



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

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2009**



**Mary Taylor, CPA**  
Auditor of State



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

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report .....	1
Management's Discussion and Analysis .....	3
Basic Financial Statements:	
Statement of Net Assets.....	11
Statement of Activities.....	12
Balance Sheet – Governmental Funds .....	13
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities .....	14
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	16
Statement of Revenues, Expenditures, and Changes in Fund Balance Budget (Non-GAAP Basis) and Actual – General Fund.....	17
Statement of Fiduciary Assets and Liabilities – Agency Funds.....	18
Notes to the Basic Financial Statements.....	19
Schedule of Federal Awards Receipts and Expenditures .....	47
Notes to the Schedule of Federal Awards Receipts and Expenditures.....	48
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	49
Independent Accountants' Report on Compliance with Requirements Applicable to It's Major Federal Programs and on Internal Control Over Compliance in Accordance with OMB Circular A-133 .....	51
Schedule of Findings.....	53
Independent Accountants' Report on Applying Agreed-Upon Procedures .....	54

**This page left intentionally blank.**



# 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 the South Euclid-Lyndhurst City School District, Cuyahoga County, Ohio, (the District), as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the South Euclid-Lyndhurst City School District, Cuyahoga County, Ohio, as of June 30, 2009, and the respective changes in financial position, thereof and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2010, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The 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

February 5, 2010

**South Euclid-Lyndhurst City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2009*  
*Unaudited*

---

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, 2009. 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 2009 are as follows:

- Net assets increased \$9,790,268. This is a 96.42 percent increase from fiscal year 2008.
- Total revenues increased to \$69,625,439 from \$64,025,924 in fiscal year 2009 due mainly to the voters approving, in November 2008, a continuing levy for 5.40 mills that commenced in calendar year 2009. This was an increase of \$5,599,515 or 8.75 percent.
- Total program expenses were \$59,835,171. This was a decrease of 7.01 percent, with the largest decrease in instructional expenses.
- Only \$7,196,401 of the School District's expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$62,429,038 were adequate to provide for these programs.

**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 fiscal year 2009?" 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, 2009  
Unaudited*

---

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

In the Statement of Net Assets and 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 2009 compared to 2008.

**South Euclid-Lyndhurst City School District**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2009  
Unaudited

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

	Governmental Activities		
	2009	2008	Change
<b>Assets</b>			
Current and Other Assets	\$64,855,863	\$55,761,184	\$9,094,679
Capital Assets, Net	19,190,173	18,871,950	318,223
<i>Total Assets</i>	<u>84,046,036</u>	<u>74,633,134</u>	<u>9,412,902</u>
<b>Liabilities</b>			
Current Liabilities	52,382,844	52,426,508	43,664
Long Term Liabilities:			
Due Within One Year	1,693,092	1,204,453	(488,639)
Due in More than One Year	10,026,231	10,848,572	822,341
<i>Total Liabilities</i>	<u>64,102,167</u>	<u>64,479,533</u>	<u>377,366</u>
<b>Net Assets</b>			
Invested in Capital Assets	3,164,505	1,015,932	2,148,573
Restricted:			
Capital Projects	2,249,031	0	2,249,031
Debt Service	1,607,866	1,920,761	(312,895)
Set Asides	0	534,738	(534,738)
Other Purposes	1,809,949	933,591	876,358
Unrestricted	11,112,518	5,748,579	5,363,939
<i>Total Net Assets</i>	<u>\$19,943,869</u>	<u>\$10,153,601</u>	<u>\$9,790,268</u>

Total net assets increased by \$9,790,268. Total assets increased by \$9,412,902 which was the result of an increase in cash due to the School District spending less and an increase in taxes receivable due to the passage of a new levy in the previous year.

Total liabilities decreased \$377,366. This decrease resulted from a decrease in contracts payable due to less on-going construction in the School District. While many liabilities decreased, they were offset by an increase in deferred revenue due to the levy passage in the previous year.

**South Euclid-Lyndhurst City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2009*  
*Unaudited*

Table 2 shows the change in net assets for fiscal years 2009 and 2008.

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

	Governmental Activities		
	2009	2008	Change
<b>Revenues</b>			
Program Revenues:			
Charges for Services and Sales	\$3,060,431	\$2,893,860	\$166,571
Operating Grants, Interest and Contributions	4,107,466	3,762,202	345,264
Capital Grants and Contributions	28,504	308,926	(280,422)
<i>Total Program Revenues</i>	<u>7,196,401</u>	<u>6,964,988</u>	<u>231,413</u>
General Revenues:			
Property Taxes	45,131,005	42,740,279	2,390,726
Grants and Entitlements not Restricted to Specific Programs	14,974,272	12,486,363	2,487,909
Interest	198,313	883,995	(685,682)
Payment in Lieu of Taxes	310,589	20,000	290,589
Gain from Sale of Capital Assets	782,389	0	782,389
Other	1,032,470	930,299	102,171
<i>Total General Revenues</i>	<u>62,429,038</u>	<u>57,060,936</u>	<u>5,368,102</u>
<i>Total Revenues</i>	<u>69,625,439</u>	<u>64,025,924</u>	<u>5,599,515</u>
<b>Program Expenses</b>			
Instruction	33,084,808	35,256,386	2,171,578
Support Services:			
Pupil	3,697,082	3,774,057	76,975
Instructional Staff	1,435,837	1,609,239	173,402
Board of Education	210,337	192,283	(18,054)
Administration	3,459,223	3,640,761	181,538
Fiscal	1,698,998	1,522,780	(176,218)
Business	305,456	373,839	68,383
Operation and Maintenance of Plant	7,194,410	7,104,672	(89,738)
Pupil Transportation	2,740,165	3,686,641	946,476
Central	1,240,593	1,985,428	744,835
Operation of Non-Instructional Services	2,729,247	3,099,592	370,345
Extracurricular Activities	1,226,190	1,095,337	(130,853)
Interest and Fiscal Charges	812,825	1,006,646	193,821
<i>Total Program Expenses</i>	<u>59,835,171</u>	<u>64,347,661</u>	<u>4,512,490</u>
Change in Net Assets	9,790,268	(321,737)	10,112,005
<i>Net Assets Beginning of Year</i>	<u>10,153,601</u>	<u>10,475,338</u>	<u>(321,737)</u>
<i>Net Assets End of Year</i>	<u>\$19,943,869</u>	<u>\$10,153,601</u>	<u>\$9,790,268</u>

**South Euclid-Lyndhurst City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2009*  
*Unaudited*

---

***Governmental Activities***

While program revenues increased for governmental activities from \$6,964,988 in fiscal 2008 to \$7,196,401 in fiscal year 2009, the vast majority of revenues supporting governmental activities are general revenues. General revenues increased from \$57,060,936 in fiscal year 2008 to \$62,429,038 in fiscal year 2009. General revenues, for fiscal year 2009, comprised 89.66 percent of total revenues. The primary source for the increase was from property tax revenue due to collection on the new levy.

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 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 64.82 percent of revenue for governmental activities for the School District in fiscal year 2009.

Program expenses decreased from \$64,347,661 in fiscal year 2008 to \$59,835,171 in fiscal year 2009, a 7.01 percent decrease. The School District's largest program expense is instructional services, which decreased by approximately 6.16 percent from fiscal year 2008 to 2009.

Total governmental expenses of \$59,835,171 were mostly offset by program revenues of \$7,196,401, general revenues of \$62,429,038 and prior year cash balances. Program revenues made up 10.29 percent of total governmental revenues, in fiscal year 2009.

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, 2009*  
*Unaudited*

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

Programs	Total Cost of Services 2009	Net Cost of Services 2009	Total Cost of Services 2008	Net Cost of Services 2008
Instruction	\$33,084,808	(\$29,905,037)	\$35,256,386	(\$32,190,677)
Support Services:				
Pupil and Instructional Staff	5,132,919	(4,612,215)	5,383,296	(4,903,197)
Board of Education, Administration, Fiscal and Business	5,674,014	(5,473,730)	5,729,663	(5,729,663)
Operation and Maintenance of Plant	7,194,410	(6,922,599)	7,104,672	(7,104,672)
Pupil Transportation	2,740,165	(2,608,946)	3,686,641	(3,066,413)
Central	1,240,593	(1,158,032)	1,985,428	(1,984,848)
Operation of Non-Instructional Services	2,729,247	(136,616)	3,099,592	(429,431)
Extracurricular Activities	1,226,190	(1,008,770)	1,095,337	(967,126)
Interest and Fiscal Charges	812,825	(812,825)	1,006,646	(1,006,646)
Total Expenses	<u>\$59,835,171</u>	<u>(\$52,638,770)</u>	<u>\$64,347,661</u>	<u>(\$57,382,673)</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 \$66,533,190 an increase of \$3,311,722 or 5.24 percent from the prior fiscal year and expenditures of \$60,814,212 which were \$13,177,297 or 17.80 percent lower than the prior fiscal year. The total fund balance for all of the governmental funds increased in fiscal year 2009 due to the School District's cost cutting measures in light of the current economic situation. 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 2009, the School District modified 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 \$57,135,568 was higher than the original budget estimate of \$52,295,000 by \$4,840,568.

For the general fund, final budget basis expenditures of \$55,142,238 (exclusive of other financing uses) were \$42,835 less than the original budget basis expenditures of \$55,185,073.

Total actual expenditures on the budget basis were \$53,531,044, \$1,611,194 less than final budgeted 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, 2009*  
*Unaudited*

**Capital Assets**

Table 4 shows fiscal year 2009 balances compared to 2008.

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

	Governmental Activities	
	2009	2008
Land	\$660,393	\$693,109
Construction in Progress	0	11,416,624
Buildings and Improvements	16,228,873	3,936,333
Furniture and Equipment	1,486,908	1,829,704
Vehicles	813,999	996,180
Total	\$19,190,173	\$18,871,950

The increase was the result of construction on the building improvement projects which included the 4<sup>th</sup> grade wing at Greenview Upper Elementary and renovations and a new gym at Memorial Junior High. 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 2009, this amounted to \$704,814 for each set aside.

**Debt**

Table 5 summarizes the outstanding debt.

**(Table 5)**  
**Outstanding Debt at Fiscal Year End**

	2009	2008
School Improvement Refunding Bonds - 2006	\$7,988,407	\$8,618,182
Bond Anticipation Note - 2008	750,000	1,000,000
Tax Anticipation Note - 2007	9,140,000	9,950,000
Total Debt	\$17,878,407	\$19,568,182

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.

**South Euclid-Lyndhurst City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2009*  
*Unaudited*

---

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 29, 2007, the School District issued \$1,000,000 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 \$750,000 on November 29, 2008 at a stated interest rate of 3.25 percent.

Please see Notes 14 and 15 for additional details.

**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 or 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, 2009*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$11,384,743
Accounts Receivable	20,670
Intergovernmental Receivable	1,127,539
Prepaid Items	471,252
Materials and Supplies Inventory	19,128
Inventory Held for Resale	14,712
Property Taxes Receivable	51,549,305
Investment in Joint Venture	43,076
Deferred Charges	225,438
Non-depreciable Capital Assets	660,393
Depreciable Capital Assets, Net	<u>18,529,780</u>
<i>Total Assets</i>	<u>84,046,036</u>
<b>Liabilities</b>	
Accounts Payable	619,904
Accrued Wages and Benefits	3,651,300
Intergovernmental Payable	1,918,575
Contracts Payable	114,033
Retainage Payable	14,181
Deferred Revenue	36,259,782
Accrued Interest Payable	76,098
Notes Payable	9,728,971
Long-Term Liabilities:	
Due Within One Year	1,693,092
Due In More Than One Year	<u>10,026,231</u>
<i>Total Liabilities</i>	<u>64,102,167</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	3,164,505
Restricted for:	
Capital Projects	2,249,031
Debt Service	1,607,866
Sixth Grade Camp	384,320
Auxiliary Services	144,545
Title VI-B	183,847
Title I	517,853
Unclaimed Monies	25,828
Other Purposes	553,556
Unrestricted	<u>11,112,518</u>
<i>Total Net Assets</i>	<u><u>\$19,943,869</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, 2009*

	Program Revenues				Net (Expense)
	Expenses	Charges for Services and Sales	Operating Grants, Interest and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
<b>Governmental Activities</b>					
Instruction:					
Regular	\$23,417,045	\$799,198	\$493,528		(\$22,124,319)
Special	7,511,662	238,596	1,431,194	0	(5,841,872)
Vocational	2,156,101	217,255	0	0	(1,938,846)
Support Services:					
Pupil	3,697,082	130,646	85,022	0	(3,481,414)
Instructional Staff	1,435,837	47,610	257,426	0	(1,130,801)
Board of Education	210,337	7,615	0	0	(202,722)
Administration	3,459,223	121,096	0	0	(3,338,127)
Fiscal	1,698,998	61,537	0	0	(1,637,461)
Business	305,456	10,036	0	0	(295,420)
Operation and Maintenance of Plant	7,194,410	258,699	13,112	0	(6,922,599)
Pupil Transportation	2,740,165	95,306	7,409	28,504	(2,608,946)
Central	1,240,593	43,176	39,385	0	(1,158,032)
Operation of Non-Instructional Services:					
Food Service Operations	1,620,658	819,882	679,585	0	(121,191)
Other Non-Instructional Services	1,108,589	187	1,092,977	0	(15,425)
Extracurricular Activities	1,226,190	209,592	7,828	0	(1,008,770)
Interest and Fiscal Charges	812,825	0	0	0	(812,825)
<b>Totals</b>	<b>\$59,835,171</b>	<b>\$3,060,431</b>	<b>\$4,107,466</b>	<b>\$28,504</b>	<b>(52,638,770)</b>

**General Revenues**

Property Taxes Levied for:

General Purposes	42,227,262
Debt Service	889,322
Capital Projects	2,014,421
Grants and Entitlements not Restricted to Specific Programs	14,974,272
Investment Earnings	198,313
Payment in Lieu of Taxes	310,589
Gain from Sale of Capital Assets	782,389
Miscellaneous	1,032,470

**Total General Revenues** 62,429,038

Change in Net Assets 9,790,268

*Net Assets Beginning of Year - Restated (See Note 3)* 10,153,601

*Net Assets End of Year* \$19,943,869

See accompanying notes to the basic financial statements

**South Euclid-Lyndhurst City School District**

*Balance Sheet*

*Governmental Funds*

*June 30, 2009*

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$6,565,856	\$1,477,409	\$3,315,650	\$11,358,915
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	25,828	0	0	25,828
Accounts Receivable	18,839	446	1,385	20,670
Intergovernmental Receivable	7,716	0	1,119,823	1,127,539
Prepaid Items	448,752	0	22,500	471,252
Materials and Supplies Inventory	13,354	0	5,774	19,128
Inventory Held for Resale	0	0	14,712	14,712
Interfund Receivable	749,000	0	0	749,000
Property Taxes Receivable	48,311,528	2,191,957	1,045,820	51,549,305
Investment in Joint Venture	43,076	0	0	43,076
<i>Total Assets</i>	<u>\$56,183,949</u>	<u>\$3,669,812</u>	<u>\$5,525,664</u>	<u>\$65,379,425</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	\$460,589	\$42,805	\$116,510	\$619,904
Accrued Wages and Benefits	3,530,395	0	120,905	3,651,300
Intergovernmental Payable	1,834,029	0	84,546	1,918,575
Contracts Payable	0	114,033	0	114,033
Retainage Payable	0	14,181	0	14,181
Interfund Payable	0	0	749,000	749,000
Deferred Revenue	41,639,959	1,851,493	1,889,242	45,380,694
Accrued Interest Payable	0	35,725	4,740	40,465
Notes Payable	0	9,478,971	250,000	9,728,971
<i>Total Liabilities</i>	<u>47,464,972</u>	<u>11,537,208</u>	<u>3,214,943</u>	<u>62,217,123</u>
<b>Fund Balances</b>				
Reserved for Encumbrances	573,885	422,005	267,607	1,263,497
Reserved for Property Taxes	6,616,332	337,657	174,800	7,128,789
Reserved for Unclaimed Monies	25,828	0	0	25,828
Unreserved, Undesignated				
Reported in:				
General Fund	1,502,932	0	0	1,502,932
Special Revenue Funds	0	0	510,615	510,615
Debt Service Funds	0	0	1,610,253	1,610,253
Capital Projects Funds (Deficit)	0	(8,627,058)	(252,554)	(8,879,612)
<i>Total Fund Balances (Deficit)</i>	<u>8,718,977</u>	<u>(7,867,396)</u>	<u>2,310,721</u>	<u>3,162,302</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$56,183,949</u>	<u>\$3,669,812</u>	<u>\$5,525,664</u>	<u>\$65,379,425</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, 2009

---



---

<b>Total Governmental Fund Balances</b>	\$3,162,302
---	-------------

*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.	19,190,173
---	------------

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:

Delinquent Property Taxes	8,051,159	
Grants	1,019,312	
Investment in Joint Venture	50,441	
	50,441	

Total	9,120,912
-------	-----------

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.	225,438
--	---------

In the statement of activities, interest is accrued on outstanding loans, whereas in governmental funds, an interest expenditure is reported when due.	(35,633)
--	----------

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

General Obligation Bonds	(7,230,000)	
Amortization of Loss on Refunding	166,101	
Capital Appreciation Bonds	(494,995)	
Accretion on Capital Appreciation Bonds	(149,892)	
Bond Anticipation Note	(500,000)	
Unamortized Bond Premium	(279,621)	
Compensated Absences	(3,230,916)	
	(3,230,916)	

Total	(11,719,323)
-------	--------------

<i>Net Assets of Governmental Activities</i>	\$19,943,869
--	--------------

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, 2009*

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property Taxes	\$40,902,872	\$1,946,803	\$869,103	\$43,718,778
Intergovernmental	14,568,632	305,278	3,203,273	18,077,183
Interest	198,311	2	2,983	201,296
Tuition and Fees	1,698,443	0	94,152	1,792,595
Extracurricular Activities	128,222	0	180,445	308,667
Contributions and Donations	0	0	56,385	56,385
Charges for Services	76,058	0	867,255	943,313
Rentals	88,489	0	3,425	91,914
Payments in Lieu of Taxes	310,589	0	0	310,589
Miscellaneous	810,790	27,749	193,931	1,032,470
<i>Total Revenues</i>	<u>58,782,406</u>	<u>2,279,832</u>	<u>5,470,952</u>	<u>66,533,190</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	21,941,581	0	538,930	22,480,511
Special	6,550,176	0	930,650	7,480,826
Vocational	2,085,435	0	62,805	2,148,240
Support Services:				
Pupil	3,586,838	0	91,815	3,678,653
Instructional Staff	1,089,192	0	329,201	1,418,393
Board of Education	210,012	0	325	210,337
Administration	3,227,920	0	96,375	3,324,295
Fiscal	1,646,551	0	0	1,646,551
Business	311,289	0	0	311,289
Operation and Maintenance of Plant	6,936,272	0	26,056	6,962,328
Pupil Transportation	2,587,387	0	13,317	2,600,704
Central	1,164,553	0	33,289	1,197,842
Operation of Non-Instructional Services:				
Food Service Operations	0	0	1,588,019	1,588,019
Other Non-Instructional Services	20,308	0	1,073,562	1,093,870
Extracurricular Activities	928,778	0	219,843	1,148,621
Capital Outlay	0	1,563,889	36,128	1,600,017
Debt Service:				
Principal Retirement	0	0	670,000	670,000
Principal Retirement - Current Refunding	0	0	500,000	500,000
Interest and Fiscal Charges	0	390,326	363,390	753,716
<i>Total Expenditures</i>	<u>52,286,292</u>	<u>1,954,215</u>	<u>6,573,705</u>	<u>60,814,212</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>6,496,114</u>	<u>325,617</u>	<u>(1,102,753)</u>	<u>5,718,978</u>
<b>Other Financing Sources (Uses)</b>				
Bond Anticipation Notes Issued	0	0	500,000	500,000
Current Refunding	0	0	(250,000)	(250,000)
Proceeds from Sale of Capital Assets	3,389	875,000	0	878,389
Transfers In	0	0	680,000	680,000
Transfers Out	(680,000)	0	0	(680,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(676,611)</u>	<u>875,000</u>	<u>930,000</u>	<u>1,128,389</u>
<i>Net Change in Fund Balances</i>	5,819,503	1,200,617	(172,753)	6,847,367
<i>Fund Balances (Deficit) Beginning of Year</i>	<u>2,899,474</u>	<u>(9,068,013)</u>	<u>2,483,474</u>	<u>(3,685,065)</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>\$8,718,977</u>	<u>(\$7,867,396)</u>	<u>\$2,310,721</u>	<u>\$3,162,302</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, 2009*

---

**Net Change in Fund Balances - Total Governmental Funds** \$6,847,367

*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	1,699,830
Current Year Depreciation	<u>(1,285,607)</u>

Total 414,223

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (96,000)

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

Delinquent Property Taxes	1,412,227
Grants	973,691
Investment in Joint Venture	<u>(76,058)</u>

Total 2,309,860

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 1,420,000

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	5,138
Annual Accretion	(51,577)
Amortization of Bond Premium	27,962
Amortization of Loss on Refunding	(16,610)
Amortization of Bond Issuance Costs	<u>(24,022)</u>

Total (59,109)

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. (546,073)

Other financing sources in the governmental funds such as general obligation notes issued, increase long-term liabilities in the statement of net assets. (500,000)

*Change in Net Assets of Governmental Activities* \$9,790,268

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, 2009*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Property Taxes	\$36,128,000	\$39,294,081	\$39,294,081	\$0
Intergovernmental	13,772,000	14,560,916	14,560,916	0
Interest	200,000	214,986	214,986	0
Tuition and Fees	1,281,000	1,687,400	1,692,334	4,934
Extracurricular Activities	70,000	75,032	75,147	115
Charges for Services	80,000	80,000	76,058	(3,942)
Rentals	95,000	81,322	88,489	7,167
Payment in Lieu of Taxes	0	310,589	310,589	0
Miscellaneous	669,000	831,242	862,625	31,383
<i>Total Revenues</i>	<u>52,295,000</u>	<u>57,135,568</u>	<u>57,175,225</u>	<u>39,657</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	24,261,032	22,633,785	22,502,768	131,017
Special	6,530,870	6,991,320	6,827,702	163,618
Vocational	1,622,348	2,174,221	2,106,305	67,916
Support Services:				
Pupil	3,342,406	3,654,366	3,577,693	76,673
Instructional Staff	1,341,223	1,220,945	1,100,421	120,524
Board of Education	527,651	680,797	211,923	468,874
Administration	3,189,943	3,345,028	3,285,642	59,386
Fiscal	1,634,882	1,731,717	1,684,658	47,059
Business	387,785	378,346	307,823	70,523
Operation and Maintenance of Plant	7,426,494	7,221,270	7,047,268	174,002
Pupil Transportation	2,753,893	2,858,246	2,744,424	113,822
Central	1,229,046	1,288,959	1,234,294	54,665
Operation of Non-Instructional Services	0	20,400	20,308	92
Extracurricular Activities	937,500	942,838	879,815	63,023
<i>Total Expenditures</i>	<u>55,185,073</u>	<u>55,142,238</u>	<u>53,531,044</u>	<u>1,611,194</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(2,890,073)</u>	<u>1,993,330</u>	<u>3,644,181</u>	<u>1,650,851</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Capital Assets	0	3,389	3,389	0
Advances In	23,000	23,000	23,000	0
Transfers Out	(600,000)	(680,000)	(680,000)	0
Advances Out	(10,000)	(749,000)	(749,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(587,000)</u>	<u>(1,402,611)</u>	<u>(1,402,611)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(3,477,073)</u>	<u>590,719</u>	<u>2,241,570</u>	<u>1,650,851</u>
<i>Fund Balance Beginning of Year</i>	<u>2,618,412</u>	<u>2,618,412</u>	<u>2,618,412</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>867,617</u>	<u>867,617</u>	<u>867,617</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$8,956</u></u>	<u><u>\$4,076,748</u></u>	<u><u>\$5,727,599</u></u>	<u><u>\$1,650,851</u></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, 2009*

---

---

<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$204,217</u>
<b>Liabilities</b>	
Undistributed Monies	\$109,242
Due to Students	<u>94,975</u>
<i>Total Liabilities</i>	<u>\$204,217</u>

See accompanying notes to the basic financial statements

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009*

---

### **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 236 classified and 352 certificated personnel who provide services to 4,418 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, 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 City School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009*

---

## **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 fiscal 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 City School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009*

---

***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 sixty 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 City School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009*

---

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 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, 2009, but which were levied to finance fiscal year 2010 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 City School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009*

---

### ***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 2009, 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, 2009.

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 2009 amounted to \$198,311 which includes \$83,816 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, 2009, 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 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 and using an appropriate price-level index to deflate the cost to the acquisition year or estimated

## South Euclid-Lyndhurst City School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009*

---

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 one thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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.

As permitted by State statute, the School District paid bond issuance costs from the bond proceeds and therefore does not consider that portion of the debt to be capital-related debt. That portion of the debt was offset against the unamortized bond issuance costs which were included in the determination of unrestricted net assets. Reporting both within the same element of net assets prevents one classification from being overstated while another is understated by the same amount.

### ***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

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009*

---

compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the 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.

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, 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 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 unclaimed monies represents cash that, under Ohio law, must remain unclaimed for five years before it becomes available for appropriation.

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009*

---

### ***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 Net Assets**

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

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

GASB Statement No. 49 addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effect of existing pollution by participating in pollution remediation activities such as site assessments and cleanup. The implementation of this statement did not result in any change to the School District’s financial statements.

GASB Statement No. 52 establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments are also required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value. The implementation of this statement did not result in any change in the School District’s financial statements.

# South Euclid-Lyndhurst City School District

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB authoritative literature. The GAAP hierarchy consists of the sources of accounting principles used in the preparation of financial statements of state and local governmental entities that are presented in conformity with GAAP, and the framework for selecting those principles. The implementation of this statement did not result in any change in the School District's financial statements.

GASB Statement No. 56 incorporates accounting and financial reporting guidance previously only contained in the American Institute of Certified Public Accountants' auditing literature into the GASB's accounting and financial reporting literature for state and local governments. The statement's guidance addresses related party transactions, going concern considerations, and subsequent events from the AICPA literature. The implementation of this statement did not result in any change in the School District's financial statements.

## **B. Restatement of Prior Year Net Assets**

During fiscal year 2009, it was determined that capital assets were understated at June 30, 2008.

	Governmental Activities
Net Assets, June 30, 2008	\$9,854,513
Capital Assets	299,088
Adjusted Net Assets, June 30, 2008	<u>\$10,153,601</u>

## **Note 4 – Accountability**

At June 30, 2009, the following funds have deficit balances:

<b>Major Fund:</b>	
Capital Projects Fund:	
Permanent Improvement	\$7,867,396
<b>Nonmajor Funds:</b>	
Special Revenue Funds:	
Uniform School Supplies	1,827
Alternative School Grant	610
Title VI-B	181,262
Preschool Handicapped	1,523
Capital Projects Fund:	
Building Improvements	253,925

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 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.

## South Euclid-Lyndhurst City School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009*

---

### 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:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Advances-In and Advances-Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
5. Investments are reported at cost (budget) rather than fair value (GAAP).

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.

<b>Net Change in Fund Balance</b>	
	<u>General</u>
GAAP Basis	\$5,819,503
Net Adjustment for Revenue Accruals	(1,623,858)
Advances In	23,000
Beginning Fair Value Adjustment for Investments	19,190
Ending Fair Value Adjustment for Investments	(2,513)
Net Adjustment for Expenditure Accruals	(383,180)
Advances Out	(749,000)
Adjustment for Encumbrances	<u>(861,572)</u>
Budget Basis	<u><u>\$2,241,570</u></u>

## South Euclid-Lyndhurst City School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009*

---

### **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;
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.

## South Euclid-Lyndhurst City School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009*

---

### **Investments**

As of June 30, 2009, the School District investments with STAROhio were \$12,701,763 and an average maturity of 58.1 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's fiscal year runs from July through June. First-half tax distributions are received by the School District in the second half of the fiscal year. Second-half tax distributions are received in the first half of the following fiscal year.

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed values as of January 1, 2008, the lien date. Assessed values for real property taxes are established by State statute at thirty-five percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2009 represents the collections of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien December 31, 2007, were levied after April 1, 2008, and are collected in 2009 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

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

## South Euclid-Lyndhurst City School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009*

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 counties by June 30, 2009, are available to finance fiscal year 2009 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents the late personal property tax settlement, real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2009, and for which there was 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 reflected 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, 2009 was \$6,616,332 in the general fund, \$174,800 in the bond retirement debt service fund and \$337,657 in the permanent improvement capital projects fund. 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 late tax settlement made by the County for fiscal year 2009 was \$105,678 in the general fund, \$1,090 in the bond retirement fund debt service fund and \$2,807 in the permanent improvement capital projects fund.

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

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

	2008 Second		2009 First	
	Half Collections		Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$963,851,510	98.26 %	\$966,343,610	98.58 %
Public Utility Personal	9,506,880	0.97	9,967,480	1.02
Tangible Personal Property	<u>7,560,675</u>	<u>0.77</u>	<u>3,924,340</u>	<u>0.40</u>
Total	<u>\$980,919,065</u>	<u>100.00 %</u>	<u>\$980,235,430</u>	<u>100.00 %</u>
 Tax rate per \$1,000 of assessed valuation	 \$96.20		 \$101.50	

On November 4, 2008, the residents of the School District approved a 5.4 mill continuing operating levy designated for current operating expenses. Tax revenue from this levy was received beginning in January 2009.

### Note 8 - Receivables

Receivables at June 30, 2009, 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.

## South Euclid-Lyndhurst City School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009*

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:

Intergovernmental Receivables	Amounts
Title I	\$428,024
Title IDEA-B	365,109
Lunch Subsidy	100,148
Title II-A	99,679
Miscellaneous Federal Grants	96,207
Drug Free Grant	12,848
Title V	11,237
CAFS	7,716
Preschool Grants	6,208
Title III	363
Total	\$1,127,539

### Note 9 - Capital Assets

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

	Balance 6/30/08	Additions	Deletions	Balance 6/30/09
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$693,109	\$0	(\$32,716)	\$660,393
Construction in Progress	11,416,624	1,437,589	(12,854,213)	0
<i>Total Capital Assets, not being depreciated</i>	12,109,733	1,437,589	(12,886,929)	660,393
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	15,803,160	12,923,048	(754,212)	27,971,996
Furniture and Equipment	5,076,390	193,406	0	5,269,796
Vehicles	2,607,946	0	0	2,607,946
<i>Total Capital Assets, being depreciated</i>	23,487,496	13,116,454	(754,212)	35,849,738
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	(11,866,827)	(567,224)	690,928	(11,743,123)
Furniture and Equipment	(3,246,686)	(536,202)	0	(3,782,888)
Vehicles	(1,611,766)	(182,181)	0	(1,793,947)
<i>Total Accumulated Depreciation</i>	(16,725,279)	(1,285,607) *	690,928	(17,319,958)
<i>Total Capital Assets, being depreciated, net</i>	6,762,217	11,830,847	(63,284)	18,529,780
<b>Governmental Activities Capital Assets, Net</b>	\$18,871,950	\$13,268,436	(\$12,950,213)	\$19,190,173

## South Euclid-Lyndhurst City School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009*

---

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

Instruction:	
Regular	\$936,372
Special	632
Vocational	3,961
Support Services:	
Pupil	2,093
Instructional Staff	21,862
Administration	23,057
Fiscal	1,824
Business	28,667
Operation and Maintenance of Plant	33,514
Pupil Transportation	98,329
Central	16,535
Operation of Non-Instructional Services:	
Food Service Operations	19,545
Other Non-Instructional Services	29,859
Extracurricular Activities	69,357
Total Depreciation Expense	<u>\$1,285,607</u>

### **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 \$154,500,000.

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

## South Euclid-Lyndhurst City School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009*

---

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

For fiscal year 2009, 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 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008 and 2007 were \$829,820 \$888,298, and \$1,341,864 respectively; 47.53 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

#### ***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

## South Euclid-Lyndhurst City School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009*

---

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, 2009, 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 2008, 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, 2009, 2008, and 2007 were \$3,237,000, \$3,230,701, and \$3,249,132, respectively; 80.54 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$22,916 made by the School District and \$88,012 made by the plan members.

### **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.

## South Euclid-Lyndhurst City School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009*

---

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 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, this amount was \$35,800. During fiscal year 2009, the School District paid \$137,745 in surcharge.

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, 2009, 2008, and 2007 were \$517,507, \$552,044, and \$458,691 respectively; 47.53 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2009, this actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$68,467, \$64,004, and \$85,437 respectively; 47.53 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

### ***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 2009, STRS Ohio allocated employer contributions equal to one 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, 2009, 2008, and 2007 were \$249,000, \$248,515 and \$249,933 respectively; 80.54 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

## **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.

## South Euclid-Lyndhurst City School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009*

---

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.

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.

## South Euclid-Lyndhurst City School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009*

### 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 long-term obligations are:

Debt Issue	Interest Rate	Issue Amount	Date of Maturity
<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>			
Bond Anticipation Note - 2007	3.60%	750,000	November 28, 2008
Bond Anticipation Note - 2008	3.25%	500,000	November 29, 2009

Changes in long-term obligations of the School District during fiscal year 2009, were as follows:

	Principal Outstanding 6/30/08	Additions	(Reductions)	Principal Outstanding 6/30/09	Amount Due in One Year
<b>Governmental Activities:</b>					
General Obligations Bonds:					
School Improvement Refunding - 2006					
Serial and Term Bonds	\$7,900,000	\$0	(\$670,000)	\$7,230,000	\$295,000
Capital Appreciation Bonds	494,995	0	0	494,995	325,000
Accretion on Capital Appreciation Bonds	98,315	51,577	0	149,892	75,000
Unamortized Premium	307,583	0	(27,962)	279,621	0
Unamortized Loss	(182,711)	16,610	0	(166,101)	0
<i>Total General Obligation Bonds</i>	<u>8,618,182</u>	<u>68,187</u>	<u>(697,962)</u>	<u>7,988,407</u>	<u>695,000</u>
Long-Term Notes:					
Bond Anticipation Note - 2007	750,000	0	(750,000)	0	0
Bond Anticipation Note - 2008	0	500,000	0	500,000	0
<i>Total Long-Term Notes</i>	<u>750,000</u>	<u>500,000</u>	<u>(750,000)</u>	<u>500,000</u>	<u>0</u>
Compensated Absences	2,684,843	715,438	(169,365)	3,230,916	998,092
<b>Total Governmental Activities</b>	<u>\$12,053,025</u>	<u>\$1,283,625</u>	<u>(\$1,617,327)</u>	<u>\$11,719,323</u>	<u>\$1,693,092</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 and building capital projects funds. Compensated absences will be paid from the general fund and the food service special revenue fund.

## South Euclid-Lyndhurst City School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009*

### **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 2009 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 2009 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 2009, \$51,577 was accreted for a total bond value of \$644,887.

### **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 was rolled on November 28, 2008.

### **2008 Bond Anticipation Note**

The bond anticipation note was issued on November 29, 2008 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 3.25 percent and matures November 29, 2009. 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 \$71,677,421 with an unvoted debt margin of \$974,452 at June 30, 2009. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2009 are as follows:

Fiscal Year Ending June, 30	Serial and Term		Capital Appreciation Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
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	770,000	211,850	0	0	770,000	211,850
2015-2019	4,295,000	481,275	0	0	4,295,000	481,275
Total	<u>\$7,230,000</u>	<u>\$1,808,825</u>	<u>\$494,995</u>	<u>\$210,005</u>	<u>\$7,724,995</u>	<u>\$2,018,830</u>

## South Euclid-Lyndhurst City School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009*

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, 2009, \$7,925,000 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 6/30/2008	Additions	Deletions	Balance 6/30/2009
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	(810,000)	9,140,000
Unamortized Premium	377,345	0	(38,374)	338,971
<i>Total Short-Term Debt</i>	<u>\$10,577,345</u>	<u>\$250,000</u>	<u>(\$1,098,374)</u>	<u>\$9,728,971</u>

The energy conservation improvement bond anticipation 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.

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

	Principal	Interest	Total
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	1,005,000	233,850	1,238,850
2015-2018	4,485,000	455,875	4,940,875
	<u>\$9,140,000</u>	<u>\$2,009,575</u>	<u>\$11,149,575</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.

## South Euclid-Lyndhurst City School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009*

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

	Textbooks		Budget
	Instructional	Capital	
	Materials	Improvement	
	Reserve	Reserve	Reserve
Set-aside Reserve Balance as of June 30, 2008	(\$1,972,796)	(\$14,280,645)	\$534,738
Current Year Set-aside Requirement	704,814	704,814	0
Qualifying Disbursements	(880,032)	(3,489,000)	(534,738)
Totals	<u>(\$2,148,014)</u>	<u>(\$17,064,831)</u>	<u>\$0</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>(\$2,148,014)</u>	<u>(\$17,064,831)</u>	<u>\$0</u>
Set-aside Reserve Balance as of June 30, 2009	<u>\$0</u>	<u>\$0</u>	<u>\$0</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.

### **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 2009, the School District paid \$175,992 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 (Council) is a jointly governed organization with 126 school districts. The jointly governed organization was created by school districts for the purpose of saving money through volume purchases. Each school district supports the Council by paying an annual participation fee. Each school district member's superintendent serves as a representative of the Assembly. The Assembly elects five of the Council's Board members and the remaining four are representatives of the Greater Cleveland School Superintendents' Association. The Council operates under a nine-member Board of Directors (the

## South Euclid-Lyndhurst City School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009*

---

Board). The Board is the policy making authority of the Council. The Board meets monthly September to June. The Board appoints an Executive Director who is responsible for receiving and disbursing funds, investing available funds, preparing financial reports for the Board and Assembly and carrying out such other responsibilities as designated by the Board. In fiscal year 2009, the District paid \$988,047 to the Council. Financial information can be obtained by contacting Dr. David A. Cottrell, the Executive Director at 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. There are currently 144 districts in the Program. The participants make monthly payments based on estimated usage. Each August, these estimated payments are compared to their actual usage for the year (July to June). School 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 school districts that did not pay enough on estimated billings are invoiced for the difference on the September monthly estimated billing. A new natural gas supplier and program manager was selected for the period October 1, 2008 to September 30, 2010. The program agreement has an indefinite term and provides the option to withdraw from the program by sending written notification by certified mail on or before September 15 of the fiscal year proceeding the fiscal year in which the participant wishes to withdraw from the program.

The School District also participates in the Council's electric purchase program. The Council provided 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 invoiced participants based on estimated payments which were compared to their actual usage for the year (July to June). Refund checks were issued to school districts that consumed less than their projected usage of electrical energy and school districts that over-consumed are invoiced. With the end of the Energy for Education II program on December 31, 2008, the School District purchased its electricity from the local area utility, First Energy. Refunds were provided to school districts at the end of the fiscal year to refund any money remaining in the account after all bills were paid.

In September/October 2009, 110 school districts joined a new OSC electricity discount program, Energy for Education III. The Energy for Education III Program provides a fixed price rate for electricity supplied by Duke Retail Energy Sales, Inc. of \$0.051 per kwh for the generation of electricity which cannot be increased until the June 2011 meter reading. School districts are not charged a fee by OSC to participate in this program. School districts pay the utility (Ohio Edison, Toledo Edison or Cleveland Electric Illuminating Co.) directly and receive a discount for the fixed price of generation.

### **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.

## South Euclid-Lyndhurst City School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009*

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 School District'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 2009, 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 5044 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 – Contract Obligations

At June 30, 2009, the School District's significant contractual commitments consisted of:

Company	Contract Amount	Amount Paid	Remaining on 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	1,743,834	1,593,501	150,333
Rizzi Distibutions, 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>\$12,775,774</u>	<u>\$11,261,346</u>	<u>\$1,514,428</u>

## South Euclid-Lyndhurst City School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009*

### Note 21 - 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, 2009.

### Note 22 – Interfund Transfers and Balances

#### A. Interfund Transfers

Transfers made during fiscal year 2009 were as follows:

Fund	General Fund Transfers Out
<b>Nonmajor Governmental Funds</b>	
Sixth Grade Camp	\$7,000
Athletics	67,000
Building Fund	286,000
Food Service	320,000
Total	\$680,000

The transfers from the general fund are to move unrestricted balances to support programs and projects accounted for in other funds.

#### B. Interfund Balances

Interfund balances at June 30, 2009, consist of the following individual fund receivables and payables:

Interfund Payable	Interfund Receivable
	General
<b>Nonmajor Governmental Funds</b>	
Title VI - B IDEA	\$700,000
Miscellaneous Federal Grants	42,000
Uniform School Supplies	3,000
Cosmetology Customer Service	3,000
Preschool Grant	1,000
Total	\$749,000

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009*

---

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.

### **Note 23 – Subsequent Event**

On November 25, 2009, the School District refinanced the bond anticipation note in the amount of \$500,000. The new note will mature November 25, 2010 and carries an interest rate of 2.65 percent. The proceeds were used to retire the November 25, 2008 \$750,000 note.

**This page intentionally left blank.**

**SOUTH EUCLID-LYNDBURST CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY  
SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2009**

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>					
<i>Passed Through Ohio Department of Education:</i>					
Nutrition Cluster:					
School Breakfast Program	10.553	\$108,067	\$0	\$108,067	\$0
National School Lunch Program	10.555	454,165	37,381	454,165	37,381
Total Nutrition Cluster		<u>562,232</u>	<u>37,381</u>	<u>562,232</u>	<u>37,381</u>
Total U.S. Department of Agriculture		<u>562,232</u>	<u>37,381</u>	<u>562,232</u>	<u>37,381</u>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>					
<i>Passed Through Ohio Department of Education:</i>					
Special Education Cluster:					
Special Education: Grants to States FY 2008	84.027	(97,760)	0	30,623	0
Special Education: Grants to States FY 2009	84.027	673,521	0	775,907	0
Total Special Education Grants to States		<u>575,761</u>	<u>0</u>	<u>806,530</u>	<u>0</u>
Special Education: Preschool Grants - FY 2008	84.173	(5,649)	0	176	0
Special Education: Preschool Grants - FY 2009	84.173	40,977	0	41,411	0
Total Special Education Preschool Grants		<u>35,329</u>	<u>0</u>	<u>41,587</u>	<u>0</u>
Total Special Education Cluster		<u>611,090</u>	<u>0</u>	<u>848,117</u>	<u>0</u>
Title I Grants to Local Educational Agencies - FY 2008	84.010	(364)	0	0	0
Title I Grants to Local Educational Agencies - FY 2009	84.010	276,881	0	194,442	0
Total Title I Grants to Local Educational Agencies		<u>276,518</u>	<u>0</u>	<u>194,442</u>	<u>0</u>
Twenty First Century Community Learning Center - FY 2008	84.287	19,451	0	75,643	0
Twenty First Century Community Learning Center - FY 2009	84.287	211,399	0	214,094	0
Total Twenty First Century Community Learning Center		<u>230,850</u>	<u>0</u>	<u>289,737</u>	<u>0</u>
Innovative Education Program Strategies - FY 2008	84.298	(1,842)	0	6,340	0
Innovative Education Program Strategies - FY 2009	84.298	1,842	0	601	0
Total Innovative Education Program Strategies		<u>0</u>	<u>0</u>	<u>6,941</u>	<u>0</u>
Education Technology State Grants - FY 2008	84.318	7,900	0	13,816	0
Education Technology State Grants - FY 2009	84.318	2,000	0	1,056	0
Total Education Technology State Grants		<u>9,900</u>	<u>0</u>	<u>14,872</u>	<u>0</u>
English Language Acquisition Grants - FY 2008	84.365	3,059	0	0	0
English Language Acquisition Grants - FY 2009	84.365	3,267	0	477	0
Total English Language Acquisition Grants		<u>6,326</u>	<u>0</u>	<u>477</u>	<u>0</u>
Mathematics and Science Partnerships - FY 2008	84.366	0	0	22,311	0
Mathematics and Science Partnerships - FY 2009	84.366	5,000	0	3,920	0
Total Mathematics and Science Partnerships		<u>5,000</u>	<u>0</u>	<u>26,231</u>	<u>0</u>
Improving Teacher Quality State Grants - FY 2008	84.367	(14,409)	0	0	0
Improving Teacher Quality State Grants - FY 2009	84.367	71,288	0	68,600	0
Total Improving Teacher Quality State Grants		<u>56,880</u>	<u>0</u>	<u>68,600</u>	<u>0</u>
Total U.S. Department of Education		<u>1,196,563</u>	<u>0</u>	<u>1,449,419</u>	<u>0</u>
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>					
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities:</i>					
Medicaid Assistance Program	93.778	91,812	0	91,812	0
Total U.S. Department of Health and Human Services		<u>91,812</u>	<u>0</u>	<u>91,812</u>	<u>0</u>
<b><u>U.S. INSTITUTE OF MUSEUM AND LIBRARY SERVICES</u></b>					
<i>Passed Through The Ohio State Library Board:</i>					
Services to Youth Project	45.310	60,003	0	60,003	0
Total U.S. Institute of Museum and Library Services		<u>60,003</u>	<u>0</u>	<u>60,003</u>	<u>0</u>
<b>Total Federal Assistance</b>		<u>\$1,910,610</u>	<u>\$37,381</u>	<u>\$2,163,465</u>	<u>\$37,381</u>

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

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

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

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Expenditures Schedule (the Schedule) reports the District's federal award programs' receipts and disbursements.

**NOTE B – CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

Program regulations do not require the District to maintain separate inventory records for purchased food versus food commodities it receives from the U.S. Department of Agriculture. The District reports commodities consumed on the Schedule at the fair value.

**NOTE D - TRANSFERS BETWEEN PROGRAM YEARS**

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. These transfers resulted in the Schedule reporting negative receipts. The District transferred the following amounts from 2008 to 2009 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Transferred from 2008 to 2009</u>
Special Education – Grants to States	84.027	\$97,760
Special Education – Preschool Grants	84.173	5,649
Title I Grants to Local Enforcement Agencies	84.010	364
Innovative Education Programs Strategies	84.298	1,842
Improving Teacher Quality State Grants	84.367	14,409



# 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 the South Euclid-Lyndhurst City School District, Cuyahoga County, Ohio, (the District) as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 5, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

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

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

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

We noted certain matters that we reported to the District's management in a separate letter dated February 5, 2010.

Lausche Building / 615 Superior Ave., NW / Twelfth Floor / Cleveland, OH 44113-1801  
Telephone: (216) 787-3665 (800) 626-2297 Fax: (216) 787-3361  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

### Compliance and Other Matters

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

We did note certain noncompliance or other matters that we reported to the District's management in a separate letter dated February 5, 2010.

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

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

February 5, 2010



# 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 the 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 District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the South Euclid-Lyndhurst City School District 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, 2009. In a separate letter to the District's management dated February 5, 2010, we reported another matter related to federal noncompliance not requiring inclusion in this report.

#### 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.

Lausche Building / 615 Superior Ave., NW / Twelfth Floor / Cleveland, OH 44113-1801

Telephone: (216) 787-3665 (800) 626-2297 Fax: (216) 787-3361

[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

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.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

February 5, 2010

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

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

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

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Cluster/84.027 & 84.173 Twenty-First Century Community Learning Centers/84.287
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

**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

**This Page is Intentionally Left Blank.**



# Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

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

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

1. We noted the Board adopted an anti-harassment policy at its meeting on July 15, 2003.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
  - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
  - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
  - (3) A procedure for reporting prohibited incidents;
  - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
  - (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;

Lausche Building / 615 Superior Ave., NW / Twelfth Floor / Cleveland, OH 44113-1801  
Telephone: (216) 787-3665 (800) 626-2297 Fax: (216) 787-3361  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

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

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

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



**Mary Taylor, CPA**  
Auditor of State

February 5, 2010



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**  
**MARCH 16, 2010**