



Dave Yost • Auditor of State

**SOUTH EUCLID-LYNDBURST CITY SCHOOL DISTRICT
 CUYAHOGA COUNTY
 FOR THE YEAR ENDED JUNE 30, 2011**

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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, 2011, 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, 2011, 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.

As described in Note 3, the District implemented Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" and restated the June 30, 2010 fund balances of the Governmental Funds due to a change in fund structure.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2012, 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.

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards receipts and expenditures schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The federal awards receipts and expenditures schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

March 12, 2012

South Euclid-Lyndhurst City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
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, 2011. 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 2011 are as follows:

- Net assets increased due to liabilities decreasing at a smaller pace than that of assets during fiscal year 2011.
- During fiscal year 2011, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" which recognizes constraints imposed upon the use of resources in governmental funds and categorizes the constraints into five classifications.
- The School District actively pursues grants and controls expenses while still maintaining the high academic standards the residents expect of the School District.

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 and the permanent improvement capital projects funds are by far the most significant funds.

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 2011?" 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, 2011 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 7. 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 2011 compared to 2010.

South Euclid-Lyndhurst City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

(Table 1)
Net Assets

	Governmental Activities		
	2011	2010	Change
Assets			
Current and Other Assets	\$68,489,313	\$70,023,956	(\$1,534,643)
Capital Assets, Net	19,210,211	19,395,533	(185,322)
<i>Total Assets</i>	<u>87,699,524</u>	<u>89,419,489</u>	<u>(1,719,965)</u>
Liabilities			
Current Liabilities	51,184,363	52,580,624	1,396,261
Long Term Liabilities:			
Due Within One Year	2,021,348	1,807,348	(214,000)
Due in More than One Year	8,225,652	9,206,600	980,948
<i>Total Liabilities</i>	<u>61,431,363</u>	<u>63,594,572</u>	<u>2,163,209</u>
Net Assets			
Invested in Capital Assets,			
Net of Related Debt	5,121,789	3,599,786	1,522,003
Restricted:			
Capital Projects	1,345,377	1,962,904	(617,527)
Debt Service	1,438,685	1,460,196	(21,511)
Other Purposes	871,008	2,062,272	(1,191,264)
Unrestricted	17,491,302	16,739,759	751,543
<i>Total Net Assets</i>	<u>\$26,268,161</u>	<u>\$25,824,917</u>	<u>\$443,244</u>

As one can see from the increase in overall net assets, the School District continues to provide the services that the School District citizens expect while maintaining the costs of providing those services during the current economic recession. The decrease in assets is primarily due to the School District's expenditures increasing at a greater pace than that of revenues. Management is ever cognizant of the costs of providing a quality education.

Total liabilities decreased during fiscal year 2011 which can be primarily attributed to a decrease in deferred revenues from fewer intergovernmental receivables.

Table 2 shows the change in net assets for fiscal years 2011 and 2010.

South Euclid-Lyndhurst City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Governmental Activities

(Table 2)
Changes in Net Assets

	Governmental Activities		
	2011	2010	Change
Revenues			
Program Revenues:			
Charges for Services and Sales	\$3,089,094	\$3,117,086	(\$27,992)
Operating Grants, Interest and Contributions	4,267,537	4,880,840	(613,303)
Capital Grants and Contributions	330,361	325,395	4,966
<i>Total Program Revenues</i>	<u>7,686,992</u>	<u>8,323,321</u>	<u>(636,329)</u>
General Revenues:			
Property Taxes	44,167,065	44,310,008	(142,943)
Grants and Entitlements not Restricted to Specific Programs	15,478,442	15,481,397	(2,955)
Unrestricted Contributions	6,798	0	6,798
Interest	21,628	22,056	(428)
Payment in Lieu of Taxes	385,000	0	385,000
Other	985,786	1,048,328	(62,542)
<i>Total General Revenues</i>	<u>61,044,719</u>	<u>60,861,789</u>	<u>182,930</u>
<i>Total Revenues</i>	<u>68,731,711</u>	<u>69,185,110</u>	<u>(453,399)</u>
Program Expenses			
Instruction	39,318,484	35,372,475	(3,946,009)
Support Services:			
Pupil	4,049,494	3,769,763	(279,731)
Instructional Staff	1,707,651	1,519,675	(187,976)
Board of Education	194,491	211,177	16,686
Administration	4,066,614	3,693,493	(373,121)
Fiscal	1,775,600	1,794,109	18,509
Business	364,900	315,010	(49,890)
Operation and Maintenance of Plant	7,127,115	7,258,060	130,945
Pupil Transportation	3,236,127	3,091,708	(144,419)
Central	1,493,965	1,247,388	(246,577)
Operation of Non-Instructional Services	2,992,626	3,015,866	23,240
Extracurricular Activities	1,332,396	1,290,291	(42,105)
Interest and Fiscal Charges	629,004	725,047	96,043
<i>Total Program Expenses</i>	<u>68,288,467</u>	<u>63,304,062</u>	<u>(4,984,405)</u>
Change in Net Assets	443,244	5,881,048	(5,437,804)
<i>Net Assets Beginning of Year</i>	<u>25,824,917</u>	<u>19,943,869</u>	<u>5,881,048</u>
<i>Net Assets End of Year</i>	<u>\$26,268,161</u>	<u>\$25,824,917</u>	<u>\$443,244</u>

While program revenues decreased for governmental activities in fiscal 2011 as a result of less grant funding, the vast majority of revenues supporting governmental activities are general revenues. General revenues increased in fiscal year 2011 primarily due to the School District receiving a one-time payment in lieu of taxes in fiscal year 2011 from the sale of Hilltop Plaza.

South Euclid-Lyndhurst City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

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. Although school districts experience inflationary growth in expenses, tax revenue does not keep pace with the increased expenses due to House Bill 920 (HB 920). As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would be assessed \$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 be assessed \$35.00 and the School District would collect the same dollar value the levy generated in the year it was passed.

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 the largest percentage of revenue for governmental activities for the School District in fiscal year 2011.

Program expenses increased in fiscal year 2011 primarily due to negotiated increases in salaries, an increase to staffing levels from the previous year and an increase to healthcare premiums.

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.

(Table 3)
Governmental Activities

Programs	Total Cost of Services 2011	Net Cost of Services 2011	Total Cost of Services 2010	Net Cost of Services 2010
Instruction	\$39,318,484	(\$36,204,592)	\$35,372,475	(\$31,608,830)
Support Services:				
Pupil and Instructional Staff	5,757,145	(5,303,021)	5,289,438	(4,839,527)
Board of Education, Administration, Fiscal and Business	6,401,605	(6,094,996)	6,013,789	(5,707,446)
Operation and Maintenance of Plant	7,127,115	(6,658,519)	7,258,060	(6,661,112)
Pupil Transportation	3,236,127	(2,971,085)	3,091,708	(2,927,134)
Central	1,493,965	(1,341,545)	1,247,388	(1,178,696)
Operation of Non-Instructional Services	2,992,626	(346,869)	3,015,866	(241,966)
Extracurricular Activities	1,332,396	(1,051,844)	1,290,291	(1,090,983)
Interest and Fiscal Charges	629,004	(629,004)	725,047	(725,047)
Total Expenses	<u>\$68,288,467</u>	<u>(\$60,601,475)</u>	<u>\$63,304,062</u>	<u>(\$54,980,741)</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 \$67,498,925 and expenditures of \$68,605,657. The total fund balance for all of the governmental funds decreased in fiscal year 2011 due primarily to an overall increase in salary and health care costs. The community as a whole is by far the primary support for the South Euclid-Lyndhurst City School District's students.

South Euclid-Lyndhurst City School District
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For the Fiscal Year Ended June 30, 2011
Unaudited

The general fund balance decreased compared to the previous year, due to expenditures growing at a more rapid pace compared to revenues.

The permanent improvement capital projects fund balance increased from the prior year. While expenditures increased due to projects that were finished up in the current fiscal year, they continue to be outpaced by revenues.

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 2011, the School District modified its general fund budget. The School District uses site-based budgeting and budgeting systems which are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, final budget basis revenue was higher than the original budget estimate due to an increase in property tax revenues estimated for the year. Total actual revenues were only slightly higher than final budgeted revenues.

For the general fund, final budget basis expenditures were less than the original budget basis expenditures. This is due to the School District trying to bring costs more in line with revenues as they were coming in during the fiscal year.

Total actual expenditures on the budget basis were 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, 2011
Unaudited

Capital Assets

Table 4 shows fiscal year 2011 balances compared to 2010.

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

	2011	2010	Change
Land	\$660,393	\$660,393	\$0
Buildings and Improvements	15,937,598	16,192,070	(254,472)
Furniture and Equipment	1,538,360	1,592,351	(53,991)
Vehicles	1,073,860	950,719	123,141
Total	\$19,210,211	\$19,395,533	(\$185,322)

The decrease in capital assets is due to depreciation exceeding capital asset additions. For additional information, see Note 10.

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 15). For fiscal year 2011, this amounted to \$639,248 for each set aside.

Debt

Table 5 summarizes the outstanding debt.

(Table 5)
Outstanding Debt at Fiscal Year End

	2011	2010	Change
School Improvement Refunding Bonds - 2006	\$6,625,816	\$7,326,185	(\$700,369)
Bond Anticipation Note - 2009	250,000	500,000	(250,000)
Tax Anticipation Note - 2007	7,652,223	8,590,597	(938,374)
Total Debt	\$14,528,039	\$16,416,782	(\$1,888,743)

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

On November 29, 2009, the School District issued \$500,000 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 \$250,000 on November 23, 2010 at a stated interest rate of 2.25 percent.

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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.

Please see Notes 16 and 17 for additional information.

Current Financial Related Activities

Since the passage of the November 2008 5.4 mill levy, the School District received a full year's collection beginning in fiscal year 2010. Unfortunately, as a result of declining property values throughout our community combined with the elimination of tangible personal property tax, the School District has received significantly less tax dollars from this levy and the May 2005 levy than originally anticipated.

The financial future of the School District is not without challenges. These challenges are both internal and external in nature. The internal challenge will continue to exist because the School District must rely heavily on local property taxes to fund operations. External challenges continue to increase as the State's educational funding system generates very little, if any, growth from the prior year.

The most recent budget from the Governor's Office (released in March 2011) had a devastating financial impact on the School District beginning in fiscal year 2012. The School District will recognize a loss of all of its' State Fiscal Stabilization Funds (SFSF), which is approximately \$550,000 per year. Also, as a result of the Governor's budget, the School District will lose one-half of its' Tangible Personal Property Reimbursement (TPP) in fiscal year 2012 and all of it in fiscal year 2013. This loss combined with the SFSF loss is approximately a reduction to revenue over a two year period of \$4.4 million.

Recognizing this drastic financial impact to the School District, two of the School District's three unions, including administrators, agreed to a one year extension to the current contract with a complete wage freeze to salaries in fiscal year 2012 (the final year of the contract) and fiscal year 2013 (a one year extension). This wage freeze is projected to save the School District slightly more than \$1.2 million over the two year period.

Unfortunately, the School District must rely heavily on its property tax payers to support its operations; however, the community has been extremely supportive of past levies. The community has approved levies in 2001, 2005 and 2008. The levy campaign in November 2008 suggested that the School District would expect to be back on the ballot for additional revenue in two (2) years if this levy was successful. The levy was not anticipated to last very long as a result of a lower millage than needed in November 2008 (5.4 mills) as a result of a levy defeat in May 2008 of 6.95 mills.

As a result of careful and considerate fiscal planning, the School District is not expected to be on the ballot again until sometime in calendar year 2012 (2 years longer than original promised) even with the significant financial reduction as a result of the Governor's budget.

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, 2011

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$12,734,156
Accounts Receivable	16,531
Intergovernmental Receivable	572,061
Prepaid Items	546,612
Materials and Supplies Inventory	26,248
Inventory Held for Resale	31,102
Property Taxes Receivable	54,385,209
Deferred Charges	177,394
Non-depreciable Capital Assets	660,393
Depreciable Capital Assets, Net	<u>18,549,818</u>
 <i>Total Assets</i>	 <u>87,699,524</u>
 Liabilities	
Accounts Payable	687,039
Accrued Wages and Benefits	4,707,155
Intergovernmental Payable	2,483,028
Deferred Revenue	35,357,972
Accrued Interest Payable	46,946
Notes Payable	7,902,223
Long-Term Liabilities:	
Due Within One Year	2,021,348
Due In More Than One Year	<u>8,225,652</u>
 <i>Total Liabilities</i>	 <u>61,431,363</u>
 Net Assets	
Invested in Capital Assets, Net of Related Debt	5,121,789
Restricted for:	
Capital Outlay	1,345,377
Debt Service	1,438,685
Sixth Grade Camp	328,962
Auxiliary Services	101,581
Title VI-R	79,501
Title I	74,589
Unclaimed Monies	42,079
Other Purposes	244,296
Unrestricted	<u>17,491,302</u>
 <i>Total Net Assets</i>	 <u>\$26,268,161</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, 2011

	Program Revenues				Net (Expense)
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
Governmental Activities					
Instruction:					
Regular	\$25,526,709	\$769,370	\$278,202	\$0	(\$24,479,137)
Special	10,146,197	298,331	1,632,408	0	(8,215,458)
Vocational	2,644,911	99,501	0	0	(2,545,410)
Student Intervention	1,000,667	36,080	0	0	(964,587)
Support Services:					
Pupil	4,049,494	150,405	45,439	0	(3,853,650)
Instructional Staff	1,707,651	45,891	212,389	0	(1,449,371)
Board of Education	194,491	7,320	0	0	(187,171)
Administration	4,066,614	148,627	70,213	0	(3,847,774)
Fiscal	1,775,600	66,748	0	0	(1,708,852)
Business	364,900	13,701	0	0	(351,199)
Operation and Maintenance of Plant	7,127,115	357,725	3,279	107,592	(6,658,519)
Pupil Transportation	3,236,127	113,644	8,271	143,127	(2,971,085)
Central	1,493,965	51,045	21,733	79,642	(1,341,545)
Operation of Non-Instructional Services:					
Food Service Operations	1,754,325	651,827	944,590	0	(157,908)
Other Non-Instructional Services	1,238,301	2,431	1,046,909	0	(188,961)
Extracurricular Activities	1,332,396	276,448	4,104	0	(1,051,844)
Interest and Fiscal Charges	629,004	0	0	0	(629,004)
Totals	<u>\$68,288,467</u>	<u>\$3,089,094</u>	<u>\$4,267,537</u>	<u>\$330,361</u>	<u>(60,601,475)</u>
General Revenues					
Property Taxes and Other Local Taxes					44,167,065
Grants and Entitlements not Restricted to Specific Programs					15,478,442
Unrestricted Contributions					6,798
Investment Earnings					21,628
Payment in Lieu of Taxes					385,000
Miscellaneous					985,786
Total General Revenues					<u>61,044,719</u>
Change in Net Assets					443,244
<i>Net Assets Beginning of Year</i>					<u>25,824,917</u>
<i>Net Assets End of Year</i>					<u>\$26,268,161</u>

See accompanying notes to the basic financial statements

South Euclid-Lyndhurst City School District

Balance Sheet

Governmental Funds

June 30, 2011

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$9,408,116	\$1,141,094	\$2,142,867	\$12,692,077
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	42,079	0	0	42,079
Accounts Receivable	16,531	0	0	16,531
Intergovernmental Receivable	72,720	0	499,341	572,061
Prepaid Items	515,533	0	31,079	546,612
Materials and Supplies Inventory	22,582	0	3,666	26,248
Inventory Held for Resale	0	0	31,102	31,102
Interfund Receivable	150,500	0	0	150,500
Property Taxes Receivable	51,244,266	2,057,174	1,083,769	54,385,209
<i>Total Assets</i>	<u>\$61,472,327</u>	<u>\$3,198,268</u>	<u>\$3,791,824</u>	<u>\$68,462,419</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$335,134	\$230,054	\$121,851	\$687,039
Accrued Wages and Benefits	4,523,478	0	183,677	4,707,155
Intergovernmental Payable	2,415,982	0	67,046	2,483,028
Interfund Payable	0	0	150,500	150,500
Deferred Revenue	45,303,974	1,906,043	1,426,888	48,636,905
Accrued Interest Payable	0	27,496	0	27,496
Notes Payable	0	7,652,223	250,000	7,902,223
<i>Total Liabilities</i>	<u>52,578,568</u>	<u>9,815,816</u>	<u>2,199,962</u>	<u>64,594,346</u>
Fund Balances				
Nonspendable	580,194	0	34,745	614,939
Restricted	0	0	2,048,878	2,048,878
Assigned	700,920	0	0	700,920
Unassigned (Deficit)	7,612,645	(6,617,548)	(491,761)	503,336
<i>Total Fund Balances (Deficit)</i>	<u>8,893,759</u>	<u>(6,617,548)</u>	<u>1,591,862</u>	<u>3,868,073</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$61,472,327</u>	<u>\$3,198,268</u>	<u>\$3,791,824</u>	<u>\$68,462,419</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, 2011

Total Governmental Fund Balances	\$3,868,073
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*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.	19,210,211
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Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
Delinquent Property Taxes	12,790,260
Grants	488,673
Total	13,278,933

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.	177,394
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In the statement of activities, interest is accrued on outstanding loans, whereas in governmental funds, an interest expenditure is reported when due.	(19,450)
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
General Obligation Bonds	(6,625,816)
Compensated Absences	(3,621,184)
Total	(10,247,000)

<i>Net Assets of Governmental Activities</i>	<u><u>\$26,268,161</u></u>
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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, 2011

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$39,493,700	\$1,803,834	\$720,358	\$42,017,892
Intergovernmental	14,809,502	330,361	5,688,741	20,828,604
Interest	21,356	0	272	21,628
Tuition and Fees	2,130,883	0	87	2,130,970
Extracurricular Activities	78,267	0	159,949	238,216
Contributions and Donations	6,798	0	65,579	72,377
Charges for Services	73,690	0	651,827	725,517
Rentals	92,935	0	0	92,935
Payments in Lieu of Taxes	385,000	0	0	385,000
Miscellaneous	838,776	2,830	144,180	985,786
<i>Total Revenues</i>	<u>57,930,907</u>	<u>2,137,025</u>	<u>7,430,993</u>	<u>67,498,925</u>
Expenditures				
Current:				
Instruction:				
Regular	23,756,060	0	855,025	24,611,085
Special	7,869,144	0	2,215,682	10,084,826
Vocational	2,630,806	0	0	2,630,806
Student Intervention	958,312	0	42,355	1,000,667
Support Services:				
Pupil	4,023,331	0	48,823	4,072,154
Instructional Staff	1,198,798	0	427,389	1,626,187
Board of Education	194,491	0	0	194,491
Administration	3,858,798	0	118,532	3,977,330
Fiscal	1,761,144	0	0	1,761,144
Business	355,487	0	0	355,487
Operation and Maintenance of Plant	7,032,508	0	3,436	7,035,944
Pupil Transportation	2,999,280	0	11,962	3,011,242
Central	1,354,351	0	20,810	1,375,161
Operation of Non-Instructional Services:				
Food Service Operations	0	0	1,761,200	1,761,200
Other Non-Instructional Services	64,562	0	1,331,388	1,395,950
Extracurricular Activities	1,029,107	0	0	1,029,107
Capital Outlay	0	1,367,939	0	1,367,939
Debt Service:				
Principal Retirement	0	0	569,995	569,995
Interest and Fiscal Charges	0	306,576	303,361	609,937
Capital Appreciation Bonds Interest	0	0	135,005	135,005
<i>Total Expenditures</i>	<u>59,086,179</u>	<u>1,674,515</u>	<u>7,844,963</u>	<u>68,605,657</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,155,272)</u>	<u>462,510</u>	<u>(413,970)</u>	<u>(1,106,732)</u>
Other Financing Sources (Uses)				
Current Refunding	0	0	(250,000)	(250,000)
Transfers In	0	0	510,000	510,000
Transfers Out	(510,000)	0	0	(510,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(510,000)</u>	<u>0</u>	<u>260,000</u>	<u>(250,000)</u>
<i>Net Change in Fund Balances</i>	<u>(1,665,272)</u>	<u>462,510</u>	<u>(153,970)</u>	<u>(1,356,732)</u>
<i>Fund Balances (Deficit) Beginning of Year</i> <i>(Restated - See Note 3)</i>	<u>10,559,031</u>	<u>(7,080,058)</u>	<u>1,745,832</u>	<u>5,224,805</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>\$8,893,759</u>	<u>(\$6,617,548)</u>	<u>\$1,591,862</u>	<u>\$3,868,073</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, 2011*

Net Change in Fund Balances - Total Governmental Funds (\$1,356,732)

*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 depreciation exceeded capital outlays in the current period:

Capital Asset Additions	1,119,348	
Current Year Depreciation	(1,304,670)	
Total		(185,322)

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

Delinquent Property Taxes	2,149,173	
Grants	(817,843)	
Investment in Joint Venture	(98,544)	
Total		1,232,786

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 955,000

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	9,586	
Annual Accretion on Capital Appreciation Bonds	(15,983)	
Amortization of Bond Premium	27,962	
Amortization of Loss on Refunding	(16,610)	
Amortization of Bond Issuance Costs	(24,022)	
Total		(19,067)

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. (183,421)

Change in Net Assets of Governmental Activities \$443,244

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, 2011

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property Taxes	\$38,849,083	\$39,276,891	\$39,275,219	(\$1,672)
Intergovernmental	14,594,493	14,759,449	14,758,938	(511)
Interest	22,256	22,501	22,511	10
Tuition and Fees	2,225,556	2,250,131	2,251,006	875
Extracurricular Activities	77,418	78,270	78,267	(3)
Gifts and Donations	0	0	5,250	5,250
Charges for Services	46,489	46,489	73,183	26,694
Rentals	598,365	591,219	92,185	(499,034)
Payment in Lieu of Taxes	385,000	385,000	385,000	0
Miscellaneous	341,850	240,850	718,860	478,010
<i>Total Revenues</i>	<u>57,140,510</u>	<u>57,650,800</u>	<u>57,660,419</u>	<u>9,619</u>
Expenditures				
Current:				
Instruction:				
Regular	24,250,382	23,335,357	23,183,006	152,351
Special	7,692,276	7,994,425	7,857,953	136,472
Vocational	2,322,222	2,698,218	2,625,317	72,901
Student Intervention	725,000	988,248	959,331	28,917
Support Services:				
Pupil	4,135,187	4,026,757	3,960,971	65,786
Instructional Staff	1,438,414	1,272,338	1,199,669	72,669
Board of Education	857,359	883,504	218,494	665,010
Administration	3,857,905	3,796,341	3,750,666	45,675
Fiscal	1,921,494	1,822,678	1,771,793	50,885
Business	409,683	410,655	364,085	46,570
Operation and Maintenance of Plant	7,435,741	7,230,173	7,146,685	83,488
Pupil Transportation	3,181,511	3,199,530	3,052,623	146,907
Central	1,297,381	1,451,483	1,381,832	69,651
Operation of Non-Instructional Services:				
Community Services	63,759	64,600	64,562	38
Extracurricular Activities	1,044,114	1,029,925	1,014,186	15,739
Capital Outlay	0	0	0	0
<i>Total Expenditures</i>	<u>60,632,428</u>	<u>60,204,232</u>	<u>58,551,173</u>	<u>1,653,059</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(3,491,918)</u>	<u>(2,553,432)</u>	<u>(890,754)</u>	<u>1,662,678</u>
Other Financing Sources (Uses)				
Advances In	158,100	158,100	158,100	0
Transfers Out	(627,165)	(627,165)	(611,000)	16,165
Advances Out	(156,500)	(158,500)	(150,500)	8,000
<i>Total Other Financing Sources (Uses)</i>	<u>(625,565)</u>	<u>(627,565)</u>	<u>(603,400)</u>	<u>24,165</u>
<i>Net Change in Fund Balance</i>	(4,117,483)	(3,180,997)	(1,494,154)	1,686,843
<i>Fund Balance Beginning of Year</i>	9,170,312	9,170,312	9,170,312	0
Prior Year Encumbrances Appropriated	759,147	759,147	759,147	0
<i>Fund Balance End of Year</i>	<u>\$5,811,976</u>	<u>\$6,748,462</u>	<u>\$8,435,305</u>	<u>\$1,686,843</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, 2011

Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$95,908</u>
Liabilities	
Undistributed Monies	\$1,551
Due to Students	<u>94,357</u>
<i>Total Liabilities</i>	<u>\$95,908</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, 2011*

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 244 classified and 343 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 18, 19 and 20 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, 2011*

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.

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 and report all financial resources except those required to be accounted for and reported 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, 2011*

Permanent Improvement Fund The permanent improvement fund accounts for and reports restricted property taxes and note proceeds to acquire, construct, or improve 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, committed or assigned 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). On July 1, 2010, the YMCA of Greater Cleveland assumed operational control of SELREC (See Note 19).

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.

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.

South Euclid-Lyndhurst City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

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 property taxes is recognized in the fiscal year for which the taxes are levied (See Note 8). 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, 2011, but which were levied to finance fiscal year 2012 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.

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 Treasurer has been given the authority to allocate board appropriations to the function and object levels within each fund, other than the general fund.

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.

South Euclid-Lyndhurst City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

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.

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 2011, investments were limited to STAR Ohio. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2011.

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 2011 amounted to \$21,356 which includes \$5,314 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.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2011, 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.

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. Restricted assets in the general fund include money set aside for unclaimed monies. See Note 15 for additional information regarding set-asides.

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.

South Euclid-Lyndhurst City School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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 of 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 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 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:

Description	Estimated Lives
Buildings and Improvements	10-40 years
Furniture and Equipment	5-20 years
Vehicles	10 years

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.

Fund Balance

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

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

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

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of

South Euclid-Lyndhurst City School District

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Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the School District Board of Education.

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

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

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.

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.

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.

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Compensated Absences

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

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.

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.

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 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.

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.

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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.

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.

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 - Changes in Accounting Principles and Restatement of Prior Year's Fund Balance

Changes in Accounting Principles

For fiscal year 2011, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" and GASB Statement No. 59, "Financial Instruments Omnibus".

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement resulted in the reclassification of certain funds and restatement of the School District's financial statements.

GASB Statement No. 59 addresses significant practice issues that have arisen when accounting for financial instruments by updating and improving existing standards regarding financial reporting of certain financial instruments and external investment pools. The implementation of this statement did not result in any change in the School District's financial statements.

Restatement of Prior Year's Fund Balance

The implementation of GASB Statement No. 54 had the following effect on fund balances of the major and nonmajor funds as they were previously reported:

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	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Fund Balance at June 30, 2010	\$10,193,992	(\$7,080,058)	\$2,110,871	\$5,224,805
Change in Fund Structure	365,039	0	(365,039)	0
Adjusted Fund Balance at June 30, 2010	\$10,559,031	(\$7,080,058)	\$1,745,832	\$5,224,805

Note 4 – Accountability

At June 30, 2011, the following funds have deficit balances:

Major Fund:

Capital Projects Fund:

Permanent Improvement \$6,617,548

Nonmajor Funds:

Special Revenue Funds:

Food Service 24,658

Alternative School Grant 430

Title VI-B 110,613

Title I 101,233

Title II - A 5,294

Capital Projects Fund:

Building Improvements 249,533

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.

Note 5 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

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Fund Balances	General	Permanent Improvement	Nonmajor Governmental Funds	Total
<i>Nonspendable</i>				
Unclaimed Monies	\$42,079	\$0	\$0	\$42,079
Prepays	515,533	0	31,079	546,612
Inventory	22,582	0	3,666	26,248
<i>Total Nonspendable</i>	580,194	0	34,745	614,939
<i>Restricted for</i>				
Red for Ohio	0	0	42,783	42,783
Sixth Grade Camp	0	0	328,324	328,324
Athletics	0	0	69,184	69,184
Non-Public Schools	0	0	101,469	101,469
Technology Improvements	0	0	32,090	32,090
Teacher Development	0	0	9,045	9,045
Fiscal Stabilization	0	0	18,967	18,967
Special Education	0	0	8,420	8,420
English Proficiency	0	0	13,363	13,363
Preschool Education	0	0	1,739	1,739
Capital Projects	0	0	1,007	1,007
Debt Service	0	0	1,422,487	1,422,487
Total Restricted	0	0	2,048,878	2,048,878
Assigned to				
Other Purposes	700,920	0	0	700,920
<i>Unassigned (Deficit)</i>	7,612,645	(6,617,548)	(491,761)	503,336
<i>Total Fund Balances (Deficit)</i>	\$8,893,759	(\$6,617,548)	\$1,591,862	\$3,868,073

Note 6 - 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).

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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 restricted, committed or assigned 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).
6. Budgetary revenues and expenditures of the uniform school supplies, public school support and stadium funds are classified to general fund for GAAP Reporting.

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

	<u>General</u>
GAAP Basis	(\$1,665,272)
Net Adjustment for Revenue Accruals	(411,366)
Advances In	158,100
Beginning Fair Value Adjustment for Investments	1,619
Ending Fair Value Adjustment for Investments	(472)
Net Adjustment for Expenditure Accruals	974,409
Excess of Revenues and Other Financing Sources under Expenditures and Other Financing Uses:	
Public School Support	(11,672)
Uniform School Supplies	428
Stadium	100,750
Advances Out	(150,500)
Adjustment for Encumbrances	(490,178)
Budget Basis	<u><u>(\$1,494,154)</u></u>

Note 7 - 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.

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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 (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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

Investments

As of June 30, 2011, the School District investments with STAR Ohio were \$13,748,640 and an average maturity of 58 days.

Credit Risk Star Ohio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAR Ohio 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

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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 8 - Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2011 represents collections of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed value listed as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State Statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2011 represents collections of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien December 31, 2009, were levied after April 1, 2010 and are collected in calendar year 2011 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2010 (other than public utility property tax) represents the collection of 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing and equipment, furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Cuyahoga County. The County Fiscal Officer 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, 2011, are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents real property and public utility property taxes which were measurable as of June 30, 2011, 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 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.

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The amount available as an advance at June 30, 2011 was \$5,952,390 in the general fund, \$145,532 in the bond retirement debt service fund and \$151,080 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2010 was \$5,755,965 in the general fund, \$122,444 in the bond retirement debt service fund and \$260,387 in the permanent improvement capital projects fund.

The late tax settlement made by the County for fiscal year 2011 was \$1,913 in the general fund, \$22 in the bond retirement fund debt service fund and \$51 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 2011 taxes were collected are:

	2010 Second Half Collections		2011 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$885,458,700	98.79 %	\$887,194,590	98.74 %
Public Utility Personal	10,872,690	1.21	11,278,070	1.26
Total	\$896,331,390	100.00 %	\$898,472,660	100.00 %
Tax rate per \$1,000 of assessed valuation	\$101.60		\$101.60	

Note 9 - Receivables

Receivables at June 30, 2011, consisted of taxes, accounts (rent and tuition), and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes. All receivables, except delinquent property taxes, are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

Intergovernmental Receivables	Amounts
IDEA-B Grant	\$189,590
Title I Grant	188,106
Miscellaneous Federal Grants	77,640
School Employees Retirement System	62,063
Title II-A Grant	23,575
Preschool Grant	20,430
Community Alternative Funding System	10,657
Total	\$572,061

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For the Fiscal Year Ended June 30, 2011*

Note 10 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2011 was as follows:

	Balance 6/30/10	Additions	Deletions	Balance 6/30/11
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$660,393	\$0	\$0	\$660,393
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	28,505,232	339,765	0	28,844,997
Furniture and Equipment	5,836,239	474,898	0	6,311,137
Vehicles	2,921,169	304,685	0	3,225,854
<i>Total Capital Assets, being depreciated</i>	<u>37,262,640</u>	<u>1,119,348</u>	<u>0</u>	<u>38,381,988</u>
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	(12,313,162)	(594,237)	0	(12,907,399)
Furniture and Equipment	(4,243,888)	(528,889)	0	(4,772,777)
Vehicles	(1,970,450)	(181,544)	0	(2,151,994)
<i>Total Accumulated Depreciation</i>	<u>(18,527,500)</u>	<u>(1,304,670)</u>	<u>0</u>	<u>(19,832,170)</u>
<i>Total Capital Assets, being depreciated, net</i>	<u>18,735,140</u>	<u>(185,322)</u>	<u>0</u>	<u>18,549,818</u>
Governmental Activities Capital Assets, Net	<u>\$19,395,533</u>	<u>(\$185,322)</u>	<u>\$0</u>	<u>\$19,210,211</u>

* Depreciation expense was charged to governmental functions as follow:

Instruction:	
Regular	\$726,960
Special	8,936
Vocational	2,036
Support Services:	
Pupil	5,736
Instructional Staff	58,709
Administration	21,113
Fiscal	2,686
Business	993
Operation and Maintenance of Plant	72,617
Pupil Transportation	172,835
Central	90,946
Operation of Non-Instructional Services:	
Food Service Operations	13,709
Other Non-Instructional Services	41,023
Extracurricular Activities	86,371
Total Depreciation Expense	\$1,304,670

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*Notes to the Basic Financial Statements
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Note 11 - Risk Management

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.

For fiscal year 2011, the School District participated in the Ohio School Boards Association Workers' Compensation Grouping Rating Program (GRP), an insurance purchasing pool (Note 20). 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 12 – Defined Benefit Pension Plans

School Employees Retirement System

Plan Description – The School District participates in the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2011, the allocation to pension and death benefits was 11.81 percent. The remaining 2.19 percent of the 14 percent employer contribution

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rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010, and 2009 were \$1,591,892, \$1,216,112 and \$829,820 respectively. For fiscal year 2011, 88.03 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

State Teachers Retirement System of Ohio

Plan Description – The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that can 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.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary multiplied by 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 DB Plan and the DC 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 payment or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

A DB or Combined Plan member with five or more years of 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 - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$3,280,302 and \$101,176 for the fiscal year ended June 30, 2011, \$3,218,006 and \$136,843 for the fiscal year ended June 30, 2010, and \$3,237,000 and \$22,916 for the fiscal year ended June 30, 2009. For fiscal year 2011, 85.74 percent has been contributed for the DB plan and the Combined Plan, with the balance being reported as an intergovernmental payable. The full amount has contributed for 2010 and 2009.

South Euclid-Lyndhurst City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

Contributions made to STRS Ohio for the DC and combined plans and for fiscal year 2011 were \$144,409 made by the School District and \$103,149 made by the plan members. In addition, member contributions of \$78,347 were made for fiscal year 2011 for the defined contribution portion of the Combined Plan.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2011, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 13 – Postemployment Benefits

School Employee Retirement System

Plan Description – The School District participates in two cost-sharing multiple-employer defined benefit other postemployment 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 obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - State Statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2011, 1.43 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 fiscal year 2011, this amount was \$35,800. During fiscal year 2011, the School District paid \$264,714 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, 2011, 2010, and 2009 were \$193,407, \$193,097, and \$517,507, respectively. For fiscal year 2011, 88.03 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal year 2010 and 2009.

South Euclid-Lyndhurst City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2011, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$102,790, \$72,547, and \$68,467, respectively. For fiscal year 2011, 88.03 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2010 and 2009.

State Teachers Retirement System

Plan Description – The School District participates in 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. Ohio law authorizes STRS to offer this plan. 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 can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 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 Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$263,439, \$247,544, and \$249,000, respectively. For fiscal year 2011, 82.84 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal year 2010 and 2009.

Note 14 - Employee Benefits

Compensated Absences

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

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

South Euclid-Lyndhurst City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Anthem, in the amount of \$60,000 for all certified employees, \$60,000 for classified employees, and for administrators it is \$135,000.

The School District provides health insurance and dental 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 health insurance premium. The School District pays the dental premium for an employee who has single coverage and the difference between the monthly family premium and the employee contribution for family coverage.

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

Note 15 - 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.

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 Instructional Materials	Capital Improvement
Set-aside Balance as of June 30, 2010	(\$2,408,172)	\$0
Current Year Set-aside Requirement	639,248	639,248
Qualifying Disbursements	(882,028)	(2,514,235)
Totals	(\$2,650,952)	(\$1,874,987)
Set-aside Balance Carried Forward to Future Fiscal Years	\$0	\$0
Set-aside Reserve Balance as of June 30, 2011	\$0	\$0

South Euclid-Lyndhurst City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

The School District had qualifying disbursements during the fiscal year that reduced the textbook set-aside amount below zero. Effective July 1, 2011, the textbook set aside is no longer required and has been removed from the existing law. Therefore, this negative balance is not presented as being carried forward to the future fiscal year. While the qualifying disbursements during the fiscal year reduced the capital improvement set-aside amount to below zero, this amount may not be used to reduce the set-aside requirements of future fiscal years.

Note 16 – Short-Term Debt

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

	Balance 6/30/2010	Additions	Deletions	Balance 6/30/2011
Permanent Improvement Fund				
Tax Anticipation Note 2007	\$8,290,000	\$0	(\$900,000)	\$7,390,000
Unamortized Premium	300,597	0	(38,374)	262,223
Total Tax Anticipation Note	8,590,597	0	(938,374)	7,652,223
Building Fund				
Bond Anticipation Note 2009	250,000	0	(250,000)	0
Bond Anticipation Note 2010	0	250,000	0	250,000
<i>Total Short-Term Debt</i>	\$8,840,597	\$250,000	(\$1,188,374)	\$7,902,223

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. The notes were issued with a premium of \$422,115. The amortization of the premium for fiscal year 2011 was \$38,374. Principal and interest payments to retire the tax anticipation notes are as follows:

	Principal	Interest	Total
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	1,050,000	192,750	1,242,750
2016	1,090,000	144,500	1,234,500
2017-2018	2,345,000	118,625	2,463,625
	\$7,390,000	\$1,274,425	\$8,664,425

South Euclid-Lyndhurst City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

Note 17 - 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 Bonds	4.00 - 5.00%	\$7,065,000	December 1, 2016
Capital Appreciation Bonds	6.155 - 13.656%	494,995	December 1, 2010
Term Bonds	4.00%	1,830,000	December 1, 2018
<i>Long-Term Notes:</i>			
Bond Anticipation Note - 2009	2.25%	250,000	November 23, 2010

Changes in long-term obligations of the School District during fiscal year 2011, were as follows:

	Principal Outstanding 6/30/10	Additions	(Reductions)	Principal Outstanding 6/30/11	Amount Due in One Year
Governmental Activities:					
General Obligations Bonds:					
School Improvement Refunding - 2006					
Serial Bonds	\$5,105,000	\$0	(\$400,000)	\$4,705,000	\$725,000
Capital Appreciation Bonds	169,995	0	(169,995)	0	0
Accretion on Capital Appreciation Bonds	119,022	15,983	(135,005)	0	0
Term Bonds	1,830,000	0	0	1,830,000	0
Unamortized Premium	251,659	0	(27,962)	223,697	0
Unamortized Loss	(149,491)	0	16,610	(132,881)	0
<i>Total General Obligation Bonds</i>	<u>7,326,185</u>	<u>15,983</u>	<u>(716,352)</u>	<u>6,625,816</u>	<u>725,000</u>
Long-Term Notes:					
Bond Anticipation Note - 2009	250,000	0	(250,000)	0	0
Compensated Absences	3,437,763	480,586	(297,165)	3,621,184	1,296,348
Total Governmental Activities	<u><u>\$11,013,948</u></u>	<u><u>\$496,569</u></u>	<u><u>(\$1,263,517)</u></u>	<u><u>\$10,247,000</u></u>	<u><u>\$2,021,348</u></u>

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

Bond anticipation notes were paid from the building capital projects fund. Compensated absences will be paid from the general fund, the food service, local grants, title VI-B, and title I special revenue funds.

South Euclid-Lyndhurst City School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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 serial and term bonds remained outstanding at June 30, 2011. The capital appreciation bonds were originally sold at a discount of \$210,005, which is being accreted annually until the point of maturity of the capital appreciation bonds which is 2010 through 2011.

The capital appreciation bonds matured December 1, 2010. The maturity amount of the bonds is \$289,017.

The term bonds maturing on December 1, 2018, are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1, 2017 in the amount of \$900,000 with the balance of \$930,000 to be paid at stated maturity on December 1, 2018.

2009 Bond Anticipation Note

The bond anticipation note was issued on November 29, 2009 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 2.25 percent and matured November 23, 2010.

The School District's overall debt margin was \$66,868,785 with an unvoted debt margin of \$898,473 at June 30, 2011. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2011 are as follows:

	Serial Bonds		Term Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$725,000	\$199,550	\$0	\$72,000	\$725,000	\$271,550
2013	745,000	170,150	0	72,000	745,000	242,150
2014	770,000	139,850	0	72,000	770,000	211,850
2015	795,000	104,575	0	72,000	795,000	176,575
2016	815,000	136,325	0	73,200	815,000	209,525
2017-2019	855,000	94,575	1,830,000	37,200	2,685,000	131,775
Total	<u>\$4,705,000</u>	<u>\$845,025</u>	<u>\$1,830,000</u>	<u>\$398,400</u>	<u>\$6,535,000</u>	<u>\$1,243,425</u>

In 2006, the School District defeased 1993 and 1996 school improvement bond issues, in order to take advantage of lower interest rates. The proceeds of the new bonds were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the School District's financial statements. On June 30, 2011, \$6,640,000 of the defeased bonds are still outstanding.

South Euclid-Lyndhurst City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

Note 18 - 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 2011, the School District paid \$135,957 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.

Ohio Schools Council

The Ohio Schools Council (Council) is a jointly governed organization among 126 school districts. The jointly governed organization was created by school districts for the purpose of saving money through volume purchases. Each 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 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 2011, the School District paid \$130,141 to the Council. Financial information can be obtained by contacting Dr. David A. Cottrell, the Executive Director of the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

The School District participates in the natural gas purchase program. This program allows the School District to purchase natural gas at reduced rates. Energy USA served as the natural gas supplier and program manager from October 1, 2008 to September 30, 2010. Compass Energy has been selected as the new supplier and program manager for the period from October 1, 2010 through March 31, 2013. There are currently 143 participants in the program including the South Euclid-Lyndhurst City School District. The participants make monthly payments based on estimated usage. Each September, these estimated payments are compared to their actual usage for the year (July to June). Districts that paid more in estimated billings than their actual billings are issued credits on future billings beginning in September until the credits are exhausted and districts that did not pay enough on estimated billings are invoiced for the difference on the September monthly estimated billing.

South Euclid-Lyndhurst City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

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 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 19 – Joint Venture

On July 1, 2010, the YMCA of Greater Cleveland assumed operational control of South Euclid Lyndhurst Recreation Commission (SELREC). The YMCA assumed financial control of SELREC on October 1, 2010. On October 31, 2010, SELREC had a negative fund balance of \$168,907 on the books of the former fiscal agent. The South Euclid City School District contributed \$138,376 and the City of South Euclid contributed \$30,531 of the remaining negative fund balance to cover the deficit.

Note 20 – 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 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, 2011.

Note 22 – Interfund Transfers and Balances

Interfund Transfers

The general fund transferred \$510,000 to the nonmajor other governmental funds. The transfers were made to support the activities of the funds.

South Euclid-Lyndhurst City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

Interfund Balances

Interfund balances at June 30, 2011, consist of the following individual fund receivables and payables:

<u>Interfund Payable</u>	<u>Interfund Receivable</u>
	<u>General Fund</u>
Nonmajor Governmental Funds	
IDEA - B Grant	\$37,000
Miscellaneous Federal Grants	65,000
Title I Grant	31,500
Preschool Grant	10,000
Title II-A	7,000
	<u> </u>
Total	<u><u>\$150,500</u></u>

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

Note 22 – Subsequent Event

On November 15, 2011, the School District paid off the energy conservation bond anticipation note in the amount of \$250,000.

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

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2011**

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE					
<i>Passed Through Ohio Department of Education:</i>					
Child Nutrition Cluster					
National School Breakfast Program	10.553	\$205,096	\$0	\$205,096	\$0
National School Lunch Program	10.555	718,198	74,910	718,198	74,910
Total Child Nutrition Cluster		923,294	74,910	923,294	74,910
Total U.S. Department of Agriculture		923,294	74,910	923,294	74,910
U.S. DEPARTMENT OF EDUCATION					
<i>Passed Through Ohio Department of Education:</i>					
Special Education Cluster					
Special Education Grants - FY 2010	84.027	125,123	0	130,835	0
Special Education Grants - FY 2011	84.027	890,575	0	882,827	
ARRA - Special Education Grants - FY 2010	84.391	25,172		26,066	
ARRA - Special Education Grants - FY 2011	84.391	651,459	0	652,413	0
Subtotal Special Education Grants		1,692,329	0	1,692,141	0
Preschool Grant - FY 2010	84.173	23,206	0	32,829	0
ARRA - Preschool Grant - FY 2011	84.392	21,428	0	20,428	0
Subtotal Preschool Grant		44,634	0	53,257	0
Total Special Education Cluster		1,736,963	0	1,745,398	0
Safe and Drug-Free Schools and Communities - State Grants - FY 2010	84.186	3,000	0	0	0
Safe and Drug-Free Schools and Communities - State Grants - FY 2011	84.186	9,750	0	9,750	0
		12,750	0	9,750	0
Title I, Part A Cluster					
Title I Grants to Local Education Agencies - FY 2010	84.010	150,834	0	160,553	0
Title I Grants to Local Education Agencies - FY 2011	84.010	583,114	0	598,929	0
ARRA - Title I Grants to Local Education Agencies - FY 2010	84.389	14,497	0	16,144	0
ARRA - Title I Grants to Local Education Agencies - FY 2011	84.389	233,482	0	235,972	0
Total Title I, Part A Cluster		981,927	0	1,011,598	0
Twenty First Century Community Learning Center - FY 2010	84.287	72,385	0	63,974	0
Twenty First Century Community Learning Center - FY 2011	84.287	102,132	0	106,173	0
Total Twenty First Century Community Learning Center		174,517	0	170,147	0
Educational Technology - FY 2010	84.318	4,880	0	4,971	0
Educational Technology - FY 2011	84.318	214	0	155	0
Total Educational Technology		5,094	0	5,126	0
English Language Acquisition Grants - FY 2010	84.365	325	0	0	0
English Language Acquisition Grants - FY 2011	84.365	7,120	0	1,827	0
Total English Language Acquisition Grants		7,445	0	1,827	0
Improving Teacher Quality - FY 2010	84.367	170,971	0	175,607	0
School Improvement Grants - FY 2011	84.377	18,440	0	18,440	0
ARRA - State Fiscal Stabilization Fund - FY 2010	84.394	4,403	0	332,407	0
ARRA - State Fiscal Stabilization Fund - FY 2011	84.394	551,035	0	537,857	0
Total State Fiscal Stabilization Fund		555,438	0	870,264	0
ARRA - Race to the Top	84.395	24,209	0	23,109	0
Total U.S. Department of Education		3,687,754	0	4,031,266	0
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities:</i>					
Medicaid Assistance Program (CAFS)	93.778	139,545	0	0	0
Total U.S. Department of Health and Human Services		139,545	0	0	0
U.S. INSTITUTE OF MUSEUM AND LIBRARY SERVICES					
<i>Passed Through the Ohio State Library Board:</i>					
Services to Youth Program - FY 2010	45.310	0	0	11,250	0
Total U.S. Institute of Museum and Library Services		0	0	11,250	0
Total Federal Assistance		<u>\$4,750,593</u>	<u>\$74,910</u>	<u>\$4,965,810</u>	<u>\$74,910</u>

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

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

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2011**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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

NOTE D – COMMUNITY ALTERNATIVE FUNDING SYSTEM (CAFS) SETTLEMENT AMOUNTS

The District received \$139,545 in CAFS reimbursement. These amounts relate to settlements for CAFS services provided during prior years.



Dave Yost • 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, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 12, 2012, wherein we noted the District implemented Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" and restated the June 30, 2010 fund balances of the Governmental Funds due to a change in fund structure. 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 the purpose of expressing our opinions on the financial statements, but not for the purpose of opining 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

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 matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated March 12, 2012.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

March 12, 2012



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY 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 (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 could directly and materially affect each of the South Euclid-Lyndhurst City School District's major federal programs for the year ended June 30, 2011. 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 opine on the District's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the 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 these 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 these requirements.

In our opinion, the South Euclid-Lyndhurst City School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

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, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, 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 members of management, the Board of Education, others within the District, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Dave Yost
Auditor of State

March 12, 2012

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A - 133 § .505
JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	<p>Special Education Cluster: Special Ed. – Grants to States – CFDA# 84.027, 84.391 (ARRA), Special Ed.-Preschool Grants CFDA# 84.173, 84.392 (ARRA)</p> <p>Title I, Part A Cluster: Title I Grants to LEA – CFDA# 84.010, 84.389 (ARRA)</p> <p>State Fiscal Stabilization Fund (ARRA) CFDA# 84.394</p> <p>Child Nutrition Cluster: National School Lunch Program CFDA# 10.555 National School Breakfast Program CFDA# 10.553</p>
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011**

(CONTINUED)

**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



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

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

1. We noted the Board amended its anti-harassment policy at its meeting on March 22, 2011 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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 of Education and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

March 12, 2012

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Dave Yost • 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 29, 2012**