriations Exceeding Estimated Resources | Yes              |  |



**Mary Taylor, CPA**  
Auditor of State

**SOUTH EUCLID-LYNDHURST 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**  
**DECEMBER 10, 2009**