

South Euclid-Lyndhurst City School District

**Basic Financial Statements
June 30, 2014**



Dave Yost • Auditor of State

Board of Education
South Euclid-Lyndhurst City School District
5044 Mayfield Road
Lyndhurst, Ohio 44124

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

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

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

Dave Yost
Auditor of State

March 26, 2015

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South Euclid-Lyndhurst City School District

For the Year Ended June 30, 2014

<u>Table of Contents</u>	<u>Page</u>
Independent Auditor’s Report.....	1
Management’s Discussion and Analysis.....	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	12
Statement of Activities	13
Fund Financial Statements:	
Balance Sheet – Governmental Funds	14
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	15
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget (Non-GAAP Budgetary Basis) and Actual – General Fund	18
Statement of Fiduciary Assets and Liabilities – Agency Funds	19
Notes to Basic Financial Statements	20
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	47
Independent Auditor’s Report on for Each Major Federal Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133	49
Schedule of Expenditures of Federal Awards	52
Notes to the Schedule of Expenditures of Federal Awards	53
Schedule of Findings	54
Corrective Action Plan.....	56
Schedule of Prior Audit Findings.....	57

Independent Auditor's Report

Board of Education
South Euclid-Lyndhurst City School District
Lyndhurst, Ohio

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 District, as of June 30, 2014, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting 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 assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2014, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Cini & Paricki, Inc.

Cleveland, Ohio
December 30, 2014

South Euclid-Lyndhurst City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
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, 2014. 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 2014 are as follows:

- Net position decreased in fiscal year 2014 primarily due to the write-off of \$13,181,517 of delinquent property taxes. The reduction in delinquent property taxes was a result of a local foundation being ruled largely tax exempt.
- Program expenses increased due to a 9.05 percent increase in healthcare premium costs, as well as small increases in salaries and staffing levels.
- The School District's enrollment decreased from 3,954 students in fiscal year 2013 to 3,695 students in fiscal year 2014.
- 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 Position 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.

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the 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 2014?" The Statement of Net Position and the Statement of Activities answer this question. These statements include *all assets and deferred outflows of resources and liabilities and deferred inflows of resources* 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, 2014

Unaudited

These two statements report the School District's *net position* and changes in net position. This change in net position 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 Position and the Statement of Activities, Governmental Activities include the School District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities and non-instructional services.

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

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

South Euclid-Lyndhurst City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

The School District as a Whole

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for fiscal year 2014 compared to fiscal year 2013.

(Table 1)
Net Position

	Governmental Activities		
	2014	2013	Change
Assets			
Current and Other Assets	\$66,277,967	\$78,319,660	(\$12,041,693)
Capital Assets, Net	19,298,683	20,004,990	(706,307)
<i>Total Assets</i>	<u>85,576,650</u>	<u>98,324,650</u>	<u>(12,748,000)</u>
Deferred Outflows of Resources	<u>83,050</u>	<u>99,660</u>	<u>(16,610)</u>
Liabilities			
Current Liabilities	11,144,907	12,219,360	1,074,453
Long Term Liabilities:			
Due Within One Year	2,279,912	1,514,748	(765,164)
Due in More than One Year	6,924,094	7,766,869	842,775
<i>Total Liabilities</i>	<u>20,348,913</u>	<u>21,500,977</u>	<u>1,152,064</u>
Deferred Inflows of Resources	<u>35,313,757</u>	<u>36,196,621</u>	<u>882,864</u>
Net Position			
Net Investment in Capital Assets	9,846,923	8,651,990	1,194,933
Restricted:			
Capital Projects	1,941,590	2,616,899	(675,309)
Debt Service	679,837	1,127,698	(447,861)
Other Purposes	1,398,102	732,262	665,840
Unrestricted	<u>16,130,578</u>	<u>27,597,863</u>	<u>(11,467,285)</u>
<i>Total Net Position</i>	<u>\$29,997,030</u>	<u>\$40,726,712</u>	<u>(\$10,729,682)</u>

The overall decrease in net position is attributable to a large reduction in delinquent property taxes resulting from a local foundation being ruled largely tax exempt. The write-off of delinquent property taxes is reported as a special item in the statement of activities. Despite the decrease in overall net position, 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. Management is ever cognizant of the costs of providing a quality education.

Total current assets decreased during fiscal year 2014 due to the decrease in property taxes receivable as mentioned above. The small decrease in capital assets was due to current year depreciation and capital asset deletions outpacing capital asset additions. Total liabilities decreased during fiscal year 2014 primarily due to annual payments on the School District's short-term notes payable and long-term general obligation bonds.

South Euclid-Lyndhurst City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Table 2 shows the change in net position for fiscal years 2014 and 2013.

Table 2			
Changes in Net Position			
Governmental Activities			
	2014	2013	Change
Program Revenues			
Charges for Services and Sales	\$2,792,492	\$2,834,813	(\$42,321)
Operating Grants, Contributions and Interest	6,187,909	4,977,210	1,210,699
Capital Grants	287,525	291,994	(4,469)
<i>Total Program Revenues</i>	9,267,926	8,104,017	1,163,909
General Revenues			
Property Taxes	44,780,229	48,506,024	(3,725,795)
Grants and Entitlements	12,788,165	12,382,597	405,568
Unrestricted Contributions	300	0	300
Investment Earnings	72,155	58,000	14,155
Payment in Lieu of Taxes	169,727	504,000	(334,273)
Gain from Sale of Capital Assets	14,250	0	14,250
Miscellaneous	1,036,450	1,140,383	(103,933)
<i>Total General Revenues</i>	58,861,276	62,591,004	(3,729,728)
<i>Total Revenues</i>	68,129,202	70,695,021	(2,565,819)
Program Expenses			
Instruction	36,599,799	33,470,677	(3,129,122)
Support Services			
Pupil	4,093,163	3,910,788	(182,375)
Instructional Staff	1,099,594	1,400,180	300,586
Board of Education	300,174	300,257	83
Administration	4,010,492	3,682,777	(327,715)
Fiscal	2,384,497	2,161,272	(223,225)
Business	413,786	370,513	(43,273)
Operation and Maintenance of Plant	6,707,862	6,475,862	(232,000)
Pupil Transportation	3,193,223	3,228,468	35,245
Central	1,978,832	1,107,059	(871,773)
Food Service Operations	1,868,647	1,760,333	(108,314)
Other Non-Instructional Services	1,151,622	1,107,955	(43,667)
Extracurricular Activities	1,479,715	1,213,687	(266,028)
Interest and Fiscal Charges	395,961	620,172	224,211
<i>Total Program Expenses</i>	65,677,367	60,810,000	(4,867,367)
<i>Excess of Revenues Over (Under) Expenses</i>	2,451,835	9,885,021	(7,433,186)
Special Item			
Write-off of Delinquent Property Taxes	(13,181,517)	0	(13,181,517)
<i>Change in Net Position</i>	(10,729,682)	9,885,021	(20,614,703)
Net Position Beginning of Year	40,726,712	30,841,691	9,885,021
Net Position End of Year	\$29,997,030	\$40,726,712	(\$10,729,682)

South Euclid-Lyndhurst City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Governmental Activities

While program revenues increased for governmental activities in fiscal year 2014 as a result of more operating grant funding, the vast majority of revenues supporting governmental activities are general revenues. General revenues decreased in fiscal year 2014 primarily due to a decrease in property taxes. The decrease in property taxes was due to the School District's receiving settlement delinquencies from a local foundation in fiscal year 2013, which did not occur in fiscal year 2014, and to the timing of when tax bills were sent by the County.

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 2014.

Program expenses increased in fiscal year 2014 primarily due to increases in healthcare premium costs, salaries, and staffing levels from the previous fiscal year.

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 2014	Net Cost of Services 2014	Total Cost of Services 2013	Net Cost of Services 2013
Instruction	\$36,599,799	(\$31,942,696)	\$33,470,677	(\$30,170,595)
Support Services:				
Pupil and Instructional Staff	5,192,757	(4,774,487)	5,310,968	(4,705,664)
Board of Education, Administration, Fiscal and Business	7,108,949	(6,797,893)	6,514,819	(6,235,889)
Operation and Maintenance of Plant	6,707,862	(6,178,662)	6,475,862	(5,945,171)
Pupil Transportation	3,193,223	(2,926,362)	3,228,468	(2,813,462)
Central	1,978,832	(1,907,810)	1,107,059	(1,057,289)
Operation of Non-Instructional Services	3,020,269	(235,119)	2,868,288	(173,130)
Extracurricular Activities	1,479,715	(1,250,451)	1,213,687	(984,611)
Interest and Fiscal Charges	395,961	(395,961)	620,172	(620,172)
Total Expenses	<u>\$65,677,367</u>	<u>(\$56,409,441)</u>	<u>\$60,810,000</u>	<u>(\$52,705,983)</u>

South Euclid-Lyndhurst City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

The School District's Funds

Information about the School District's major funds begins with the balance sheet. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$68,279,388 and expenditures of \$65,581,409. The total fund balance for all governmental funds increased in fiscal year 2014, because revenues continued to outpace expenditures, despite the increase in expenditures and the slight decrease in revenues. The increase in expenditures was primarily a result of increased expenditures for instruction caused by increases in healthcare premium costs, salaries, and staffing levels from the previous fiscal year. The community as a whole is by far the primary support for the South Euclid-Lyndhurst City School District's students.

Despite a small decrease in revenues and an increase in expenditures, the general fund balance increased from the previous fiscal year, because revenues continued to exceed expenditures. The increase in expenditures was mainly a result of an increase in instruction expenditures due to increased healthcare premium costs, salaries, and staffing levels from the previous fiscal year.

The permanent improvement capital projects fund balance increased from the prior fiscal year, because revenues exceeded expenditures, despite an increase in expenditures, primarily capital outlay expenditures, and a small decrease in revenues from the prior fiscal year.

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 2014, 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 estimated property taxes and an increase in intergovernmental revenues as the School District received notifications of current year grant awards and changes in State aid were finalized.

For the general fund, final budget basis expenditures were higher than the original budget basis expenditures mainly due to increases in estimated expenditures for instruction and for operation and maintenance of plant.

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, 2014
Unaudited

Capital Assets

Table 4 shows fiscal year 2014 balances compared to fiscal year 2013 balances.

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

	2014	2013	Change
Land	\$660,393	\$660,393	\$0
Construction in Progress	0	448,880	(448,880)
Buildings and Improvements	16,157,436	16,362,020	(204,584)
Furniture and Equipment	1,229,857	1,366,731	(136,874)
Vehicles	1,250,997	1,166,966	84,031
Total	\$19,298,683	\$20,004,990	(\$706,307)

The decrease in capital assets is due to current year depreciation and capital asset deletions exceeding capital asset additions. In fiscal year 2014, capital asset additions included buildings and improvements and the purchase of various furniture and equipment and vehicles. For additional information, see Note 10.

Senate Bill 345 requires school districts to set aside certain general fund revenues for the purpose of capital improvements. For fiscal year 2014, this amounted to \$642,439. Please see Note 14 for additional information regarding set-asides.

Debt

Table 5 summarizes the outstanding debt.

(Table 5)
Outstanding Debt at Fiscal Year End

	2014	2013	Change
School Improvement Refunding Bonds - 2006	\$4,434,810	\$5,232,772	(\$797,962)
Tax Anticipation Note - 2007	4,632,101	5,675,475	(1,043,374)
Energy Conservation Note	615,000	685,000	(70,000)
Total Debt	\$9,681,911	\$11,593,247	(\$1,911,336)

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

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

South Euclid-Lyndhurst City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

On August 7, 2013, the School District issued \$615,000 in bond anticipation notes for the purpose of updating school buildings to conserve energy. The notes mature on August 7, 2014, and carry an interest rate of 0.88 percent.

Please see Notes 15 and 16 for additional information.

Current Financial Related Activities

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 year to year.

Unfortunately, the South Euclid-Lyndhurst City School District, like many in Ohio, must rely heavily on its property tax payers to support its operations. Approximately 72 percent of general fund revenue is received from property taxes paid by residents and business owners. Fortunately, the community has been extremely supportive of the School District and has approved continuing operating levies in 1978, 1982, 1986, 1991, 1994, 1998, 2001, 2005, 2008, and again in 2012.

By a considerable margin residents passed a 5.9 mill continuing operating levy on November 6, 2012, which is expected to generate about \$4.4 million (after allowance for delinquencies) annually beginning in calendar year 2013. The Board of Education has vowed not to be on the ballot again until at least November 2016.

Current financial projections suggest that unless something drastic were to change within the projections for fiscal years 2014, 2015 and 2016, the School District will not be on the ballot until at least May 2017.

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.

Basic Financial Statements

South Euclid-Lyndhurst City School District

Statement of Net Position

June 30, 2014

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$17,510,983
Accounts Receivable	46,404
Accrued Interest Receivable	14,285
Intergovernmental Receivable	1,203,151
Materials and Supplies Inventory	28,588
Inventory Held for Resale	22,689
Property Taxes Receivable	47,451,867
Non-depreciable Capital Assets	660,393
Depreciable Capital Assets, Net	<u>18,638,290</u>
<i>Total Assets</i>	<u>85,576,650</u>
Deferred Outflows of Resources	
Deferred Charge on Refunding	<u>83,050</u>
Liabilities	
Accounts Payable	479,333
Accrued Wages and Benefits	4,471,923
Intergovernmental Payable	1,283,805
Matured Compensated Absences Payable	168,600
Accrued Interest Payable	39,145
Notes Payable	4,702,101
Long-Term Liabilities:	
Due Within One Year	2,279,912
Due In More Than One Year	<u>6,924,094</u>
<i>Total Liabilities</i>	<u>20,348,913</u>
Deferred Inflows of Resources	
Property Taxes	<u>35,313,757</u>
Net Position	
Net Investment in Capital Assets	9,846,923
Restricted for:	
Capital Outlay	1,941,590
Debt Service	679,837
Reading Programs	49,972
Athletics and Music	98,655
Auxiliary Services	144,783
Title I	426,533
Unclaimed Monies	31,168
Other Purposes	646,991
Unrestricted	<u>16,130,578</u>
<i>Total Net Position</i>	<u><u>\$29,997,030</u></u>

See accompanying notes to the basic financial statements

South Euclid-Lyndhurst City School District

Statement of Activities

For the Fiscal Year Ended June 30, 2014

	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest		
Governmental Activities					
Instruction:					
Regular	\$24,497,727	\$896,205	\$648,199	\$0	(\$22,953,323)
Special	9,847,049	302,369	2,647,915	0	(6,896,765)
Vocational	2,255,023	79,542	82,873	0	(2,092,608)
Support Services:					
Pupil	4,093,163	142,916	26,232	0	(3,924,015)
Instructional Staff	1,099,594	30,609	218,513	0	(850,472)
Board of Education	300,174	10,596	0	0	(289,578)
Administration	4,010,492	139,088	61,867	0	(3,809,537)
Fiscal	2,384,497	84,971	0	0	(2,299,526)
Business	413,786	14,534	0	0	(399,252)
Operation and Maintenance of Plant	6,707,862	241,675	0	287,525	(6,178,662)
Pupil Transportation	3,193,223	102,824	164,037	0	(2,926,362)
Central	1,978,832	55,986	15,036	0	(1,907,810)
Operation of Non-Instructional Services:					
Food Service Operations	1,868,647	465,426	1,169,800	0	(233,421)
Other Non-Instructional Services	1,151,622	229	1,149,695	0	(1,698)
Extracurricular Activities	1,479,715	225,522	3,742	0	(1,250,451)
Interest and Fiscal Charges	395,961	0	0	0	(395,961)
Totals	<u>\$65,677,367</u>	<u>\$2,792,492</u>	<u>\$6,187,909</u>	<u>\$287,525</u>	<u>(56,409,441)</u>
General Revenues					
Property Taxes Levied for:					
General Purposes					43,296,705
Debt Service					388,201
Capital Projects					1,095,323
Grants and Entitlements not Restricted to Specific Programs					12,788,165
Unrestricted Contributions					300
Investment Earnings					72,155
Payment in Lieu of Taxes					169,727
Gain from Sale of Capital Assets					14,250
Miscellaneous					1,036,450
Total General Revenues					<u>58,861,276</u>
Special Item - Write-off of Delinquent Property Taxes					<u>(13,181,517)</u>
Total General Revenues and Special Item					<u>45,679,759</u>
Change in Net Position					(10,729,682)
Net Position Beginning of Year					<u>40,726,712</u>
Net Position End of Year					<u>\$29,997,030</u>

See accompanying notes to the basic financial statements

South Euclid-Lyndhurst City School District

Balance Sheet

Governmental Funds

June 30, 2014

	<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	\$14,463,534	\$1,384,106	\$1,632,175	\$17,479,815
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	31,168	0	0	31,168
Accounts Receivable	46,404	0	0	46,404
Accrued Interest Receivable	14,285	0	0	14,285
Intergovernmental Receivable	269,070	0	934,081	1,203,151
Materials and Supplies Inventory	27,470	0	1,118	28,588
Inventory Held for Resale	0	0	22,689	22,689
Interfund Receivable	14,000	0	0	14,000
Property Taxes Receivable	44,858,630	1,806,431	786,806	47,451,867
<i>Total Assets</i>	<u>\$59,724,561</u>	<u>\$3,190,537</u>	<u>\$3,376,869</u>	<u>\$66,291,967</u>
Liabilities				
Accounts Payable	\$424,760	\$0	\$54,573	\$479,333
Accrued Wages and Benefits	4,308,834	0	163,089	4,471,923
Intergovernmental Payable	1,223,601	0	60,204	1,283,805
Matured Compensated Absences Payable	168,600	0	0	168,600
Interfund Payable	0	0	14,000	14,000
Accrued Interest Payable	0	17,813	0	17,813
Notes Payable	0	4,632,101	70,000	4,702,101
<i>Total Liabilities</i>	<u>6,125,795</u>	<u>4,649,914</u>	<u>361,866</u>	<u>11,137,575</u>
Deferred Inflows of Resources				
Property Taxes	33,378,938	1,332,224	602,595	35,313,757
Unavailable Revenue	3,843,766	154,084	940,572	4,938,422
<i>Total Deferred Inflows of Resources</i>	<u>37,222,704</u>	<u>1,486,308</u>	<u>1,543,167</u>	<u>40,252,179</u>
Fund Balances				
Nonspendable	58,638	0	1,118	59,756
Restricted	0	0	1,542,624	1,542,624
Committed	365,579	0	0	365,579
Assigned	3,088,272	0	0	3,088,272
Unassigned (Deficit)	12,863,573	(2,945,685)	(71,906)	9,845,982
<i>Total Fund Balances (Deficit)</i>	<u>16,376,062</u>	<u>(2,945,685)</u>	<u>1,471,836</u>	<u>14,902,213</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$59,724,561</u>	<u>\$3,190,537</u>	<u>\$3,376,869</u>	<u>\$66,291,967</u>

See accompanying notes to the basic financial statements

South Euclid-Lyndhurst City School District
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities*
 June 30, 2014

Total Governmental Fund Balances	\$14,902,213
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*Amounts reported for governmental activities in the
 statement of net position are different because:*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	19,298,683
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Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds:

Delinquent Property Taxes	3,944,036	
Grants	994,386	
	994,386	

Total	4,938,422
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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.	(21,332)
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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	(4,434,810)	
Energy Conservation Note	(545,000)	
Compensated Absences	(4,224,196)	
Deferred Charge on Refunding	83,050	
	83,050	

Total	(9,120,956)
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<i>Net Position of Governmental Activities</i>	\$29,997,030
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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, 2014

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$43,215,050	\$1,722,745	\$655,257	\$45,593,052
Intergovernmental	13,902,850	287,525	4,326,305	18,516,680
Interest	72,155	0	98	72,253
Tuition and Fees	2,033,326	0	173	2,033,499
Extracurricular Activities	89,779	0	106,346	196,125
Contributions and Donations	300	0	98,434	98,734
Charges for Services	81,632	0	465,426	547,058
Rentals	15,810	0	0	15,810
Payments in Lieu of Taxes	169,727	0	0	169,727
Miscellaneous	938,302	18,100	80,048	1,036,450
<i>Total Revenues</i>	<u>60,518,931</u>	<u>2,028,370</u>	<u>5,732,087</u>	<u>68,279,388</u>
Expenditures				
Current:				
Instruction:				
Regular	22,956,899	0	511,858	23,468,757
Special	8,592,279	0	1,188,798	9,781,077
Vocational	2,256,934	0	273	2,257,207
Support Services:				
Pupil	4,033,547	0	17,023	4,050,570
Instructional Staff	877,851	0	210,874	1,088,725
Board of Education	300,174	0	0	300,174
Administration	3,851,436	0	67,176	3,918,612
Fiscal	2,314,116	0	0	2,314,116
Business	404,682	0	0	404,682
Operation and Maintenance of Plant	6,385,479	0	22,828	6,408,307
Pupil Transportation	2,815,023	0	0	2,815,023
Central	1,738,187	0	21,661	1,759,848
Operation of Non-Instructional Services:				
Food Service Operations	0	0	1,819,291	1,819,291
Other Non-Instructional Services	6,500	0	1,082,313	1,088,813
Extracurricular Activities	934,822	0	242,539	1,177,361
Capital Outlay	46,733	1,085,452	0	1,132,185
Debt Service:				
Principal Retirement	0	0	1,385,000	1,385,000
Interest and Fiscal Charges	0	192,126	219,535	411,661
<i>Total Expenditures</i>	<u>57,514,662</u>	<u>1,277,578</u>	<u>6,789,169</u>	<u>65,581,409</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>3,004,269</u>	<u>750,792</u>	<u>(1,057,082)</u>	<u>2,697,979</u>
Other Financing Sources (Uses)				
Energy Conservation Notes Issued	0	0	545,000	545,000
Proceeds from Sale of Capital Assets	14,250	0	0	14,250
Transfers In	0	250,000	401,500	651,500
Transfers Out	(651,500)	0	0	(651,500)
<i>Total Other Financing Sources (Uses)</i>	<u>(637,250)</u>	<u>250,000</u>	<u>946,500</u>	<u>559,250</u>
<i>Net Change in Fund Balances</i>	2,367,019	1,000,792	(110,582)	3,257,229
<i>Fund Balances (Deficit) Beginning of Year</i>	<u>14,009,043</u>	<u>(3,946,477)</u>	<u>1,582,418</u>	<u>11,644,984</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>\$16,376,062</u>	<u>(\$2,945,685)</u>	<u>\$1,471,836</u>	<u>\$14,902,213</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, 2014*

Net Change in Fund Balances - Total Governmental Funds \$3,257,229

*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 outlay in the current period:

Capital Asset Additions	778,848	
Current Year Depreciation	(1,336,206)	
Total		(557,358)

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (148,949)

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

Property Taxes	(812,823)	
Special Item - Write-off of Delinquent Property Taxes	(13,181,517)	
Intergovernmental	648,387	
Total		(13,345,953)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 1,385,000

Other financing sources in the governmental funds, such as notes issued, increase long-term liabilities in the statement of net position. (545,000)

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	4,348	
Amortization of Bond Premium	27,962	
Amortization of Deferred Charge on Refunding	(16,610)	
Total		15,700

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. (790,351)

Change in Net Position of Governmental Activities (\$10,729,682)

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, 2014

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property Taxes	\$40,070,613	\$41,302,000	\$41,332,202	\$30,202
Intergovernmental	13,353,093	13,754,750	13,917,631	162,881
Interest	65,973	68,000	68,707	707
Tuition and Fees	1,941,595	2,001,261	2,032,975	31,714
Extracurricular Activities	85,376	88,000	89,779	1,779
Charges for Services	46,568	48,000	81,582	33,582
Rentals	14,910	14,910	14,910	0
Payment in Lieu of Taxes	155,230	160,000	169,727	9,727
Miscellaneous	826,733	851,593	933,277	81,684
<i>Total Revenues</i>	<u>56,560,091</u>	<u>58,288,514</u>	<u>58,640,790</u>	<u>352,276</u>
Expenditures				
Current:				
Instruction:				
Regular	22,468,206	23,475,507	22,906,567	568,940
Special	8,769,628	9,162,791	8,861,812	300,979
Vocational	2,370,165	2,476,425	2,270,683	205,742
Support Services:				
Pupil	4,061,086	4,243,154	4,099,425	143,729
Instructional Staff	1,024,049	1,068,562	916,725	151,837
Board of Education	1,088,098	1,136,880	357,687	779,193
Administration	3,795,228	3,965,377	3,837,140	128,237
Fiscal	2,394,983	2,502,356	2,409,318	93,038
Business	442,232	462,058	417,696	44,362
Operation and Maintenance of Plant	6,562,869	6,857,098	6,592,271	264,827
Pupil Transportation	2,971,873	3,105,109	2,945,368	159,741
Central	1,790,719	1,871,001	1,769,194	101,807
Operation of Non-Instructional Services	6,221	6,500	6,500	0
Extracurricular Activities	1,139,176	1,197,748	950,371	247,377
Capital Outlay	33,020	34,500	27,900	6,600
<i>Total Expenditures</i>	<u>58,917,553</u>	<u>61,565,066</u>	<u>58,368,657</u>	<u>3,196,409</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(2,357,462)</u>	<u>(3,276,552)</u>	<u>272,133</u>	<u>3,548,685</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	102,000	102,000	14,250	(87,750)
Advances In	78,000	78,000	78,000	0
Advances Out	(125,000)	(21,000)	(14,000)	7,000
Transfers Out	(134,173)	(701,673)	(701,500)	173
<i>Total Other Financing Sources (Uses)</i>	<u>(79,173)</u>	<u>(542,673)</u>	<u>(623,250)</u>	<u>(80,577)</u>
<i>Net Change in Fund Balance</i>	<u>(2,436,635)</u>	<u>(3,819,225)</u>	<u>(351,117)</u>	<u>3,468,108</u>
<i>Fund Balance Beginning of Year</i>	12,945,877	12,945,877	12,945,877	0
Prior Year Encumbrances Appropriated	636,658	636,658	636,658	0
<i>Fund Balance End of Year</i>	<u>\$11,145,900</u>	<u>\$9,763,310</u>	<u>\$13,231,418</u>	<u>\$3,468,108</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, 2014

Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$98,996</u>
Liabilities	
Undistributed Monies	\$1,551
Due to Students	<u>97,445</u>
<i>Total Liabilities</i>	<u>\$98,996</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, 2014*

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 232 classified and 300 certificated personnel who provide services to 3,695 students and other community members.

Reporting Entity

A reporting entity is composed 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, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The School District does not have any component units.

The School District participates in two jointly governed organizations and two public entity pools. These organizations are the North Coast Council, Ohio Schools Council, Ohio School Boards Association Workers' Compensation Group Rating Program, and Suburban Health Consortium. These organizations are presented in Notes 17 and 18 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 more significant of the School District's accounting policies are described below.

Basis of Presentation

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

South Euclid-Lyndhurst City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

Government-wide Financial Statements The statement of net position 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 position 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 and deferred inflows of resources 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.

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.

South Euclid-Lyndhurst City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

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

Measurement Focus

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

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 deferred outflows of resources and current liabilities and deferred inflows of resources 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 inflows of resources, and in the presentation of expenses versus expenditures.

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in

South Euclid-Lyndhurst City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

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 Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources include a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

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.

South Euclid-Lyndhurst City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

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

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues by fund. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

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 2014, 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 net asset value per share, which is the price the investment could be sold for on June 30, 2014.

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 2014 amounted to \$72,155 which includes \$12,348 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.

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 14 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, 2014

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 position 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 position.

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 the highest level formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District

South Euclid-Lyndhurst City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

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

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. These amounts are assigned by the School District Board of Education. In the general fund, assigned amounts represent intended uses established by the School District Board of Education, delegated that authority by State statute. State statute authorizes the Treasurer to assign fund balance purchases on order provided such amounts have been lawfully appropriated. The Board of Education assigned fund balance for public school support and stadium funds and to cover a gap between estimated revenue and appropriations in fiscal year 2015's budget.

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.

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 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.

Deferred Charge 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 the 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 and is presented as deferred outflows of resources on the statement of net position.

Compensated Absences

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

South Euclid-Lyndhurst City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

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 10 years of current service with the School District and attaining the age of 40.

The entire compensated absence liability is reported on the government-wide financial statements.

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund or funds from which the employees who have accumulated the leave are paid.

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 and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for the payment during the current fiscal year. Bonds are recognized as a liability on the fund financial statements when due.

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets 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 position is 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 adopted by the School District. Net position 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 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 position 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.

South Euclid-Lyndhurst City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

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 School District and that are unusual in nature or infrequent in occurrence. During fiscal year 2014, the School District wrote off property taxes receivable of \$13,181,517 due to significant decrease in delinquent property taxes resulting from a local foundation being ruled largely tax exempt. This transaction was recorded as a special item.

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 – Accountability

At June 30, 2014, the following funds have deficit balances:

Major Fund:	
Capital Projects Fund:	
Permanent Improvement	\$2,945,685
Nonmajor Funds:	
Special Revenue Funds:	
Alternative School Grant	6,079
Title VI-B	40,993
Title I	24,834

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 deficit in the capital projects fund is 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 4 – 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

South Euclid-Lyndhurst City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Advances-In and Advances-Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
3. Unrecorded cash represents amounts received but not included as revenue on the budgetary statements, but is reported on the operating statements prepared using GAAP.
4. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
5. Budgetary revenues and expenditures of the public school support and stadium funds are classified to general fund for GAAP Reporting.
6. Encumbrances are treated as expenditures (budget basis) rather than as restricted, committed or assigned fund balance (GAAP basis).

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	\$2,367,019
Net Adjustment for Revenue Accruals	(1,793,139)
Advances In	78,000
Beginning Unrecorded Cash	2,564
Ending Unrecorded Cash	(3,572)
Net Adjustment for Expenditure Accruals	98,325
Perspective Difference:	
Public School Support	3,333
Stadium Funds	(31,767)
Advances Out	(14,000)
Encumbrances	(1,057,880)
Budget Basis	<u><u>(\$351,117)</u></u>

South Euclid-Lyndhurst City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

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 government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Permanent Improvement	Nonmajor Governmental Funds	Total
<i>Nonspendable:</i>				
Unclaimed Monies	\$31,168	\$0	\$0	\$31,168
Materials and Supplies Inventory	27,470	0	1,118	28,588
Total Nonspendable	58,638	0	1,118	59,756
<i>Restricted for:</i>				
Food Service	0	0	64,033	64,033
Scholarships	0	0	49,972	49,972
Leadership/Intern Programs	0	0	289,682	289,682
Athletics	0	0	98,655	98,655
Non-Public Schools	0	0	144,783	144,783
Technology Improvements	0	0	1,969	1,969
Teacher Development	0	0	5,473	5,473
Reading Programs	0	0	1,672	1,672
Student Development	0	0	1,853	1,853
English Proficiency	0	0	22,821	22,821
Preschool Education	0	0	564	564
Instructional Services	0	0	14,467	14,467
Education Reform	0	0	27,176	27,176
Capital Projects	0	0	13,277	13,277
Debt Service	0	0	806,227	806,227
Total Restricted	0	0	1,542,624	1,542,624
<i>Committed to:</i>				
Educational Service Center Services	215,197	0	0	215,197
Communication Services	1,236	0	0	1,236
Special Education	86,510	0	0	86,510
Legal Services	52,780	0	0	52,780
Other Purposes	9,856	0	0	9,856
Total Committed	365,579	0	0	365,579
<i>Assigned to:</i>				
Public School Support	85,758	0	0	85,758
Stadium Funds	116,074	0	0	116,074
Purchases on Order	356,440	0	0	356,440
Fiscal Year 2015 Appropriations	2,530,000	0	0	2,530,000
Total Assigned	3,088,272	0	0	3,088,272
<i>Unassigned (Deficit)</i>	12,863,573	(2,945,685)	(71,906)	9,845,982
<i>Total Fund Balances (Deficit)</i>	\$16,376,062	(\$2,945,685)	\$1,471,836	\$14,902,213

South Euclid-Lyndhurst City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

Note 6 – Deposits and Investments

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

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

Inactive deposits are public deposits that the Board has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (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.

South Euclid-Lyndhurst City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

Investments

As of June 30, 2014, the School District investments with STAR Ohio were \$5,338,564 and an average maturity of 51.4 days.

Credit Risk Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. Star Ohio carries a rating of AAAM by Standard and Poor's. The School District has no investment policy that addresses credit risk.

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

Note 7 – Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed value listed as of January 1, 2013, the lien date. Assessed values for real property are established by State law at thirty-five percent of appraised market value. Real property are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2014 represents collections of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien on December 31, 2012, were levied after April 1, 2013, and are collected in 2014 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

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 County by June 30, 2014, are available to finance fiscal year 2014 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2014, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

South Euclid-Lyndhurst City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

The amount available as an advance at June 30, 2014, was \$7,749,565 in the general fund, \$124,355 in the bond retirement debt service fund, and \$320,122 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2013, was \$5,864,792 in the general fund, \$113,920 in the bond retirement debt service fund, and \$272,334 in the permanent improvement capital projects fund.

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

	2013 Second Half Collections		2014 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$764,758,260	98.37 %	\$764,097,700	98.21 %
Public Utility Personal	12,651,090	1.63	13,909,650	1.79
Total	<u>\$777,409,350</u>	<u>100.00 %</u>	<u>\$778,007,350</u>	<u>100.00 %</u>
 Tax rate per \$1,000 of assessed valuation	 \$107.40		 \$107.40	

Note 8 – Receivables

Receivables at June 30, 2014, consisted of taxes, accounts (tuition, rent, and miscellaneous), 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 intergovernmental receivables follows:

Governmental Activities	Amount
Title I Grants	\$522,368
Title VI-B Grant	269,176
Catastrophic Aid Reimbursement	148,328
School Employees Retirement System Refund	113,670
Title II-A Grant	46,235
Federal Nutrition Subsidies	45,178
21st Century Grant	14,603
Title III Grant	13,940
Local Grant	8,187
Medicaid CAFS Reimbursement	7,072
Race to the Top Grant	5,848
Alternative Schools Grant	5,157
Preschool Handicap Grant	3,389
Total Governmental Activities	<u>\$1,203,151</u>

South Euclid-Lyndhurst City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

Note 9 – Risk Management

Insurance

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.

Employee Health Benefits

For fiscal year 2014, the School District was a participant in the Suburban Health Consortium (the “Consortium”) to provide employee health, dental and prescription drug benefits. The Consortium is administered by Medical Mutual. Payments are made to the Consortium for the monthly attachment point, monthly stop-loss premiums, and administrative charges. The fiscal agent of the Consortium is the Orange City School District. The Treasurer of the Orange City School District pays monthly for the actual amount of claims processed, the stop-loss premium and the administrative charges. The entire risk of loss transfers to the Consortium upon payment of the premiums.

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.

Workers’ Compensation

For fiscal year 2014, the School District participated in the Ohio School Boards Association Workers’ Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 18). 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.

South Euclid-Lyndhurst City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

Note 10 – Capital Assets

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

	Balance 6/30/13	Additions	Deletions	Balance 6/30/14
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$660,393	\$0	\$0	\$660,393
Construction in Progress	448,880	0	(448,880)	0
<i>Total Capital Assets, not being depreciated</i>	<u>1,109,273</u>	<u>0</u>	<u>(448,880)</u>	<u>660,393</u>
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	30,512,083	638,252	(638,351)	30,511,984
Furniture and Equipment	7,049,014	285,329	0	7,334,343
Vehicles	3,723,254	304,147	(229,258)	3,798,143
<i>Total Capital Assets, being depreciated</i>	<u>41,284,351</u>	<u>1,227,728</u>	<u>(867,609)</u>	<u>41,644,470</u>
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	(14,150,063)	(693,887)	489,402	(14,354,548)
Furniture and Equipment	(5,682,283)	(422,203)	0	(6,104,486)
Vehicles	(2,556,288)	(220,116)	229,258	(2,547,146)
<i>Total Accumulated Depreciation</i>	<u>(22,388,634)</u>	<u>(1,336,206) *</u>	<u>718,660</u>	<u>(23,006,180)</u>
<i>Total Capital Assets, being depreciated, net</i>	<u>18,895,717</u>	<u>(108,478)</u>	<u>(148,949)</u>	<u>18,638,290</u>
Governmental Activities Capital Assets, Net	<u><u>\$20,004,990</u></u>	<u><u>(\$108,478)</u></u>	<u><u>(\$597,829)</u></u>	<u><u>\$19,298,683</u></u>

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$673,110
Special	15,579
Vocational	1,181
Support Services:	
Pupil	3,534
Instructional Staff	16,973
Administration	8,921
Fiscal	2,414
Business	1,002
Operation and Maintenance of Plant	102,712
Pupil Transportation	205,009
Central	94,761
Operation of Non-Instructional Services:	
Food Service Operations	13,070
Other Non-Instructional Services	62,809
Extracurricular Activities	135,131
Total Depreciation Expense	<u><u>\$1,336,206</u></u>

South Euclid-Lyndhurst City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

Note 11 – 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, 2014, the allocation to pension and death benefits was 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution 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, 2014, 2013 and 2012, were \$1,258,670, \$1,206,031 and \$1,216,163, respectively. For fiscal year 2014, 98.16 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

State Teachers Retirement System

Plan Description – The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement 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.

South Euclid-Lyndhurst City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

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 11 percent for members and 14 percent for employers. The statutory maximum employee contribution rate was increased 1 percent July 1, 2013, and will be increased 1 percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2014, plan members were required to contribute 11 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 \$3,191,110 and \$102,816 for the fiscal year ended June 30, 2014, \$3,097,132 and \$96,866 for the fiscal year ended June 30, 2013, and \$3,259,293 and \$106,826 for the fiscal year ended June 30, 2012. For fiscal year 2014, 83.85 percent has been contributed for the DB plan and 83.85 percent has been contributed for the Combined Plan, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

Contributions made to STRS Ohio for the DC Plan for fiscal year 2014 were \$48,436 made by the School District and \$38,057 made by the plan members. In addition, member contributions of \$80,784 were made for fiscal year 2014 for the defined contribution portion of the Combined Plan.

Note 12 – Post-employment Benefits

School Employees Retirement System

Plan Description – The School District participates in two cost-sharing, multiple-employer defined benefit other post-employment 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, Medicare Advantage, 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 2014, 0.14 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 2014, this amount was \$20,250. During fiscal year 2014, the School District paid \$138,362 in surcharge.

South Euclid-Lyndhurst City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

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, 2014, 2013 and 2012, were \$151,813, \$153,092 and \$195,649, respectively. For fiscal year 2014, 98.16 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013 and 2012, were \$73,022, \$68,127 and \$71,821, respectively. For fiscal year 2014, 98.16 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

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 Ohio 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 2014, 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, 2014, 2013 and 2012, were \$245,470, \$238,241 and \$250,715, respectively. For fiscal year 2014, 83.85 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012. The STRS Ohio Board voted to discontinue the current 1 percent allocation to the health care fund effective July 1, 2014.

Note 13 – 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 10 to 25 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 20 days of vacation annually. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment.

South Euclid-Lyndhurst City School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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 30 percent of their total sick leave accumulation to a maximum of 75 days, teachers receive 30 percent of their total sick leave accumulation to a maximum of 70 days, and administrators receive 30 percent of their total sick leave to a maximum of 86 days.

Life Insurance

The School District provides life insurance and accidental death and dismemberment insurance to most employees administered by Anthem through the Suburban Health Consortium, in the amount of \$60,000 for all certified employees, \$50,000 for classified employees, and \$135,000 for administrators.

Note 14 – 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 acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year end 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 amount for capital acquisitions. Disclosure of this information is required by State statute.

	Capital Improvements
Set-Aside Balance as of June 30, 2013	\$0
Current Year Set-Aside Requirement	642,439
Current Year Offsets	(723,681)
Qualifying Disbursements	(1,359,498)
Totals	<u>(\$1,440,740)</u>
Set-Aside Balance Carried Forward to Future Fiscal Years	<u>\$0</u>
Set-Aside Balance as of June 30, 2014	<u>\$0</u>

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.

South Euclid-Lyndhurst City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

Note 15 – Short-Term Debt

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

	Balance 6/30/2013	Additions	Deletions	Balance 6/30/2014
Permanent Improvement Fund				
Tax Anticipation Note 2007 - 4.0%-5.0%	\$5,490,000	\$0	(\$1,005,000)	\$4,485,000
Unamortized Premium	185,475	0	(38,374)	147,101
Total Tax Anticipation Note	<u>5,675,475</u>	<u>0</u>	<u>(1,043,374)</u>	<u>4,632,101</u>
Building Fund				
Energy Conservation Notes, Series 2012 - 1.125%	70,000	0	(70,000)	0
Energy Conservation Notes, Series 2013 - 0.88%	0	70,000	0	70,000
Total Energy Conservation Notes	<u>70,000</u>	<u>70,000</u>	<u>(70,000)</u>	<u>70,000</u>
<i>Total Short-Term Debt</i>	<u><u>\$5,745,475</u></u>	<u><u>\$70,000</u></u>	<u><u>(\$1,113,374)</u></u>	<u><u>\$4,702,101</u></u>

The energy conservation improvement bond anticipation notes are 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 2014 was \$38,374. Principal and interest payments to retire the tax anticipation notes are as follows:

	Principal	Interest	Total
2015	\$1,050,000	\$192,750	\$1,242,750
2016	1,090,000	144,500	1,234,500
2017	1,145,000	88,625	1,233,625
2018	1,200,000	30,000	1,230,000
	<u>\$4,485,000</u>	<u>\$455,875</u>	<u>\$4,940,875</u>

Note 16 – 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
Energy Conservation Notes, Series 2012	1.125%	615,000	August 15, 2013
Energy Conservation Notes, Series 2013	0.880%	545,000	August 7, 2014

South Euclid-Lyndhurst City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

Changes in long-term obligations of the School District during fiscal year 2014 were as follows:

	Principal Outstanding 6/30/13	Additions	(Reductions)	Principal Outstanding 6/30/14	Amount Due in One Year
Governmental Activities:					
General Obligations Bonds:					
School Improvement Refunding - 2006					
Serial Bonds	\$3,235,000	\$0	(\$770,000)	\$2,465,000	\$795,000
Term Bonds	1,830,000	0	0	1,830,000	0
Unamortized Premium	167,772	0	(27,962)	139,810	0
<i>Total General Obligation Bonds</i>	<u>5,232,772</u>	<u>0</u>	<u>(797,962)</u>	<u>4,434,810</u>	<u>795,000</u>
Energy Conservation Notes, Series 2012	615,000	0	(615,000)	0	0
Energy Conservation Notes, Series 2013	0	545,000	0	545,000	0
<i>Total Energy Conservation Notes</i>	<u>615,000</u>	<u>545,000</u>	<u>(615,000)</u>	<u>545,000</u>	<u>0</u>
Compensated Absences	3,433,845	1,108,071	(317,720)	4,224,196	1,484,912
Total Governmental Activities	<u><u>\$9,281,617</u></u>	<u><u>\$1,653,071</u></u>	<u><u>(\$1,730,682)</u></u>	<u><u>\$9,204,006</u></u>	<u><u>\$2,279,912</u></u>

Energy conservation bond anticipation notes were issued to pay the costs of installations, modifications and the remodeling of school buildings to conserve energy. These notes will be paid from the building fund.

Compensated absences will be paid from the general fund, the food service, local grants, and title I special revenue funds.

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

The serial and term bonds remained outstanding at June 30, 2014.

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.

The School District's overall debt margin was \$66,531,889 with an unvoted debt margin of \$778,007 at June 30, 2014. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2014, are as follows:

South Euclid-Lyndhurst City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

	Serial Bonds		Term Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$795,000	\$103,375	\$0	\$73,200	\$795,000	\$176,575
2016	815,000	63,125	0	73,200	815,000	136,325
2017	855,000	21,375	0	73,200	855,000	94,575
2018	0	0	900,000	55,200	900,000	55,200
2019	0	0	930,000	18,600	930,000	18,600
Total	\$2,465,000	\$187,875	\$1,830,000	\$293,400	\$4,295,000	\$481,275

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, 2014, \$4,445,000 of the defeased bonds are still outstanding.

Note 17 – Jointly Governed Organizations

North Coast Council

The North Coast Council (NCC) 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 NCC based on a per pupil charge. In fiscal year 2014, the School District paid \$118,392 to NCC.

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 NCC'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 196 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 Council's Board exercises total control over the operations of the organization including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the Board. 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

South Euclid-Lyndhurst City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

financial reports for the Board and Assembly and carrying out such other responsibilities as designated by the Board. In fiscal year 2014, the School District paid \$160,355 to the Council. Financial information can be obtained by contacting Dr. William Zelei, the Executive Director of the Ohio Schools Council at 6393 Oak Tree Blvd., Suite 377, 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 was 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.

Note 18 – Public Entity Pools

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.

Shared Risk Pool

The Suburban Health Consortium ("the Consortium") is a shared health risk pool created on October 1, 2001, formed by the Boards of Education of several school districts in northeast Ohio, for the purposes of maximizing benefits and/or reducing costs of group health, life, dental and/or other insurance coverage for their employees and the eligible dependents and designated beneficiaries of such employees. The Consortium was formed and operates as a legally separate entity under Ohio Revised Code Section 9.833. The Board of Directors is the governing body of the Consortium. The Board of Education of each Consortium Member appoints its Superintendent or such Superintendent's designee to be its representative on the Board of Directors. The officers of the Board of Directors consist of a Chairman, Vice-Chairman and Recording Secretary, who are elected at the annual meeting of Board of Directors and serve until the next annual meeting. All of the authority of the Consortium is exercised by or under the direction of the Board of Directors. The Board of Directors also set all premiums and other amounts to be paid by the Consortium Members, and the Board of Directors have the authority to waive premiums and other payments. All members of the Board of Directors serve without compensation.

The Fiscal Agent shall be the Board of Education responsible for administering the financial transactions of the Consortium (Orange City School District). The Fiscal Agent shall carry out the responsibilities of the Consortium Fund, enter into contracts on behalf of the Consortium as authorized by the Directors and carry out such other responsibilities as approved by the Directors and agreed to by the Fiscal Agent. Each District Member enrolled in a benefit program may require contributions from its employees toward the

South Euclid-Lyndhurst City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

cost of any benefit program being offered by such District Member, and such contributions shall be included in the payments from such District Member to the Fiscal Agent for such benefit program. Contributions are to be submitted by each District Member, to the Fiscal Agent, required under the terms of the Consortium Agreement and any benefit program in which such District Member is enrolled to the Fiscal Agent on a monthly basis, or as otherwise required in accordance with any benefit program in which such District Member is enrolled. All general administrative costs incurred by the Consortium that are not covered by the premium payments shall be shared equally by the Consortium Members as approved by the Directors, and shall be paid by each Consortium Member upon receipt of notice from the Fiscal Agent that such payment is due. It is the express intention of the Consortium Members that the Consortium Agreement and the Consortium shall continue for an indefinite term, but may be terminated as provided in the Consortium Agreement.

Any Consortium Member wishing to withdraw from participation in the Consortium or any benefit program shall notify the Fiscal Agent at least one hundred eighty (180) days prior to the effective date of withdrawal. Upon withdrawal of a Consortium Member, the Consortium shall pay the run out of all claims for such Consortium Member provided such Consortium Member has paid to the Consortium, prior to the effective date of withdrawal a withdrawal fee in the amount equal to two months' premiums at the Consortium Member's current rate. Payment of the withdrawal fee does not extend insurance coverage for two months. Upon automatic withdrawal, for non-payment of premiums required by the Consortium Agreement, the Consortium shall pay the run out of all claims for such Consortium Member provided that the Consortium has received from such Consortium Member all outstanding and unpaid premiums and other amounts and the withdrawal fee equal to two months' premiums at the Consortium Member's current rates. Any Consortium Member which withdraws from the Consortium pursuant to the Consortium Agreement shall have no claim to the Consortium's assets. Financial information for the Consortium can be obtained from the Treasurer of the Orange City School District (the Fiscal Agent) at 32000 Chagrin Boulevard, Pepper Pike, Ohio 44124.

Note 19 – Contingencies

Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is 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, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2014, if applicable, cannot be determined at this time.

Litigation

The School District is a party to legal proceedings seeking damages as of June 30, 2014. The School District management is of the opinion that ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the School District.

South Euclid-Lyndhurst City School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 20 – Interfund Transfers and Balances

Interfund Transfers

The general fund transferred \$250,000 to the permanent improvement capital projects fund and \$401,500 to other governmental funds to help provide funding for fiscal year 2014.

Interfund Balances

Interfund balances at June 30, 2014, consist of the following individual fund receivables and payables:

Interfund Payable	Interfund Receivable
	General Fund
Other Governmental Funds	
Local Grants	\$10,500
Miscellaneous Federal Grants	2,000
Food Service	1,500
Total	<u>\$14,000</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 21 – Encumbrances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At fiscal year end the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

General Fund	\$1,057,880
Permanent Improvement Fund	88,340
Other Governmental Funds	151,341
Total	<u>\$1,297,561</u>

South Euclid-Lyndhurst City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

Note 22 – Subsequent Events

On August 6, 2014, the School District retired \$70,000 in energy conservation bond anticipation notes and issued \$545,000 in new notes. The new notes have a maturity date of August 6, 2015, and an interest rate of 0.75 percent.

The School District signed a new capital lease agreement with Toshiba Financial Services in the amount of \$116,016 for new copiers throughout the District. The lease is effective July 1, 2014 and contains a \$1 buyout option at the end of the term.

**Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Board of Education
South Euclid-Lyndhurst City School District
Lyndhurst, Ohio

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

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cini & Paricki, Inc.

Cleveland, Ohio
December 30, 2014

**Independent Auditor’s Report on Compliance for Each Major Federal Program;
Report on Internal Control over Compliance; and Report on the Schedule of
Expenditures of Federal Awards Required by OMB Circular A-133**

Board of Education
South Euclid-Lyndhurst City School District
Lyndhurst, Ohio

Report on Compliance for Each Major Federal Program

We have audited the South Euclid-Lyndhurst City School District’s (the “District”) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District’s major federal programs for the year ended June 30, 2014. The District’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings.

Management’s Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the District’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District’s compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings as item 2014-001, that we consider to be a significant deficiency.

The District's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of audit findings. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Board of Education
South Euclid-Lyndhurst City School District

Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated December 30, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Cini & Paricki, Inc.

Cleveland, Ohio
December 30, 2014

South Euclid-Lyndhurst City School District

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Grant Year	Receipts	Non-cash Receipts	Disbursements	Non-cash Disbursements
U.S. Department of Agriculture:						
Passed-Through Ohio Department of Education:						
Nutrition Cluster:						
National School Breakfast Program	10.553	2014	\$ 304,493	\$ -	\$ 304,493	\$ -
National School Lunch Program	10.555	2014	<u>723,222</u>	<u>75,547</u>	<u>723,222</u>	<u>75,547</u>
Total Nutrition Cluster			<u>1,027,715</u>	<u>75,547</u>	<u>1,027,715</u>	<u>75,547</u>
Team Nutrition Grants	10.574	2014	<u>2,000</u>	<u>-</u>	<u>1,554</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>1,029,715</u>	<u>75,547</u>	<u>1,029,269</u>	<u>75,547</u>
U.S. Department of Education:						
Passed-Through Ohio Department of Education:						
Special Education Cluster:						
Special Education Grants	84.027	2013	163,707	-	171,354	-
Special Education Grants	84.027	2014	<u>780,943</u>	<u>-</u>	<u>741,009</u>	<u>-</u>
Subtotal Special Education Grants			<u>944,650</u>	<u>-</u>	<u>912,363</u>	<u>-</u>
Preschool Grants	84.173	2013	981	-	2,657	-
Preschool Grants	84.173	2014	<u>34,602</u>	<u>-</u>	<u>34,289</u>	<u>-</u>
Subtotal Preschool Grant			<u>35,583</u>	<u>-</u>	<u>36,946</u>	<u>-</u>
Total Special Education Cluster			<u>980,233</u>	<u>-</u>	<u>949,309</u>	<u>-</u>
Title I Cluster						
Title I Grants to Local Education Agencies	84.010	2013	79,392	-	78,920	-
Title I Grants to Local Education Agencies	84.010	2014	<u>714,319</u>	<u>-</u>	<u>674,671</u>	<u>-</u>
Total Title I Cluster			<u>793,711</u>	<u>-</u>	<u>753,591</u>	<u>-</u>
Twenty-First Century Community Learning Centers						
Twenty-First Century Community Learning Centers	84.287	2013	9,024	-	9,000	-
Twenty-First Century Community Learning Centers	84.287	2014	<u>101,014</u>	<u>-</u>	<u>92,305</u>	<u>-</u>
Total Twenty-First Century Community Learning Centers			<u>110,038</u>	<u>-</u>	<u>101,305</u>	<u>-</u>
English Language Acquisition Grants						
English Language Acquisition Grants	84.365	2013	-	-	75	-
English Language Acquisition Grants	84.365	2014	<u>4,888</u>	<u>-</u>	<u>4,893</u>	<u>-</u>
Total English Language Acquisition Grants			<u>4,888</u>	<u>-</u>	<u>4,968</u>	<u>-</u>
Improving Teacher Quality						
Improving Teacher Quality	84.367	2013	-	-	9,967	-
Improving Teacher Quality	84.367	2014	<u>131,421</u>	<u>-</u>	<u>114,658</u>	<u>-</u>
Total Improving Teacher Quality			<u>131,421</u>	<u>-</u>	<u>124,625</u>	<u>-</u>
ARRA – Race to the Top						
ARRA – Race to the Top	84.395	2013	72,997	-	7,260	-
ARRA – Race to the Top	84.395	2014	<u>135,633</u>	<u>-</u>	<u>133,808</u>	<u>-</u>
Total ARRA – Race to the Top			<u>208,630</u>	<u>-</u>	<u>141,068</u>	<u>-</u>
Total U.S. Department of Education			<u>2,228,921</u>	<u>-</u>	<u>2,074,866</u>	<u>-</u>
U.S. Department of Health and Human Services						
Passed-Through Ohio Department of Mental Retardation and Development Disabilities:						
Medicaid Assistance Program (CAFS)	93.778	2014	<u>109,672</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures of Federal Awards			\$ <u>3,368,308</u>	\$ <u>75,547</u>	\$ <u>3,104,135</u>	\$ <u>75,547</u>

The accompanying notes are an integral part of this schedule

South Euclid-Lyndhurst City School District

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2014

Note 1: Significant Accounting Policies

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") presents the activity of all federal awards of the South Euclid-Lyndhurst City School District (the "District") and is presented on the cash basis of accounting. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Child Nutrition Cluster

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

Food Donation Program

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

Community Alternative Funding System (CAFS) Settlement Amounts

The District received \$109,672 in CAFS reimbursement. These amounts relate to settlements for CAFS services provided during prior years.

South Euclid-Lyndhurst City School District

Schedule of Findings
OMB Circular A-133 Section .505

For the Year Ended June 30, 2014

1. Summary of Auditor's Results

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(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 other significant deficiencies in internal control reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under Section .510?	No
(d)(1)(vii)	Major Programs	Nutrition Cluster: CFDA # 10.553 and 10.555 ARRA – Race to the Top: CFDA # 84.395
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: All Others
(d)(1)(ix)	Low Risk Auditee?	Yes

2. Findings Related to the Financial Statements Required To Be Reported In Accordance With GAGAS

None.

South Euclid-Lyndhurst City School District

Schedule of Findings
OMB Circular A-133 Section .505

For the Year Ended June 30, 2014

3. Findings for Federal Awards

Findings	Findings Summary
2014-001	<p data-bbox="305 512 1456 575">CFDA Title and Number Nutrition Cluster – National School Breakfast Program, CFDA #10.553; National School Lunch Program, CFDA #10.555</p> <p data-bbox="305 604 1456 638">Federal Agency United States Department of Education</p> <p data-bbox="305 667 1456 701">Food Service Payroll Recording and Processing – Significant Deficiency</p> <p data-bbox="305 730 1456 793">Sound internal control over the payroll process is essential to ensure that employees are not only being paid for all time worked or earned but only for time worked or earned.</p> <p data-bbox="305 823 1456 982">During our testing of internal controls over payroll expenditures related to the food service program under the Nutrition Cluster grant, it was noted that the process of recording the information from the timecards to the bi-weekly timesheets lacked a proper review process to catch clerical errors. In addition, the food service program was not maintaining proper records to support all time being recorded in the timesheets when the timecards were not being used.</p> <p data-bbox="305 1012 1456 1075">Failure to implement the necessary internal controls over this payroll process may result in unallowable costs or questioned costs.</p> <p data-bbox="305 1104 1456 1264">We recommend the District adopt policies and procedures for controls over the food service program payroll process to ensure the District is in compliance with the requirements of the Federal program. All time that is entered on the timesheets should have supporting documentation including, but not limited to, a signed timecard, separate sign-in sheets for meetings and in-service days, etc.</p> <p data-bbox="305 1293 1456 1388">Official’s Response: To ensure proper controls, the food service program staff will be trained in the payroll process to ensure all supporting documentation is maintained for all payroll that is being submitted for payment.</p>

South Euclid-Lyndhurst City School District

Corrective Action Plan
OMB Circular A-133 Section .315(c)

For the Year Ended June 30, 2014

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2014-001	Food service staff will be trained in the process for recording and reporting payroll information to the finance office. They will also be trained to ensure they know the proper documentation required to support the payroll.	Immediately	Treasurer

South Euclid-Lyndhurst City School District

Schedule of Prior Audit Findings
OMB Circular A-133 Section .315(b)

For the Year Ended June 30, 2014

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2013-001	Financial Reporting	Yes	Corrected



Dave Yost • Auditor of State

SOUTH ECLID 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
APRIL 7, 2015**