EUCLID CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO

AUDIT REPORT

FOR THE FISCAL YEAR
ENDED JUNE 30, 2015

James G. Zupka, CPA, Inc.
Certified Public Accountants

Dave Yost • Auditor of State

Board of Education
Euclid City School District
651 E. 222nd St
Euclid, OH 44123

We have reviewed the *Independent Auditor's Report* of the Euclid City School District, Cuyahoga County, prepared by James G. Zupka, CPA, Inc., for the audit period July 1, 2014 through June 30, 2015. 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 Euclid City School District is responsible for compliance with these laws and regulations.

Dave Yost
Auditor of State

March 11, 2016

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EUCLID CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO
AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Euclid City School District
Euclid, Ohio

The Honorable Dave Yost
Auditor of State
State of Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Euclid City School District, Cuyahoga County, Ohio, as of and for the year ended June 30, 2015, 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 Euclid City School District, Ohio'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, business-type activities, each major fund, and the aggregate remaining fund information of the Euclid City School District, Ohio, as of June 30, 2015, and the respective changes in financial position, and where applicable, cash flows and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 4 to the basic financial statements, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No, 27,* and GASB Statement No.71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68,* and restated its net position at June 30, 2014. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedules of the District's Proportionate Share of the Net Pension Liability, and Schedules of the District Contributions as listed in the table of contents 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Euclid City School District, Ohio's basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards 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. Such information has been subjected to the auditing procedures applied in the audit of the basic 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2015, on our consideration of the Euclid City School District, Ohio'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 Euclid City School District, Ohio's internal control over financial reporting and compliance.

James G. Zupka,
CPA, President

Digitally signed by James G. Zupka, CPA, President
DN: cn=James G. Zupka, CPA, President, o=James G. Zupka, CPA, Inc., ou=Accounting, email=jgzcpa@sbcglobal.net, c=US
Date: 2015.12.30 16:12:45 -05'00'

James G. Zupka, CPA, Inc.
Certified Public Accountants

December 18, 2015

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Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2015 (Unaudited)

The management's discussion and analysis of the Euclid City School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the transmittal letter, notes to the basic financial statements, and financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2015 are as follows:

- In total, net position increased $4,685,145 or by 12.8 percent. Net position of governmental activities increased $4,482,602 which represents a 12.5 percent increase from 2014 to 2015. Net position of business-type activities increased $202,543 which represents a 26.2 percent increase from 2014 to 2015.

- General revenues accounted for $74,403,006 in revenue or 88.5 percent of all governmental revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for $9,669,179 or 11.5 percent of total governmental revenues of $84,072,185.

- Total assets of governmental activities experienced a decrease of $2,035,907 as current and other assets increased by $90,200 and capital assets decreased by $2,126,107. Total liabilities of governmental activities decreased by $20,273,384.

- The District had $79,629,598 in expenses related to governmental activities; only $9,669,179 of those expenses were offset by program specific charges for services and operating and capital grants and contributions. General revenues (primarily taxes and grants and entitlements) of $74,403,006 were able to fully cover for these programs.

- The general fund had $73,830,576 in revenues (including other financing sources) and $72,570,985 in expenditures (including other financing uses). The fund balance of the general fund increased from $2,226,849 to $3,486,440.

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 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 District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short term, as well as what remains for future spending. The fund financial statements also look at the District's most significant funds, with all other nonmajor funds presented in total in one column. In the case of the District, the general fund and the bond retirement fund are by far the most significant funds.

Reporting the District as a Whole

Statement of Net Position and Statement of Activities

While this document contains information about the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2015?" The Statement of Net Position and Statement of Activities answer this question. These statements include *all assets and deferred outflows of resources* along with *all 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.

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

In the Statement of Net Position and Statement of Activities, the District is divided into two distinct kinds of activities:

- Governmental Activities - Most of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant services, pupil transportation, and extracurricular activities.

- Business-Type Activities – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The District's food service, uniform school supplies, and customer services are reported as business activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major fund begins on page 12. Fund financial statements provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and the bond retirement fund.

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

<u>*Proprietary Funds*</u> Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match.

The School District as a Whole

You may recall that the Statement of Net Position provides the perspective of the District as a whole.

Table 1 provides a summary of the District's net position for 2015 compared to 2014:

Table 1 - Net Position

	Governmental Activities		Business-Type Activities		Total	
	2015	2014 *	2015	2014 *	2015	2014 *
ASSETS						
Current and other assets	$ 69,956,599	$ 69,866,399	$ 1,095,124	$ 887,299	$ 71,051,723	$ 70,753,698
Capital assets, net	82,798,132	84,924,239	539,565	586,730	83,337,697	85,510,969
Total Assets	152,754,731	154,790,638	1,634,689	1,474,029	154,389,420	156,264,667
DEFERRED OUTFLOWS OF RESOURCES						
Deferral on refunding	303,550	-	-	-	303,550	-
Pensions	6,701,358	5,595,868	154,558	153,844	6,855,916	5,749,712
Total Deferred Outflows of Resources	7,004,908	5,595,868	154,558	153,844	7,159,466	5,749,712
LIABILITIES						
Current and other liabilities	11,243,721	11,269,507	62,111	70,807	11,305,832	11,340,314
Long-term liabilities:						
Due within one year	3,128,901	4,118,076	1,722	9,647	3,130,623	4,127,723
Due in more than one year:						
Net pension liability	92,627,120	110,050,413	1,964,097	2,307,841	94,591,217	112,358,254
Outer amounts	39,649,437	41,484,567	14,129	13,711	39,663,566	41,498,278
Total Liabilities	146,649,179	166,922,563	2,042,059	2,402,006	148,691,238	169,324,569
DEFERRED INFLOWS OF RESOURCES						
Property taxes	27,734,461	29,333,538	-	-	27,734,461	29,333,538
Payments in lieu of taxes	58,000	29,528	-	-	58,000	29,528
Pensions	16,734,520	-	318,778	-	17,053,298	-
Total Deferred Inflows of Resources	44,526,981	29,363,066	318,778	-	44,845,759	29,363,066
NET POSITION						
Net investment in Capital Assets	42,541,087	41,760,027	539,565	(1,567,267)	43,080,652	40,192,760
Restricted	9,053,261	8,864,737	-	-	9,053,261	8,864,737
Unrestricted	(83,010,869)	(86,523,887)	(1,111,155)	793,134	(84,122,024)	(85,730,753)
Total Net Position	$ (31,416,521)	$ (35,899,123)	$ (571,590)	$ (774,133)	$ (31,988,111)	$ (36,673,256)

* - Restated

During 2015, the District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating total net position at June 30, 2014, from $69,935,286 to $(36,673,256).

Current and other assets of governmental activities increased $90,200. Capital assets decreased by $2,126,107. The decrease in capital assets is mainly due to current year depreciation expenses exceeding capital asset additions.

The net position of the District's business-type activities increased by $202,543 or 26.2 percent. The main contributor to the increase in net position is related to the District's efforts to control costs within the revenues generated.

Table 2 shows the changes in net position for fiscal year 2015 compared to 2014.

Table 2 - Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
REVENUES						
Program Revenues:						
Charges for services	$ 1,528,863	$ 688,799	$ 330,488	$ 361,506	$ 1,859,351	$ 1,050,305
Operating grants and contributions	8,140,316	6,965,429	2,305,419	2,297,596	10,445,735	9,263,025
Capital grants and contributions	-	1,548,972	-	-	-	1,548,972
Total Program Revenues	9,669,179	9,203,200	2,635,907	2,659,102	12,305,086	11,862,302
General Revenues:						
Property taxes	39,764,609	43,228,127	-	-	39,764,609	43,228,127
School District income taxes	6,189,984	6,081,191	-	-	6,189,984	6,081,191
Grants and entitlements	26,960,587	28,203,345	-	-	26,960,587	28,203,345
Payment in lieu of taxes	87,391	31,043	-	-	87,391	31,043
Investment income	237,835	16,217	15,729	768	253,564	16,985
All other revenues	1,162,600	729,615	24,108	34,155	1,186,708	763,770
Total General Revenues	74,403,006	78,289,538	39,837	34,923	74,442,843	78,324,461
Total Revenues	84,072,185	87,492,738	2,675,744	2,694,025	86,747,929	90,186,763
EXPENSES						
Program Expenses:						
Instruction:						
Regular	26,929,027	28,523,851	-	-	26,929,027	28,523,851
Special	17,498,876	16,727,493	-	-	17,498,876	16,727,493
Vocational	1,116,634	1,188,650	-	-	1,116,634	1,188,650
Adult/Continuing	-	4,812	-	-	-	4,812
Other	24,478	35,288	-	-	24,478	35,288
Supporting Services:						
Pupils	6,394,045	6,303,209	-	-	6,394,045	6,303,209
Instructional Staff	3,058,516	2,985,751	-	-	3,058,516	2,985,751
Board of Education	57,323	126,078	-	-	57,323	126,078
Administration	5,178,735	5,394,761	-	-	5,178,735	5,394,761
Fiscal Services	1,965,151	1,973,807	-	-	1,965,151	1,973,807
Business	640,879	734,019	-	-	640,879	734,019
Operation and Maintenance of Plant	6,977,602	7,103,981	-	-	6,977,602	7,103,981
Pupil Transportation	4,654,039	4,735,717	-	-	4,654,039	4,735,717
Central	1,649,986	1,912,031	-	-	1,649,986	1,912,031
Operation of Non-Instructional Services	786,421	1,280,188	-	-	786,421	1,280,188
Extracurricular Activities	1,100,794	1,124,057	-	-	1,100,794	1,124,057
Interest and Fiscal Charges	1,597,092	1,926,077	-	-	1,597,092	1,926,077
Food Service	-	-	2,424,539	2,419,472	2,424,539	2,419,472
Customer Services	-	-	8,647	89,468	8,647	89,468
Total Expenses	79,629,598	82,079,770	2,433,186	2,508,940	82,062,784	84,588,710
Change in Net Position before Transfers	4,442,587	5,412,968	242,558	185,085	4,685,145	5,598,053
Transfers	40,015	(57,048)	(40,015)	57,048	-	-
Change in Net Position	4,482,602	5,355,920	202,543	242,133	4,685,145	5,598,053
Net Position - Beginning of Year, Restated	(35,899,123)	**N/A**	(774,133)	**N/A**	(36,673,256)	**N/A**
Net Position - End of Year	$ (31,416,521)	$ (35,899,123)	$ (571,590)	$ (774,133)	$ (31,988,111)	$ (36,673,256)

Governmental Activities

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include total pension expense of $5,749,712 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report total pension expense of $4,147,276. Consequently, in order to compare 2015 program expenses to 2014, the following adjustments are needed:

	Governmental Activities	Business-Type Activities	Total
Total 2015 program expenses under GASB 68	$ 79,629,598	$ 2,433,186	$ 82,062,784
Pension expense under GASB 68	(4,035,115)	(112,161)	(4,147,276)
2015 contractually required pension contribution	5,829,378	137,841	5,967,219
Adjusted 2015 program expenses	81,423,861	2,458,866	83,882,727
Total 2014 program expenses under GASB 27	82,079,770	2,508,940	84,588,710
Decreases in program expenses not related to pension	$ (655,909)	$ (50,074)	$ (705,983)

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by the levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at $100,000 and taxed at 1.0 mill would pay $35.00 annually in taxes. If three years later the home were reappraised and increased to $200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become 0.5 mills and the owner would still pay $35.00.

Thus school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 47.3 percent of revenues for governmental activities for the District in fiscal year 2015. Property taxes decreased by $3,463,518 from prior year as a result of uneven collections of prior year delinquencies. General grants and entitlements represented 32.1 percent of governmental activity revenue in fiscal year 2015. The decrease in grants and entitlements can be attributed to a one-time reimbursement received from the Ohio Department of Education for catastrophic costs related to special education in fiscal year 2014.

Instruction comprises 57.2 percent of governmental program expenses. Pupils and Instructional Staff comprised 11.9 percent; Board of Education, Administration, Fiscal Services, and Business comprised 9.8 percent; Operations and Maintenance of Plant comprised 8.8 percent; and Pupil Transportation comprised 5.8 percent of governmental program expenses. Interest and fiscal charges were 2.0 percent of governmental program expenses. Most of the interest and fiscal charges were attributed to outstanding debt issues previously approved by the residents of the District to fund capital projects.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services for 2015 and 2014. Table 3 shows the total cost for services for governmental activities 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

	Total Cost of Services 2015	Total Cost of Services 2014	Net Cost of Services 2015	Net Cost of Services 2014
Instruction	$ 45,569,015	$ 46,480,094	$ 38,325,672	$ 41,876,223
Supporting Services:				
Pupils and Instructional Staff	9,452,561	9,288,960	8,318,959	8,042,210
Board of Education, Administration, Fiscal Services, and Business	7,842,088	8,228,665	7,628,549	8,033,419
Operation and Maintenance of Plant	6,977,602	7,103,981	6,954,716	5,532,057
Pupil Transportation	4,654,039	4,735,717	4,645,058	4,704,479
Central	1,649,986	1,912,031	1,649,986	1,898,531
Operation of Non-Instructional Services	786,421	1,280,188	5,656	469,727
Extracurricular Activities	1,100,794	1,124,057	834,731	823,434
Interest and fiscal charges	1,597,092	1,926,077	1,597,092	1,496,490
Total cost of service	$ 79,629,598	$ 82,079,770	$ 69,960,419	$ 72,876,570

The dependence upon general revenues for governmental activities is apparent. Over 87.9 percent of governmental activities are supported through taxes and other general revenues. In fiscal year 2015, other general revenues are mostly comprised of grants and entitlements. For all governmental activities, general revenue support is 88.5 percent of total governmental revenues. The community, as a whole, is the primary support for the District.

Business Type Activities

Business-type activities include the food service operation and an automotive shop customer service operation. These programs had revenues of $2,675,744 and expenses of $2,433,186 in fiscal year 2015. The food service and the automotive shop customer service activities experienced increases in net position during fiscal year 2015. The largest increase in net position can be attributed to the food service activity as a result of the District's ability to control costs within the revenues generated. Reviews of these operations, including consideration of price adjustments and expense control, is ongoing.

The School District's Funds

The District's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of $107,465,588 and expenditures of $105,992,514 (including other financing sources and uses). The net increase in fund balances (including Other Financing Sources and Uses) of $1,473,074 was due in part to the District making concentrated efforts to control costs throughout the District as well as recognizing cost savings from recently constructed elementary school building. These buildings replaced six old and out-dated buildings. Due to the state of public school funding in Ohio, the current system does not allow for built in adjustments to revenue streams as operating costs increase. Ohio school districts are generally required to place funding issues on the ballot every three to five years in order to increase funding for the increased cost of doing business.

The general fund experienced a net increase in fund balance of $1,259,591. The bond retirement fund experienced a net decrease in fund balance of $395,777. This decrease is mainly attributed to the District's refunding of debt during fiscal year 2015. All other governmental funds netted an increase in fund balance of $609,260 in total.

General Fund Budgeting Highlights

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

During the course of fiscal year 2015, the District amended its general fund budget. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, the total final budget basis revenue was increased to $74,002,127 from the total original budget estimate of $72,345,833 (including other financing sources), due mainly to decrease in tax revenue estimates offset by an increase in anticipated intergovernmental revenues. Actual tax revenues were significantly higher than the final amended budget; however this increase was offset by a decrease in intergovernmental revenues.

The final appropriations of $74,499,309 (including other financing uses) were significantly higher than the original appropriations of $70,172,315.

The District's ending unobligated cash balance was $852,870 above the final budgeted amount.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2015, the District had $83,337,697 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles of which, $82,798,132 represented governmental activities. Table 4 shows fiscal year 2015 balances compared to 2014.

Table 4 - Capital Assets at June 30 (net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	$ 2,052,789	$ 2,052,789	$ -	$ -	$ 2,052,789	$ 2,052,789
Land Improvements	6,213,675	6,500,860	-	-	6,213,675	6,500,860
Buildings and Improvements	73,121,309	74,617,373	-	-	73,121,309	74,617,373
Furniture and Equipment	794,713	958,564	9,750	10,050	804,463	968,614
Vehicles	615,646	794,653	529,815	576,680	1,145,461	1,371,333
Total Capital Assets	$ 82,798,132	$ 84,924,239	$ 539,565	$ 586,730	$ 83,337,697	$ 85,510,969

For fiscal year 2015, Ohio law required school districts to set aside three percent of certain revenues for capital improvements. For fiscal 2015, this amounted to $904,391 for the set-aside. For fiscal year 2015, the District had qualifying disbursements or offsets exceeding the requirement. The District has budgeted to meet this requirement.

Additional information on capital asset policies and activity are contained in Notes 2 and 11 of the basic financial statements.

Debt

At June 30, 2015, the District had $40,164,993 in debt outstanding with $1,967,100 due within one year. Table 5 summarizes the District's bonds and notes outstanding.

Table 5 - Outstanding Debt at Year End

	Governmental Activities	
	2015	2014
General Obligation Bonds:		
Energy Conservation Bonds	$ 1,328,600	$ 1,616,800
School and Library Refunding	65,000	445,000
Classroom Facilities and School Improvements	13,920,000	36,440,000
Classroom Facilities & School Improvements Refunding	21,401,393	-
Long-Term Tax Anticipation Notes	3,450,000	4,600,000
Total Outstanding Debt	$ 40,164,993	$ 43,101,800

During fiscal year 2015, the District refunded its Classroom Facilities and School Improvement Bonds, series 2010. This refunding significantly decreased the District's future debt service requirements.

At June 30, 2015, the District's overall legal debt margin was $20,545,586 with an unvoted debt margin of $580,766. The District maintains an A-1 bond rating.

Additional information on debt policies and activity are contained in Notes 2 and 12 of the basic financial statements.

For the Future

Due to the economic downturn and changes in state funding to public schools, the last several years have been very challenging. The District has responded to lost revenues by reducing operating expenditures. In fact, total General Fund expenditures in fiscal year 2015 were $2.1 million less than amounts reported back in fiscal year 2010 (on a cash basis).

Most of the operating expenditure savings came by way of staffing reductions. Since fiscal year 2010, total staffing has decreased by 141 full-time equivalencies. This included the privatization of all transportation and some custodial services. Additionally, concessions equaling 3 percent of wages were negotiated with all bargaining units in fiscal year 2012. The Board agreed to a three-year bargaining agreement with the Euclid Teachers' Association that caps the Board's annual total cost increase at two percent. Collective bargaining agreements for all employee groups expire at the end of fiscal year 2016. Negotiations for new agreements will commence in the spring of 2016.

In November 2012, the voters of Euclid approved a ten-year $5.4 million operating levy. This new funding source, along with the lower operating budget, allowed the District to operate at the current level of programs and services through the 2016 fiscal year. The District's stated goal is to not seek an additional operating levy until November 2016.

In September 2012, four new elementary buildings were opened. These buildings represented the first phase of the District's Ohio Schools Facilities Program to completely rebuild all of the school buildings. Operational savings of approximately $1 million per year are being realized as these four elementary buildings replaced six old elementary buildings. The Board of Education has been working on the planning phase of the facilities program for the secondary schools and anticipates a bond issue in 2016.

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 District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional information, contact Stephen Vasek, Treasurer at Euclid City School District, 651 East 222 Street, Euclid, Ohio 44123-2090 or e-mail at svasek@euclidschools.org.

Basic Financial Statements

Statement of Net Position

June 30, 2015

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Equity in Pooled Cash, Cash Equivalents, and Investments	$ 23,733,767	$ 1,037,010	$ 24,770,777
Income Taxes Receivable	514,307	-	514,307
Property Taxes Receivable	44,945,883	-	44,945,883
Due from Agency Fund	46	-	46
Accounts Receivable	217,472	-	217,472
Accrued Interest Receivable	32,200	1,464	33,664
Intergovernmental Receivable	447,931	7,180	455,111
Internal Balances	3,000	(3,000)	-
Materials and Supplies Inventory	42,827	52,470	95,297
Prepaid Items	19,166	-	19,166
Nondepreciable Capital Assets	2,052,789	-	2,052,789
Depreciable Capital Assets, Net	80,745,343	539,565	81,284,908
Total Assets	152,754,731	1,634,689	154,389,420
DEFERRED OUTFLOWS OF RESOURCES			
Deferral on Refunding	303,550	-	303,550
Pensions	6,701,358	154,558	6,855,916
Total Deferred Outflows of Resources	7,004,908	154,558	7,159,466
LIABILITIES			
Accounts Payable	511,101	8,135	519,236
Accrued Wages and Benefits	8,223,705	12,616	8,236,321
Intergovernmental Payable	1,968,225	41,360	2,009,585
Accrued Interest Payable	497,683	-	497,683
Matured Compensated Absences Payable	43,007	-	43,007
Long-term Liabilities:			
Due within one year	3,128,901	1,722	3,130,623
Due in more than one year:			
Net Pension Liability (See Note 14)	92,627,120	1,964,097	94,591,217
Other Amounts due in more than one year	39,649,437	14,129	39,663,566
Total Liabilities	146,649,179	2,042,059	148,691,238
DEFERRED INFLOWS OF RESOURCES			
Property Taxes	27,734,461	-	27,734,461
Payments in Lieu of Taxes	58,000	-	58,000
Pensions	16,734,520	318,778	17,053,298
Total Deferred Inflows of Resources	44,526,981	318,778	44,845,759
NET POSITION			
Net Investment in Capital Assets	42,541,087	539,565	43,080,652
Restricted:			
Capital Projects	3,378,610	-	3,378,610
Debt Service	3,724,728	-	3,724,728
State Funded Programs	70,870	-	70,870
Federally Funded Programs	30,364	-	30,364
Classroom Facilities Maintenance	1,305,850	-	1,305,850
Student Activities	15,674	-	15,674
Set-Asides	476,511	-	476,511
Other Purposes	50,654	-	50,654
Unrestricted	(83,010,869)	(1,111,155)	(84,122,024)
Total Net Position	$ (31,416,521)	$ (571,590)	$ (31,988,111)

See the accompanying notes to the basic financial statements.

Statement of Activities

For the Fiscal Year Ended June 30, 2015

		Program Revenues		Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:						
Instruction:						
Regular	$ 26,929,027	$ 554,222	$ 5,522,025	$ (20,852,780)	$ -	$ (20,852,780)
Special	17,498,876	-	1,122,325	(16,376,551)	-	(16,376,551)
Vocational	1,116,634	44,771	-	(1,071,863)	-	(1,071,863)
Other	24,478	-	-	(24,478)	-	(24,478)
Supporting Services:						
Pupils	6,394,045	-	216,577	(6,177,468)	-	(6,177,468)
Instructional Staff	3,058,516	-	917,025	(2,141,491)	-	(2,141,491)
Board of Education	57,323	-	-	(57,323)	-	(57,323)
Administration	5,178,735	-	144,714	(5,034,021)	-	(5,034,021)
Fiscal Services	1,965,151	-	68,825	(1,896,326)	-	(1,896,326)
Business	640,879	-	-	(640,879)	-	(640,879)
Operation and Maintenance of Plant	6,977,602	20,515	2,371	(6,954,716)	-	(6,954,716)
Pupil Transportation	4,654,039	8,981	-	(4,645,058)	-	(4,645,058)
Central	1,649,986	-	-	(1,649,986)	-	(1,649,986)
Operation of Non-Instructional Services	786,421	640,647	140,118	(5,656)	-	(5,656)
Extracurricular Activities	1,100,794	259,727	6,336	(834,731)	-	(834,731)
Interest and Fiscal Charges	1,597,092	-	-	(1,597,092)	-	(1,597,092)
Total Governmental activities	79,629,598	1,528,863	8,140,316	(69,960,419)	-	(69,960,419)
Business-type activities:						
Food Service	2,424,539	315,018	2,305,419	-	195,898	195,898
Customer Services	8,647	15,470	-	-	6,823	6,823
Total Business-type activities	2,433,186	330,488	2,305,419	-	202,721	202,721
Totals	$ 82,062,784	$ 1,859,351	$ 10,445,735	(69,960,419)	202,721	(69,757,698)

	Governmental Activities	Business-type Activities	Total
General Revenues:			
Property Taxes levied for:			
General Purposes	36,127,360	-	36,127,360
Debt Service	2,870,466	-	2,870,466
Capital Outlay	646,499	-	646,499
Other Purposes	120,284	-	120,284
School District Income Taxes levied for:			
General Purposes	6,189,984	-	6,189,984
Payment in Lieu of Taxes	87,391	-	87,391
Grants & Entitlements not restricted to specific programs	26,960,587	-	26,960,587
Investment Income	237,835	15,729	253,564
Gain on Sale of Capital Assets	15,564	-	15,564
All Other Revenues	1,147,036	24,108	1,171,144
Transfers	40,015	(40,015)	-
Total General Revenues and Transfers	74,443,021	(178)	74,442,843
Change in Net Position	4,482,602	202,543	4,685,145
Net Position - Beginning of Year, as Restated	(35,899,123)	(774,133)	(36,673,256)
Net Position - End of Year	$ (31,416,521)	$ (571,590)	$ (31,988,111)

See the accompanying notes to the basic financial statements.

Balance Sheet
Governmental Funds

June 30, 2015

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
ASSETS				
Equity in Pooled Cash, Cash Equivalents, and Investments	$ 4,576,506	$ 3,117,308	$ 4,896,904	$ 12,590,718
Materials and Supplies Inventory	42,827	-	-	42,827
Accrued Interest Receivable	32,200	-	-	32,200
Accounts Receivable	209,044	-	-	209,044
Due from Agency Fund	46	-	-	46
Interfund Receivable	270,400	-	-	270,400
Intergovernmental Receivable	422,378	-	25,553	447,931
Prepaid Items	16,678	-	2,488	19,166
Income Taxes Receivable	514,307	-	-	514,307
Property Taxes Receivable	40,870,066	2,678,746	1,397,071	44,945,883
Total Assets	$ 46,954,452	$ 5,796,054	$ 6,322,016	$ 59,072,522
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts Payable	$ 431,491	$ -	$ 79,610	$ 511,101
Accrued Wages and Benefits	7,706,848	-	516,857	8,223,705
Intergovernmental Payable	1,667,198	-	67,383	1,734,581
Matured Compensated Absences Payable	43,007	-	-	43,007
Interfund Payable	-	-	267,400	267,400
Total Liabilities	9,848,544	-	931,250	10,779,794
Deferred Inflows of Resources:				
Property Taxes	25,331,999	1,572,246	830,216	27,734,461
Payments in Lieu of Taxes	58,000	-	-	58,000
Unavailable Revenue - Delinquent Property Taxes	7,894,122	562,158	287,991	8,744,271
Unavailable Revenue - Grants	-	-	20,365	20,365
Unavailable Revenue - Other	335,347	-	-	335,347
Total Deferred Inflows of Resources	33,619,468	2,134,404	1,138,572	36,892,444
Fund Balances:				
Nonspendable	59,505	-	2,488	61,993
Restricted	-	3,661,650	4,465,954	8,127,604
Committed	97,787	-	46,689	144,476
Assigned	1,349,137	-	47,904	1,397,041
Unassigned (Deficit)	1,980,011	-	(310,841)	1,669,170
Total Fund Balances	3,486,440	3,661,650	4,252,194	11,400,284
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 46,954,452	$ 5,796,054	$ 6,322,016	$ 59,072,522

See the accompanying notes to the basic financial statements.

Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities

June 30, 2015

Total Governmental Fund Balances		$ 11,400,284
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		
Total Governmental Activities' capital assets	$ 82,798,132	
Total Internal Service capital assets	(1,051)	
Total		82,797,081
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable revenue in the funds:		
Delinquent property taxes	8,744,271	
Intergovernmental grants	20,365	
Other revenues	335,347	
Total		9,099,983
Internal Service funds are used by management to charge the costs of certain activities, such as insurance to individual funds. The assets and liabilities of the District Internal Service funds are included in Governmental Activities in the Statement of Net Position.		10,207,732
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the governmental funds:		
Deferred Outflows - Pensions	6,701,358	
Deferred Inflows - Pensions	(16,734,520)	
Net Pension Liability	(92,627,120)	
Total		(102,660,282)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds	(36,713,596)	
Tax anticipation notes payable	(3,450,000)	
Bond accretion	(1,397)	
Unamortized bond premiums	(929,184)	
Unamortized bond discounts	532,185	
Deferral on refunding	303,550	
Compensated absences	(1,505,194)	
Accrued interest payable	(497,683)	
Total		(42,261,319)
Net Position of Governmental Activities		$ (31,416,521)

See the accompanying notes to the basic financial statements.

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds

For the Fiscal Year Ended June 30, 2015

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	$ 41,979,165	$ 2,855,646	$ 759,193	$ 45,594,004
Intergovernmental	30,125,365	568,517	5,314,874	36,008,756
Interest	182,156	-	55,679	237,835
Tuition	497,350	-	-	497,350
Extracurricular Activities	89,383	-	165,281	254,664
Charges for Services	119,835	-	-	119,835
Contributions and Donations	6,336	-	23,369	29,705
Transportation Fees	8,981	-	3,888	12,869
Classroom Materials and Fees	15,258	-	1,175	16,433
Miscellaneous	628,263	3,603	437,700	1,069,566
Total Revenues	73,652,092	3,427,766	6,761,159	83,841,017
EXPENDITURES				
Current:				
Instruction:				
Regular	25,078,657	-	824,465	25,903,122
Special	15,400,598	-	2,466,659	17,867,257
Vocational	1,147,905	-	-	1,147,905
Other	29,061	-	998	30,059
Supporting Services:				
Pupils	6,337,345	-	248,018	6,585,363
Instructional Staff	1,979,536	-	1,116,461	3,095,997
Board of Education	58,054	-	-	58,054
Administration	5,209,163	-	218,194	5,427,357
Fiscal Services	1,913,526	300	73,357	1,987,183
Business	613,492	-	36,480	649,972
Operation and Maintenance of Plant Services	6,729,073	-	392,595	7,121,668
Pupil Transportation	4,486,912	-	-	4,486,912
Central	1,619,354	-	-	1,619,354
Operation of Non-Instructional Services:				
Community Services	27,031	-	786,847	813,878
Extracurricular Activities	836,848	-	287,916	1,124,764
Capital Outlay	-	-	77,853	77,853
Debt Service:				
Principal Retirement	-	2,938,200	-	2,938,200
Interest and Fiscal Charges	-	1,432,347	-	1,432,347
Bond Issuance Costs	-	256,338	-	256,338
Current Refunding Escrow	-	181,196	-	181,196
Total Expenditures	71,466,555	4,808,381	6,529,843	82,804,779
Excess of Revenues Over (Under) Expenditures	2,185,537	(1,380,615)	231,316	1,036,238
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets	13,550	-	2,014	15,564
Refunding Debt Issued	-	21,399,996	-	21,399,996
Premiums on Debt Issued	-	939,647	-	939,647
Discounts on Debt Issued	-	(550,503)	-	(550,503)
Payment to Refunded Debt Escrow Agent	-	(21,532,802)	-	(21,532,802)
Transfers In	164,934	728,500	375,930	1,269,364
Transfers Out	(1,104,430)	-	-	(1,104,430)
Total Other Financing Sources (Uses)	(925,946)	984,838	377,944	436,836
Net Change in Fund Balances	1,259,591	(395,777)	609,260	1,473,074
Fund Balances - Beginning of Year	2,226,849	4,057,427	3,642,934	9,927,210
Fund Balances - End of Year	$ 3,486,440	$ 3,661,650	$ 4,252,194	$ 11,400,284

See the accompanying notes to the basic financial statements.

Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Fiscal Year Ended June 30, 2015

Net Change in Fund Balances-Total Governmental Funds		$ 1,473,074
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 is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.		
Capital outlay, net of Internal Service capital outlay	$ 192,675	
Depreciation, net of Internal Service depreciation	(2,318,081)	
Total		(2,125,406)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Delinquent property taxes	360,589	
Intergovernmental grants	(176,089)	
Other revenues	31,105	
Total		215,605
Other financing sources in the Governmental funds increase long-term liabilities in the Statement of Net Position. These sources were attributed to the issuance of refunding debt.		(22,339,643)
Repayment of the District's debt principal are expenditures in the governmental funds, but the repayments reduce long-term liabilities in the Statement of Net Position.		2,938,200
Refunding of the District's debt are other financing uses in the governmental funds, but the refunding of the debt reduces long-term liabilities in the Statement of Net Position.		22,264,501
Contractually required contributions are reported as expenditures in the governmental funds; however, the Statement of Net Position reports these amounts as deferred outflows.		5,829,378
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the Statement of Activities.		(4,035,115)
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.		
Bond accretion	(1,397)	
Amortization of bond premiums	72,875	
Amortization of bond discounts	(18,318)	
Amortization of deferral on refunding	(10,448)	
Compensated absences	222,171	
Accrued interest payable	48,881	
Total		313,764
Internal Service funds are used by management to charge costs to certain activities, such as insurance to individual funds. The net revenue (expense) of the Internal Service fund are reported in the Governmental Activities.		(51,756)
Change in Net Position of Governmental Activities		$ 4,482,602

See the accompanying notes to the basic financial statements.

Statement of Revenues, Expenditures, and Changes in Fund Balance –
Budget and Actual (Non-GAAP Basis) –
General Fund
For the Fiscal Year Ended June 30, 2015

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues				
Taxes	$ 38,240,898	$ 34,907,852	$ 41,018,040	$ 6,110,188
Intergovernmental	33,043,799	37,877,902	31,640,510	(6,237,392)
Interest	145,174	166,412	139,009	(27,403)
Tuition	519,407	595,393	497,349	(98,044)
Charges for Services	125,150	143,458	119,835	(23,623)
Transportation Fees	8,270	9,480	7,919	(1,561)
Classroom Materials and Fees	90,297	103,507	86,462	(17,045)
Miscellaneous	172,838	198,123	165,266	(32,857)
Total Revenues	72,345,833	74,002,127	73,674,390	(327,737)
Expenditures				
Current:				
Instruction:				
Regular	25,889,066	25,889,066	25,484,645	404,421
Special	15,894,413	15,894,413	16,404,734	(510,321)
Vocational	1,386,643	1,386,643	1,176,538	210,105
Other	34,935	34,935	42,219	(7,284)
Supporting Services:				
Pupils	1,841,739	6,168,733	6,304,626	(135,893)
Instructional Staff	2,244,513	2,244,513	2,147,597	96,916
Board of Education	94,704	94,704	59,632	35,072
Administration	5,175,095	5,175,095	5,150,575	24,520
Fiscal Services	2,190,353	2,190,353	1,961,527	228,826
Business	691,302	691,302	655,162	36,140
Operation and Maintenance of Plant Services	7,106,110	7,106,110	6,810,942	295,168
Pupil Transportation	4,263,943	4,263,943	4,544,007	(280,064)
Central	1,801,706	1,801,706	1,615,699	186,007
Operation of Non-Instructional Services	11,647	11,647	26,187	(14,540)
Extracurricular Activities	677,531	677,531	716,918	(39,387)
Total Expenditures	69,303,700	73,630,694	73,101,008	529,686
Excess of Revenues Over Expenditures	3,042,133	371,433	573,382	201,949
Other Financing Sources (Uses)				
Sale of Capital Assets	-	-	12,822	12,822
Refund of Prior Year Expenditures	-	-	473,370	473,370
Refund of Prior Year Receipts	-	-	(4,390)	(4,390)
Advances In	-	-	240,000	240,000
Transfers In	-	-	164,934	164,934
Transfers Out	(768,615)	(768,615)	(1,104,430)	(335,815)
Contingencies	(100,000)	(100,000)	-	100,000
Total Other Financings Sources (Uses)	(868,615)	(868,615)	(217,694)	650,921
Net Change in Fund Balance	2,173,518	(497,182)	355,688	852,870
Fund Balance - Beginning of Year	1,065,072	1,065,072	1,065,072	-
Prior Year Encumbrances Appropriated	1,653,722	1,653,722	1,653,722	-
Fund Balance - End of Year	$ 4,892,312	$ 2,221,612	$ 3,074,482	$ 852,870

See the accompanying notes to the basic financial statements.

Statement of Fund Net Position
Proprietary Funds

June 30, 2015

	Business-Type Activities - Enterprise Funds	Governmental Activities - Internal Service Funds
ASSETS		
Current Assets:		
Equity in Pooled Cash, Cash Equivalents, and Investments	$ 1,037,010	$ 11,143,049
Materials and Supplies Inventory	52,470	-
Accounts Receivable	-	8,428
Intergovernmental Receivable	7,180	-
Prepaid Items	1,464	-
Total Current Assets	1,098,124	11,151,477
Noncurrent Assets:		
Capital Assets:		
Depreciable Capital Assets, Net of Depreciation	539,565	1,051
Total Assets	1,637,689	11,152,528
Deferred Outflows of Resources		
Pension	154,558	-
Total Deferred Outflows of Resources	154,558	-
LIABILITIES		
Current Liabilities:		
Accounts Payable	8,135	-
Accrued Wages and Benefits	12,616	-
Compensated Absences Payable	1,722	-
Intergovernmental Payable	41,360	233,644
Interfund Payable	3,000	-
Insurance Claims Payable	-	554,000
Workers' Compensation Claims Payable	-	59,524
Total Current Liabilities	66,833	847,168
Noncurrent Liabilities:		
Compensated Absences Payable	14,129	-
Workers' Compensation Claims Payable	-	97,628
Net Pension Liability (See Note 14)	1,964,097	-
Total Noncurrent Liabilities	1,978,226	97,628
Total Liabilities	2,045,059	944,796
Deferred Inflows of Resources		
Pension	318,778	-
Total Deferred Inflows of Resources	318,778	-
NET POSITION		
Investment In Capital Assets	539,565	1,051
Unrestricted	(1,111,155)	10,206,681
Total Net Position	$ (571,590)	$ 10,207,732

See the accompanying notes to the basic financial statements.

Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds

For the Fiscal Year Ended June 30, 2015

	Business-Type Activities - Enterprise Funds	Governmental Activities - Internal Service Fund
OPERATING REVENUES		
Food Services	$ 315,018	$ -
Charges for Services	15,470	9,589,389
Miscellaneous	24,108	28,279
Classroom Materials and Fees	-	30,416
Extracurricular Activities	-	5,466
Transportation Fees	-	8,442
Total Operating Revenues	354,596	9,661,992
OPERATING EXPENSES		
Salaries	861,540	22,021
Fringe Benefits	344,906	9,333,405
Purchased Services	31,744	136,226
Materials and Supplies	1,144,997	7,538
Depreciation	47,165	701
Other	2,834	88,938
Total Operating Expenses	2,433,186	9,588,829
Operating Income (Loss)	(2,078,590)	73,163
NONOPERATING REVENUES		
Interest	15,729	-
Intergovernmental	2,132,673	-
Donated Commodities	172,746	-
Total Nonoperating Revenues	2,321,148	-
(Transfers Out)	(40,015)	(124,919)
Change in Net Position	202,543	(51,756)
Net Position - Beginning of Year, as Restated	(774,133)	10,259,488
Net Position - End of Year	$ (571,590)	$ 10,207,732

See the accompanying notes to the basic financial statements.

Statement of Cash Flows
Proprietary Funds

For the Fiscal Year Ended June 30, 2015

	Business-Type Activities Enterprise Funds	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	$ 330,488	$ 9,650,338
Other Cash Receipts	45,111	19,851
Cash Payments to Employees for Services	(868,783)	(26,507)
Cash Payments for Employee Benefits	(384,158)	(9,402,774)
Cash Payments for Goods and Services	(1,018,596)	(143,764)
Cash Payments for Other Expenses	(4,298)	(88,938)
Net Cash Provided by (Used in) Operating Activities	(1,900,236)	8,206
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating Grants Received	2,132,673	-
Transfers Out	(40,015)	(124,919)
Net Cash Provided by (Used in) Noncapital Financing Activities	2,092,658	(124,919)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on Investments	15,729	-
Net Cash Provided by Investing Activities	15,729	-
Net Increase (Decrease) in Cash and Cash Equivalents	208,151	(116,713)
Cash and Cash Equivalents - Beginning of Year	828,859	11,259,762
Cash and Cash Equivalents - End of Year	$ 1,037,010	$ 11,143,049
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating Income (Loss)	$ (2,078,590)	$ 73,163
Adjustments:		
Depreciation	47,165	701
Federal Donated Commodities	172,746	-
(Increase) Decrease in Assets and Deferred Outflows:		
Accounts Receivable	-	8,197
Intergovernmental Receivable	21,003	-
Materials and Supplies Inventory	(22,213)	-
Prepaid Items	(1,464)	-
Deferred Outflows - Pension	(154,558)	-
Increase (Decrease) in Liabilities and Deferred Inflows:		
Accounts Payable	8,135	-
Accrued Wages and Benefits	264	(4,486)
Compensated Absences Payable	(7,507)	-
Intergovernmental Payable	(14,095)	(69,455)
Claims Payable	-	86
Net Pension Liability	(189,900)	-
Deferred Inflows - Pension	318,778	-
Net Cash Provided by (Used in) Operating Activities	$ (1,900,236)	$ 8,206

Schedule of Noncash Non-Capital and Capital Financing Activities

- During the year, the Food Service fund received donated commodities of $172,746.

See the accompanying notes to the basic financial statements.

Statement of Assets and Liabilities
Fiduciary Funds

June 30, 2015

	Agency Funds
Assets	
Equity in Pooled Cash, Cash Equivalents, and Investments	$ 29,291
Accounts Receivable	46
Total Assets	$ 29,337
Liabilities	
Due to Students	$ 29,291
Due to School District	46
Total Liabilities	$ 29,337

See the accompanying notes to the basic financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Notes to the Basic Financial Statements
June 30, 2015

NOTE 1: **DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

The Euclid City School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a city district as defined by Section 3311.02 of the Ohio Revised Code. The District operates under an elected Board of Education (five members) and is responsible for the provisions of public education to residents of the District.

The District provides public education from early learning center to grade 12. The District's enrollment as of June 30, 2015 was 5,326. The District employed 477 certified employees and 335 non-certified employees.

Reporting Entity

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

Nonpublic Schools – Within the District's boundaries, Our Lady of Lake and Sts. Robert and William schools are operated through the Cleveland Catholic Diocese. Current State legislation provides funding to these parochial schools. These monies are received and disbursed on behalf of the parochial schools by the Treasurer of the District, as directed by the parochial schools. The activity of these state monies by the District is reflected in a special revenue fund for financial reporting purposes.

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. The District has no component units.

The District is associated with two organizations which are defined as a jointly governed organization and a related organization. The Ohio School's Council Association is a jointly governed organization and the Euclid Public Library is a related organization. The jointly governed organization is presented in Note 17 and the related organization is presented in Note 18 to the basic financial statements.

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the 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 District's accounting policies are described below.

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

A. **Fund Accounting**

The District uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are grouped into the following categories: governmental, proprietary and fiduciary.

Governmental Funds

Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they must be used. Current assets are assigned to the fund from which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

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

Bond Retirement Fund – This fund is provided to account for the accumulation of resources received from property tax levies, which have been levied for debt charges on bonds, notes, or other loans.

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

Proprietary Funds

Proprietary funds focus on the determination of the changes in net position, financial position and cash flows and are classified as either enterprise or internal service.

Enterprise Funds – Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The District's enterprise funds account for the provision of food services, uniform school supplies (closed fund in fiscal year 2015), child care and services to the general public financed by user charges. The District has no major enterprise funds.

Internal Service Funds – Internal service funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the District, or to other governmental units, on a cost-reimbursement basis. The internal service funds of the District account for two self-insurance programs and purchase of services and equipment for internal use. The two self-insurance programs provide medical, dental and vision benefits to employees along with workers' compensation claims.

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

A. **Fund Accounting (Continued)**

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 District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's only agency fund is to account for student activities.

B. **Basis of Presentation**

Government-wide Financial Statements – The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses. An exception to this general rule is that interfund services provided and used are not eliminated in the process of consolidation. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements – Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Internal service funds are combined and the totals are presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

B. **Basis of Presentation (Continued)**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures, and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of fund net position. The statement of revenues, expenses, and changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

Agency funds do not report a resources measurement focus as they do not report operations.

C. **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. The proprietary funds and the fiduciary funds also use the accrual basis of accounting

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 District, available means expected to be received within sixty days of year end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements, and donations. On an accrual basis, revenue from income taxes is recognized in the fiscal year in which the exchange on which the tax is imposed takes place and revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 8). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

C. **Basis of Accounting (Continued)**

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, interest, tuition, grants, student fees and rentals.

Deferred 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 District, deferred outflows of resources are reported in the government-wide Statement of Net Position for deferral on refunding and for pensions. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pensions are explained in Note 14.

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 District, deferred inflows of resources include property taxes, compensation payments from a tax increment financing (TIF) agreement, pensions, and unavailable revenue. Property taxes and the compensation payments from the TIF agreement represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2016 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 District unavailable revenue includes delinquent property taxes, intergovernmental grants, and other revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pensions are reported on the government-wide Statement of Net Position which is further explained in Note 14.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenues.

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.

D. **Cash and Cash Equivalents**

Cash received by the District is pooled for investment purposes. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

During the fiscal year 2015, investments were limited to US Bank First American Government Obligation money market mutual fund, negotiable certificates of deposit, U.S. Government Agency securities, STAR Ohio, and STAR Plus.

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

D. **Cash and Cash Equivalents (Continued)**

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2015.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2015 amounted to $182,156, which includes $135,309 assigned from the other District funds.

For presentation on the financial statement, 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 District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

E. **Restricted Assets**

Restricted assets represent cash and cash equivalents and other current assets whose use is limited by legal requirements. See Note 21 for additional information regarding set-asides. As of June 30, 2015, the District did not have any restricted assets.

F. **Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2015 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year which services are consumed.

G. **Inventory**

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental funds types when used.

Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

H. **Capital Assets**

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District's capitalization threshold for all capital assets is $5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of capital assets is not capitalized.

All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital asset. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Land Improvements	20 years	N/A
Buildings and Improvements	10-80 years	N/A
Furniture and Equipment	5-10 years	3-10 years
Vehicles	10 years	N/A

I. **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 and business-type activities columns of the statement of net position, except for the residual amounts due between governmental and business-type activities, which are presented as internal balances.

J. **Compensated Absences**

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, *Accounting for 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 District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time when earned by all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is an estimate based on the District's past experience of making termination payments.

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

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

K. **Bond Premiums**

On the government-wide financial statements, bond premiums are deferred and amortized over the term of the bonds using the straight line method. Bond premiums are presented as an increase of the face amount of the general obligation bonds payable. On fund financial statements, premiums are receipted in the year bonds are issued.

L. **Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities, and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current expendable available financial resources. In general, liabilities that mature or come due for payment during the fiscal year are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

M. **Fund Balance**

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

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not spendable in 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. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

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

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

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

M. **Fund Balance (Continued)**

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

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

The 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.

N. **Net Position**

Net position represents the difference between assets/deferred outflows of resources and liabilities/deferred inflows of resources. 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. Deferred outflows and inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The District passed legislation to create a restriction to net position for budget stabilization. This is the only net position restriction imposed through enabling legislation. The net position restricted for state and federally fund programs and student activities have external and internal restrictions imposed by state and federal governments along with the District's Board of Education.

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

O. **Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are sales for food service and special services along with charges for services for the District's two self-insurance programs. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund. Any revenues and expenses not meeting the definition of operating are reported as non-operating.

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

P. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Q. 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 District and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2015.

R. 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.

S. Budgetary Accounting

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the fund, function and object level for the general fund and the fund level for all additional funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Tax Budget

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. Public hearings are publicized and conducted to obtain taxpayer’s comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. The budget includes proposed expenditures and the means of financing for all funds. By no later than January 20, the Board-adopted budget is filed with the Cuyahoga County Budget Commission for rate determination.

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

S. **Budgetary Accounting (Continued)**

Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District's Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the original and final amended certificates of estimated resources issued during fiscal year 2015.

Appropriations

Upon receipt from the County Auditor of an amended Certificate of Estimated Resources based on final assessed values and tax rates or a certification saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function and object level of expenditures for the general fund and the fund level for all other funds, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission. The total of expenditures and encumbrances may not exceed the appropriation totals at any level of control.

Any revisions that alter the total of any fund appropriation or alter total function or object level appropriations within the general fund or fund level for all other funds must be approved by the Board of Education. The Board may pass supplemental fund appropriations provided the total appropriations by fund do not exceed the amounts set forth in the most recent Certificate of Estimated Resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations. On the governmental fund financial statements, encumbrances outstanding at year end are reported as part of the respective fund balance classification for subsequent year expenditures. Encumbrances outstanding at year end are not reported on government-wide financial statements.

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

S. **Budgetary Accounting (Continued)**

Lapsing of Appropriations

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

T. **Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. The pension systems report investments at fair value.

NOTE 3: **COMPLIANCE AND ACCOUNTABILITY**

Accountability

The following funds had negative fund balances at June 30, 2015:

	Deficit
Nonmajor Special Revenue Funds	
Public School Preschool	$ 38,294
Vocational Education Enhancement	4,310
Alternative Schools	20,923
Title I	247,223
Nonmajor Capital Projects Fund	
Vocational Education Equipment	91
Nonmajor Enterprise Fund	
Food Services	620,273

The fund deficits in the nonmajor special revenue funds and the nonmajor capital projects fund resulted from accrued liabilities. The general fund is liable for the deficits in these funds and will provide operating transfers when cash is required, not when accruals occur. In addition, the total net position of governmental activities and business-type activities reflect deficits of $31,416,521 and $571,590, respectively. The implementation of GASB Statement No. 68 is solely responsible for this deficit and is further explained in Notes 4 and 14.

NOTE 4: **CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET POSITION**

For fiscal year 2015, the District implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68." GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2014:

	Governmental Activities	Business-Type Activities	Total
Net Position as of June 30, 2014	$ 68,555,422	$ 1,379,864	$ 69,935,286
Adjustments:			
Net Pension Liability	(110,050,413)	(2,307,841)	(112,358,254)
Deferred Outflow - Payments Subsequent to Measurement Date	5,595,868	153,844	5,749,712
Restated Net Position June 30, 2014	$ (35,899,123)	$ (774,133)	$ (36,673,256)

Other than employer contributions subsequent to the measurement date, the District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

NOTE 5: **BUDGETARY BASIS OF ACCOUNTING**

While the District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Non-GAAP Basis) 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 Budgetary basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (Budgetary basis) as opposed to when susceptible to accrual (GAAP basis);

2. Expenditures are recorded when paid in cash (Budgetary basis) as opposed to when the fund liability is incurred (GAAP basis);

3. Encumbrances are treated as expenditures (Budgetary basis) rather than as a part of restricted, committed, and assigned fund balances (GAAP) basis;

4. Unrecorded cash represents amounts received but not included as revenue on the Budgetary basis operating statements. These amounts are included as revenue on the GAAP basis operating statement; and

5. Some funds are included in the General Fund (GAAP basis), but have separate legally adopted budgets (Budgetary basis).

NOTE 5: **BUDGETARY BASIS OF ACCOUNTING (CONTINUED)**

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the Budgetary basis statements for the General Fund.

Net Change in Fund Balance	
GAAP Basis	$ 1,259,591
Net Adjustment for Revenue Accruals	851,082
Net Adjustments for Expenditure Accruals	(439,937)
Funds with Separate Legally Adopted Budgets	31,200
Adjustment for Encumbrances	(1,346,248)
Budget Basis	$ 355,688

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NOTE 6: **FUND BALANCE**

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

Fund Balances	General	Bond Retirement	Other Governmental Funds	Total
Nonspendable				
Prepaid Items	$ 16,678	$ -	$ 2,488	$ 19,166
Materials and Supplies Inventory	42,827	-	-	42,827
Total Nonspendable	59,505	-	2,488	61,993
Restricted for				
Classroom Facilities Maintenance	-	-	1,305,850	1,305,850
Athletics	-	-	14,402	14,402
Auxiliary Services	-	-	69,874	69,874
Public School Preschool	-	-	-	-
Race to the Top	-	-	5,188	5,188
Special Education	-	-	24,654	24,654
Title III - LEP	-	-	522	522
Other Grants	-	-	2,749	2,749
Debt Service	-	3,661,650	-	3,661,650
Capital Improvements	-	-	2,346,983	2,346,983
Buildings	-	-	57,093	57,093
Classroom Facilities Project	-	-	638,639	638,639
Total Restricted	-	3,661,650	4,465,954	8,127,604
Committed to				
Termination Benefits	97,787	-	-	97,787
Special Programs	-	-	46,689	46,689
Total Committed	97,787	-	46,689	144,476
Assigned to				
Property Replacement	-	-	47,904	47,904
Public School Support	41,283	-	-	41,283
Instructional Activities	1,061,955	-	-	1,061,955
Supporting Services	245,899	-	-	245,899
Total Assigned	1,349,137	-	47,904	1,397,041
Unassigned (Deficit)	1,980,011	-	(310,841)	1,669,170
Total Fund Balances	$ 3,486,440	$ 3,661,650	$ 4,252,194	$ 11,400,284

NOTE 7: **DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the District into three categories.

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

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

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

Interim monies may be deposited or invested in the following securities:

1. United States Treasury notes, bills, bonds, or any other obligations or security issued by the United States Treasury or any other obligation guaranteed as to payment of principal and interest by the United States;

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above;

4. Bonds or other obligations of the State of Ohio or Ohio local governments;

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 division (2) of this section and repurchase agreements secured by such obligations;

7. The State Treasurer's investment pool (STAR Ohio);

8. Bankers' acceptances and commercial paper, 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.

The following disclosure is based on the criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*.

NOTE 7: **DEPOSITS AND INVESTMENTS (CONTINUED)**

Cash on Hand

At June 30, 2015, the District had $3,255 in undeposited cash on hand, which is included on the balance sheet of the District as part of "Equity in Pooled Cash and Cash Equivalents".

Deposits

At June 30, 2015, the carrying amount of the District's deposits was $7,863,826 and the bank balance was $8,691,227. $5,267,750 of the District's bank balance was covered by Federal Depository Insurance and $3,423,477 was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name. Although the securities were held by the pledging institution's trust department and all statutory requirements for the investments of money had been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the FDIC.

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits or collateral securities may not be returned. The District's policy is to place deposits with major local banks approved by the District's Board of Education. All deposits, except for deposits held by fiscal and escrow agents, are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by Chapter 135 of the ORC, is held in financial institution pools at Federal Reserve banks, or at member banks of the Federal Reserve System in the name of the respective depository bank, and pledged as a pool of collateral against all of the public deposits it holds.

Investments

The District has a formal investment policy. The objective of the policy shall be the preservation of capital and protection of principal while earning investment interest. Safety of principal is the primary objective of the investment program. The District follows GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, and records all its investments at fair value. All investments are in an internal investment pool.

Investments at year end were as follows:

Investment Type	Investment Maturities (in Years)	Credit Rating (*)	Fair Value
STAR Ohio	< 1	AAAm	$ 1,690,305
Negotiable CDs	> 1	N/A	5,962,936
U.S. Government Agency Securities	> 1	AA+	6,006,828
Money Market Mutual Fund	< 1	N/A	3,272,918
Total Investments			$ 16,932,987

* Credit rating was obtained from Standard & Poor's.

NOTE 7: **DEPOSITS AND INVESTMENTS (CONTINUED)**

Interest Rate Risk

As a means of limiting its exposure to fair value of losses caused by rising interest rates, the District's investment policy requires that operating funds be invested primarily in short-term investments maturing within five years from the date of purchase and the District's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

Credit Risk

The credit risks of the District's investments are in the table above. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District has no investment policy that would further limit its investment choices.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investments in the money market mutual fund and U.S. Government Agency securities are exposed to custodial credit risk in that it is uninsured, unregistered, and held by the counterparty's trust department or agent but not in the District's name. The District's investments in negotiable certificates of deposit were fully covered by Federal Depository Insurance. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk

The District places no limit on the amount it may invest in any one issuer.

NOTE 8: **PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility, and certain tangible personal property (used in business) located in the District. Real property tax revenue received in calendar year 2015 represents collections of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed value listed as of January 1, 2014, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are paid annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2015 represents collections of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien December 31, 2013, were levied after April 1, 2014 and are collected in 2014 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

NOTE 8: **PROPERTY TAXES (CONTINUED)**

The District receives property taxes from Cuyahoga County. The County Fiscal Officer periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2015, are available to finance fiscal year 2015 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property, and tangible personal property taxes which are measurable as of June 30, 2015, 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.

The amount available as an advance at June 30, 2015 was $7,643,945 in the General Fund, $544,342 in the Bond Retirement Fund, and $278,864 in the Permanent Improvement Capital Projects Fund. The amount available as an advance at June 30, 2014 was $6,707,580 in the General Fund, $485,884 in the Bond Retirement Fund, and $248,918 in the Permanent Improvement Capital Projects Fund.

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

The assessed values upon which fiscal year 2015 taxes were collected are:

	2014 Second Half Collections		2015 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	$ 567,767,480	96.75%	$ 560,680,350	96.54%
Public Utility	19,072,000	3.25%	20,085,560	3.46%
Totals	$ 586,839,480	100.00%	$ 580,765,910	100.00%
Tax Rate per $1,000 of Assessed Valuation	$ 100.70		$ 101.60	

NOTE 9: **SCHOOL DISTRICT INCOME TAXES**

The District is the only school district in the State of Ohio with an enacted shared City/School income tax. The shared City income tax, enacted in 1994, is a 0.85 percent City voted income tax of which 0.47 percent is for the District and 0.38 percent for the City of Euclid. Employers are required to withhold income tax on compensation and remit the tax to the City of Euclid. Taxpayers are required to file an annual return with the City of Euclid. The City makes monthly distributions to the District after withholding amounts for administrative fees and estimated refunds. School District income tax revenue is credited to the General Fund.

NOTE 10: **RECEIVABLES**

Receivables at June 30, 2015 consisted of property taxes, compensation payments from a TIF agreement, accounts (rent, billings for user charged services, and student fees), intergovernmental grants and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

	Governmental Activities	Business-Type Activities
Alternative Education Challenge	$ 19,369	$ -
Race to the Top	5,188	-
SERS True-up	336,343	7,180
TIF	58,000	-
Other	29,031	-
Total Intergovernmental Receivables	$ 447,931	$ 7,180

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NOTE 11: **CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	Balance 6/30/2014	Additions	Deletions	Balance 6/30/2015
Governmental Activities				
Capital Assets, not being depreciated:				
Land	$ 2,052,789	$ -	$ -	$ 2,052,789
Construction in Progress	-	-	-	-
Total Capital Assets, not being depreciated:	2,052,789	-	-	2,052,789
Capital Assets, being depreciated:				
Land Improvements	9,403,771	89,639	-	9,493,410
Building and Improvements	104,668,064	41,935	-	104,709,999
Furniture and Equipment	2,178,124	61,101	-	2,239,225
Vehicles	3,949,339	-	(430,858)	3,518,481
Total Capital Assets, being depreciated	120,199,298	192,675	(430,858)	119,961,115
Less Accumulated Depreciation:				
Land Improvements	(2,902,911)	(376,824)	-	(3,279,735)
Building and Improvements	(30,050,691)	(1,537,999)	-	(31,588,690)
Furniture and Equipment	(1,219,560)	(224,952)	-	(1,444,512)
Vehicles	(3,154,686)	(179,007)	430,858	(2,902,835)
Total Accumulated Depreciation	(37,327,848)	(2,318,782)	430,858	(39,215,772)
Total Capital Assets being depreciated, Net	82,871,450	(2,126,107)	-	80,745,343
Governmental Activities' Capital Assets, Net	$ 84,924,239	$ (2,126,107)	$ -	$ 82,798,132
Business-Type Activities				
Capital Assets, being depreciated:				
Building and Improvements	$ 12,000	$ -	$ -	$ 12,000
Furniture and Equipment	775,027	-	-	775,027
Total Capital Assets, being depreciated	787,027	-	-	787,027
Less Accumulated Depreciation:				
Building and Improvements	(1,950)	(300)	-	(2,250)
Furniture and Equipment	(198,347)	(46,865)	-	(245,212)
Total Accumulated Depreciation	(200,297)	(47,165)	-	(247,462)
Business-Type Activities' Capital Assets, Net	$ 586,730	$ (47,165)	$ -	$ 539,565

NOTE 11: CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to the governmental functions as follows:

Instruction:	
Regular	$ 1,966,120
Special	3,198
Support Services:	
Instructional Staff	39,884
Administration	7,730
Operation and Maintenance of Plant	78,557
Pupil Transportation	167,127
Central	56,166
Total Depreciation Expense	$ 2,318,782

NOTE 12: LONG-TERM OBLIGATIONS

The changes in the District's long-term obligations during fiscal year 2015 were as follows:

	Restated Balance Outstanding 6/30/2014	Additions	Deletions	Balance Outstanding 6/30/2015	Amounts Due in One Year
Governmental Activities					
General Obligation Bonds					
Energy Conservation Bonds					
Series 2002 - $2,715,000 - 2.50% to 6.00%	$ 680,000	$ -	$ (215,000)	$ 465,000	$ 225,000
Series 2009 - $1,253,000 - 5.25%	936,800	-	(73,200)	863,600	77,100
School and Library Refunding, Series 2006 -					
Serial Bonds - $6,300,000 - 3.375 % to 5.00%	445,000	-	(380,000)	65,000	65,000
Classroom Facilities and School					
Improvement Bonds, Series 2010					
Term Bonds - $11,210,000 - 6.15%	11,210,000	-	(11,210,000)	-	-
Term Bonds - $10,190,000 - 6.30%	10,190,000	-	(10,190,000)	-	-
Sinking Fund Bonds - $15,165,000 - 1.85%	15,040,000	-	(1,120,000)	13,920,000	1,145,000
Classroom Facilities and School					
Improvement Refunding Bonds, Series 2014					
Serial Bonds - $9,575,000 - 1.00-4.00%	-	9,575,000	-	9,575,000	70,000
Term Bonds - $11,815,000 - 3.50-3.625%	-	11,815,000	-	11,815,000	-
Capital Appreciation Bonds - $9,996 - 41.48%	-	9,996	-	9,996	-
Accretion on Capital Appreciation Bonds	-	1,397	-	1,397	-
Total General Obligation Bonds	38,501,800	21,401,393	(23,188,200)	36,714,993	1,582,100

(Continued)

NOTE 12: **LONG-TERM OBLIGATIONS (CONTINUED)**

	Restated Balance Outstanding 6/30/2014	Additions	Deletions	Balance Outstanding 6/30/2015	Amounts Due in One Year
Governmental Activities (Continued)					
Other Long-Term Obligations					
Permanent Improvement Tax Anticipation - $6,500,000 - 4.25%	775,000	-	(775,000)	-	-
Permanent Improvement Tax Anticipation - $4,185,000 - 3.15%	3,825,000	-	(375,000)	3,450,000	385,000
Unamortized Bond Premium	62,412	939,647	(72,875)	929,184	-
Unamortized Bond Discount	-	(550,503)	18,318	(532,185)	-
Claims and Judgments	711,066	8,381,314	(8,381,228)	711,152	613,524
Compensated Absences	1,727,365	410,904	(633,075)	1,505,194	548,277
Total Other Long-Term Obligations	7,100,843	9,181,362	(10,218,860)	6,063,345	1,546,801
Net Pension Liability:					
STRS	89,250,530	-	(14,325,227)	74,925,303	-
SERS	20,799,883	-	(3,098,066)	17,701,817	-
Total Net Pension Liability	110,050,413	-	(17,423,293)	92,627,120	-
Total Governmental Activities Long-Term Liabilities	$ 155,653,056	$ 30,582,755	$ (50,830,353)	$ 135,405,458	$ 3,128,901
Business-Type Activities					
Compensated Absences	$ 23,358	$ 2,140	$ (9,647)	$ 15,851	$ 1,722
Net Pension Liability:					
SERS	2,307,841	-	(343,744)	1,964,097	-
Total Business-Type Activities Long-Term Liabilities	$ 2,331,199	$ 2,140	$ (353,391)	$ 1,979,948	$ 1,722

General Obligation Bonds

In 2002, the District issued $2,715,000 in energy conservation bonds for a fifteen year period to replace heating and lighting systems at several schools, with final maturity at December, 2016. The bonds will be retired from the bond retirement fund.

In 2006, the District issued $6,300,000 in school and library refunding bonds and $1,129,954 in capital appreciation bonds. These bonds were issued to provide for all future debt payments on the refunded portion of the 1995 school and library bonds. The maturity amount of outstanding school and library refunding bonds at June 30, 2013 is $805,000. These bonds will mature in December 2015. The capital appreciation bonds matured during the fiscal year 2012. The maturity amount of the bonds was $1,720,000. The remaining bonds will be retired from the bond retirement fund.

In 2009, the District issued $1,253,000 in energy conservation improvement bonds for a fifteen year period. The bonds were issued to retire $1,338,000 in bond anticipation notes that were provided to pay the costs of installations, modifications, and remodeling of school buildings to conserve energy. The bonds will be retired from the bond retirement fund.

NOTE 12: **LONG-TERM OBLIGATIONS (CONTINUED)**

General Obligation Bonds (Continued)

On March 4, 2010, the District issued $40,299,828 in voted general obligation bonds which comprised of serial, capital appreciation (deep discount), term, and sinking fund bonds in the amount of $3,235,000, $499,828, $21,400,000 and $15,165,000, respectively. The general obligation bonds were issued for the purpose of building new schools within the Euclid City Schools system. The bonds were issued with a twenty-eight year period with final maturity at January 15, 2038. The bond retirement fund will fund the annual debt service requirements on these bonds. The term and sinking fund bonds remained outstanding at June 30, 2014.

$21,400,000 of the bonds issued on March 4, 2010, consisted of Build America Bonds (BABs) – Direct Payment. These bonds were created through the American Recovery and Reinvestment Act (ARRA) and offer federal subsidies through a refundable tax credit paid to state or local governmental issuers by the Treasury Department and the Internal Revenue Service in an amount equal to 35 percent of the total coupon interest payable to investors in these taxable bonds. The issuer of such bond shall be allowed a credit with respect to each interest payment under such bond which shall be a payable by the Secretary of the Treasury. These bonds were refunded during fiscal year 2015.

$15,165,000 of the bonds issued on March 4, 2010, consisted of Qualified School Construction Bonds (QSCBs). In addition to the aforementioned BABs, the QSCBs were authorized by the federal government through the ARRA. These bonds were issued as tax credit bonds under which the bond holders receive federal tax credits in lieu of interest as a means to significantly reduce the issuer's interest cost.

On September 10, 2014, the District issued term bonds of $11,815,000 with interest rates ranging from 3.50-3.625 percent; serial bonds of $9,575,000 with interest rates ranging from 1.00-4.00 percent; and capital appreciation bonds of $9,996 with an interest rate of 41.48 percent to currently refund the BAB portion of the Classroom Facilities and School Improvement Bonds, Series 2010. The BABs mature on January 15, 2033 and January 15, 2038, and are both callable on October 10, 2014. The net proceeds from the issuance of the refunding bonds of $21,532,802 and the District's contribution of $181,196 were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide the debt service requirements until the BABs are called on October 10, 2014. The current refunding met the requirements of an in-substance debt defeasance and the BABs were removed from the District's government-wide financial statements.

As a result of the current refunding, the District reduced its total debt service requirements by $1,455,686, which resulted in an economic gain of (difference between the present value of the debt service payments on the old and new debt) of $997,026.

NOTE 12: **LONG-TERM OBLIGATIONS (CONTINUED)**

General Obligation Bonds (Continued)

The $15,040,000 sinking fund bonds maturing January 15, 2026 are subject to extraordinary mandatory redemption and extraordinary optional redemption requirements on January 15 in the years (mandatory sinking fund dates) and in respective principal amounts as follows:

Year	Amount
2016	$ 1,145,000
2017	1,165,000
2018	1,190,000
2019	1,215,000
2020	1,240,000
2021	1,265,000
2022	1,290,000
2023	1,315,000
2024	1,340,000
2025	1,370,000
2026	1,385,000
Totals	$ 13,920,000

Tax Anticipation Notes

In 2004, the District issued $6,500,000 in long-term payable notes to provide for the renovation of the school buildings and other District improvements. During fiscal year 2015, these notes were fully retired.

In 2012, the District issued $4,185,000 in long-term payable notes to provide for the renovation of the school buildings and other District improvements. These notes will paid off over a ten year period of time with property taxes collected in the bond retirement fund.

Other Obligations

Compensated absences will be paid from the general fund and food service enterprise fund. See Note 16 for further details on the District's liability for claims and judgments. The net pension liability recorded on the government-wide financial statements is further explained in Note 14.

The District's voted legal debt margin was $20,545,586 with an unvoted debt margin of $580,766 at June 30, 2015.

NOTE 12: **LONG-TERM OBLIGATIONS (CONTINUED)**

Principal and interest requirements to retire the general obligation debt outstanding at June 30, 2015 are as follows:

Fiscal Year Ending June 30,	Permanent Improvement Tax Anticipation Note Principal	Permanent Improvement Tax Anticipation Note Interest	General Obligation Bonds Principal	General Obligation Bonds Interest	Totals Principal	Totals Interest
2016	$ 385,000	$ 102,611	$ 1,582,100	$ 1,115,314	$ 1,967,100	$ 1,217,925
2017	400,000	90,248	1,556,200	1,097,656	1,956,200	1,187,904
2018	410,000	77,490	1,345,600	1,086,577	1,755,600	1,164,067
2019	425,000	64,339	1,375,200	1,080,912	1,800,200	1,145,251
2020	435,000	50,794	1,405,100	1,074,998	1,840,100	1,125,792
2021-2025	1,395,000	66,859	7,399,400	5,270,815	8,794,400	5,337,674
2026-2030	-	-	6,649,996	4,734,449	6,649,996	4,734,449
2031-2035	-	-	9,125,000	2,113,544	9,125,000	2,113,544
2036-2038	-	-	6,275,000	457,669	6,275,000	457,669
Totals	$ 3,450,000	$ 452,341	$ 36,713,596	$ 18,031,934	$ 40,163,596	$ 18,484,275

NOTE 13: **OTHER EMPLOYEE BENEFITS**

A. **Compensated Absences**

Employees earn vacation at rates specified under State of Ohio law and based on credited service. Clerical, technical, and maintenance and operations employees with one or more years of service are entitled to vacation ranging from 5 to 25 days. Employees with less than one year of service earn one vacation day per month worked, not to exceed five days. Unused vacation is not cumulative to the next year. Teachers do not earn vacation.

All employees are entitled to a sick leave credit equal to one and one-quarter days for each month of service (earned on a pro rata basis for less than fill-time employees). This sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. The amount paid to an employee upon retirement is limited to one-quarter of the accumulated sick leave to a maximum payout of 40 to 60 days based on the collective bargaining agreements.

NOTE 14: **PENSION PLANS**

A. Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions-–between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the District's obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

B. Plan Description – School Employees Retirement System (SERS)

Plan Description – District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. 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, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

NOTE 14: **PENSION PLANS (CONTINUED)**

B. **Plan Description – School Employees Retirement System (SERS) (Continued)**

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the 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, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was $1,380,165 for fiscal year 2015. Of this amount $29,876 is reported as an intergovernmental payable.

C. **Plan Description – State Teachers Retirement System (STRS)**

Plan Description – District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

NOTE 14: **PENSION PLANS (CONTINUED)**

C. **Plan Description – State Teachers Retirement System (STRS) (Continued)**

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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 allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member’s defined contribution account or the defined contribution portion of a member’s Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability 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.

NOTE 14: **PENSION PLANS (CONTINUED)**

C. **Plan Description - State Teachers Retirement System (STRS) (Continued)**

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The District’s contractually required contribution to STRS was $4,587,054 for fiscal year 2015. Of this amount $1,000,608 is reported as an intergovernmental payable.

D. **Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	$19,665,914	$74,925,303	$94,591,217
Proportion of the Net Pension Liability	0.388582%	0.30803718%	
Pension Expense	$1,123,038	$3,024,238	$4,147,276

At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$167,378	$721,319	$888,697
School District contributions subsequent to the measurement date	1,380,165	4,587,054	5,967,219
Total Deferred Outflows of Resources	$1,547,543	$5,308,373	$6,855,916
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	$3,191,833	$13,861,465	$17,053,298

NOTE 14: **PENSION PLANS (CONTINUED)**

D. **Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

$5,967,219 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2016	$755,691	$3,285,036	$4,040,727
2017	755,691	3,285,036	4,040,727
2018	755,691	3,285,036	4,040,727
2019	757,382	3,285,038	4,042,420
Total	$3,024,455	$13,140,146	$16,164,601

E. **Actuarial Assumptions - SERS**

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

NOTE 14: **PENSION PLANS (CONTINUED)**

E. **Actuarial Assumptions – SERS (Continued)**

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	100.00 %	

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

NOTE 14: **PENSION PLANS (CONTINUED)**

E. **Actuarial Assumptions – SERS (Continued)**

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	$28,057,415	$19,665,914	$12,607,936

F. **Actuarial Assumptions – STRS**

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	

NOTE 14: **PENSION PLANS (CONTINUED)**

F. **Actuarial Assumptions – STRS (Continued)**

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	$107,263,738	$74,925,303	$47,577,867

NOTE 15: **POST-EMPLOYMENT BENEFITS**

A. **State Teachers Retirement System (STRS)**

Health Care 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) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS 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. 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 2015, STRS did not allocate any employer contributions to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were $0, $327,664, and $321,149, respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

NOTE 15: **POST-EMPLOYMENT BENEFITS (CONTINUED)**

B. **School Employees Retirement System (SERS)**

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) 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 financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. 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.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was $20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the School District's surcharge obligation was $176,424.

The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were $68,569, $99,724, and $97,308, respectively. For fiscal year 2015, 97.84 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2014 and 2013.

NOTE 16: **RISK MANAGEMENT**

A. **Property and Liability**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2015, the District contracted with Catlin Indemnity Company for fleet and liability insurance, with Travelers Insurance for boiler and machinery, and with Hyland Administrative Services – Ohio School Plan for property and inland marine coverage. Coverages provided were as follows:

Building, Contents, Boiler and Machinery Contents ($5,000 deductible)	$ 235,197,402
Crime Insurance ($500 to $50,000 deductible)	50,000 - 500,000
Automobile Liability ($1,000 Comprehensive deductible/ $1,000 Collision deductible)	1,000,000
Uninsured Motorists	50,000
General Liability (per occurrence)	1,000,000
General Liability (total per year)	2,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant change from prior year's coverage.

B. **Self-Insurance Program**

The self-insurance program for health care has been administered by Medical Mutual of Ohio since January, 2001. Medical Mutual of Ohio began administering the program in January, 2001. Payments are made to Medical Mutual of Ohio for the actual amount of claims processed, monthly stop-loss premiums, and administrative charges. Operating revenues of the fund consist of payments from other funds and are based on self-insurance losses, policy stop-loss premiums, and other operating expenses.

The claims liability of $554,000 reported in the fund at June 30, 2015 was estimated by the third party administrator and is based on the requirements of GASB Statement No. 30, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses (GASB Statement No. 30). Changes in the fund's claims liability amount for the fiscal years ended June 30, 2014 and 2015 were:

	Beginning of Year	Current Year Claims	Claim Payments	End of Year
June 30, 2014	$ 858,500	$ 6,531,287	$ (6,928,787)	$ 461,000
June 30, 2015	461,000	7,843,061	(7,750,061)	554,000

NOTE 16: **RISK MANAGEMENT (CONTINUED)**

C. **Workers' Compensation Program**

The District participates in the State Workers' Compensation group retrospective rating and payment system. The plan involves the payment of a minimum premium for administrative services and stop loss coverage plus the actual claim costs for employees injured. The program for workers' compensation is administered by Comp Management Inc. Payments are made directly to the Ohio Bureau of Workers' Compensation for actual claims processed. Operating revenues of the fund consist of payments from other funds and earnings on the investing of these funds that are based on self-insurance losses, policy stop-loss premiums, and other operating expenses.

The claims liability of $157,152 reported in the fund at June 30, 2015 was estimated by the Bureau of Workers Compensation and is based on the requirement of Governmental Standards Board Statement No. 30, which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. Changes in the fund's current claims liability amount for the fiscal years ended June 30, 2014 and 2015 were:

	Beginning of Year	Current Year Claims	Claim Payments	End of Year
June 30, 2014	$ 383,426	$ 467,169	$ (600,529)	$ 250,066
June 30, 2015	250,066	538,253	(631,167)	157,152

NOTE 17: **JOINTLY GOVERNED ORGANIZATIONS**

Ohio Schools' Council Association (Council) – The Council is a jointly governed organization among 179 school districts, educational service centers, joint vocational districts, and Developmental Disabilities boards in 35 northern Ohio counties. The jointly governed organization was created by various entities for the purpose of saving money through volume purchases. Each entity supports the Council by paying an annual participation fee. Each district member's superintendent serves as a representative of the Assembly. The Assembly elects five of the Council's Board members and the remaining four are representatives of the Greater Cleveland School Superintendents' Association. The Council operates under a nine-member Board of Directors (the Board). The Board meets monthly September through June. The Board appoints an Executive Director who is responsible for receiving and disbursing funds, investing available funds, preparing financial reports for the Board and Assembly and carrying out such other responsibilities as designated by the Board. In fiscal year 2015, the District paid $7,250 to the Council. Financial information can be obtained by contacting William J. Zelei, the Executive Director of the Ohio Schools' Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

The District participates in the Council's prepaid natural gas program. The Council provides participating school districts the ability to purchase natural gas at reduced rates, if the school districts will commit to participating for a twelve year period. There are currently 148 districts in the Program. The participants make monthly payments based on estimated usage. Each September, these estimated payments are compared to their actual usage for the year (July to June). Districts that paid more in estimated billings than their actual billings are issued credits on future billings 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 17: **JOINTLY GOVERNED ORGANIZATIONS (CONTINUED)**

The District also participates in the Council's electric purchase program (Power4Schools program). In June, 2011, the Council partnered with the Ohio School Boards Association (OSBA), the Ohio Association of School Business Officials (OASBO), and the Buckeye Association of School Administrators (BASA) to negotiate with First Energy Solutions for electric generation savings. The rate is $0.0528 per kWh for all district facilities (including non-classroom facilities) and is guaranteed for the first three years of the program. Similar savings, depending on market conditions, will continue for the remaining five and a half years of the program. There are two hundred fifty-one (251) districts participating in this program.

NOTE 18: **RELATED ORGANIZATION**

Euclid Public Library – The Euclid Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Euclid City School District's Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the District for operational subsidies. Although the District serves as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate, and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Euclid Public Library at 631 East 222nd Street, Euclid, Ohio 44123.

NOTE 19: **CONTINGENCIES**

A. **Grants**

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2015, if applicable, cannot be determined at this time.

B. **Litigation**

The District is party to legal proceedings. The District is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of the District.

C. **State Foundation Funding**

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time.

NOTE 20: **INTERFUND TRANSACTIONS**

A. **Interfund Balances**

On June 30, 2015, interfund balances on fund financial statements consist of the following:

	Receivable	Payable
Major Governmental Fund		
General Fund	$ 270,400	$ -
Nonmajor Governmental Funds		
Special Revenue Funds	-	17,309
Capital Projects Funds	-	250,091
Nonmajor Proprietary Fund		
Enterprise Fund	-	3,000
Total Interfund Balances	$ 270,400	$ 270,400

Monies were advanced from the general fund to various nonmajor governmental funds to cover operating expenditures until additional monies are received. These interfund balances will be repaid once the anticipated revenues are received.

B. **Interfund Transfers**

On June 30, 2015, interfund transfers on fund financial statements consist of the following:

	Transfers In	Transfers Out
Major Funds		
General	$ 164,934	$ 1,104,430
Bond Retirement	728,500	-
Nonmajor Governmental Funds		
Special Revenue Funds	375,930	-
Nonmajor Proprietary Funds		
Enterprise Fund	-	40,015
Internal Service Fund	-	124,919
Total Interfund Transfers	$ 1,269,364	$ 1,269,364

Transfers were made to provide additional resources for current operations. The interfund transfers between governmental activities were eliminated on the entity-wide financial statements.

NOTE 21: **SET-ASIDE REQUIREMENTS**

The 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. In prior years, the District was also required to set aside money for budget stabilization. At June 30, 2015, only the unspent portion of certain workers' compensation refunds continues to be a required set-aside. As a result of the implementation of GASB Statement No. 54, the District's budget stabilization amount has been classified as unassigned fund balance. This fund balance classification is necessary since the District does not provide specific circumstances and these circumstances could occur routinely.

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

	Capital Improvements	Budget Stabilization
Set-Aside Constraint Balance as of June 30, 2014	$ -	$ 476,511
Current Year Set-Aside Requirements	904,391	-
Qualifying Disbursements	(1,646,493)	-
Totals	(742,102)	476,511
Set-Aside Balance Carried Forward to Future Fiscal Years	$ -	$ 476,511
Set-Aside Constraint Balance as of June 30, 2015	$ -	$ 476,511

Although the District had qualifying disbursements during the year that reduced the capital improvements set-aside amount below zero, these extra amounts may not be used to reduce the set-aside requirement in future fiscal years.

NOTE 22: **OTHER COMMITMENTS**

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end are components of fund balance for subsequent year expenditures and may be reported as part of restricted, committed, or assigned classifications of fund balance. As of June 30, 2015, the District's commitments for encumbrances in the governmental funds were as follows:

	Encumbrances Outstanding
General	$ 1,309,389
Nonmajor Governmental	880,787
Total	$ 2,190,176

Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio
Last Two Fiscal Years (1)

	2014	2013
School District's Proportion of the Net Pension Liability	0.388582%	0.388582%
School District's Proportionate Share of the Net Pension Liability	$ 19,665,914	$ 23,107,724
School District's Covered-Employee Payroll	$ 11,113,947	$ 13,149,689
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	176.95%	175.73%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.70%	65.52%

(1) Information prior to 2013 is not available.

Amounts presented as of the School District's measurement date which is the prior fiscal year end.

Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio
Last Two Fiscal Years (1)

	2014	2013
School District's Proportion of the Net Pension Liability	0.30803718%	0.30803718%
School District's Proportionate Share of the Net Pension Liability	$ 74,925,303	$ 89,250,530
School District's Covered-Employee Payroll	$ 32,379,377	$ 32,114,900
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	231.40%	277.91%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	69.30%

(1) Information prior to 2013 is not available.

Amounts presented as of the School District's measurement date which is the prior fiscal year end.

Required Supplementary Information
Schedule of the District's Contributions
School Employees Retirement System of Ohio
Last Ten Fiscal Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually Required Contribution	$ 1,380,165	$ 1,540,393	$ 1,819,917	$ 1,874,909	$ 1,623,663	$ 1,781,136	$ 1,243,226	$ 1,242,875	$ 1,276,038	$ 1,272,065
Contributions in Relation to the Contractually Required Contribution	(1,380,165)	(1,540,393)	(1,819,917)	(1,874,909)	(1,623,663)	(1,781,136)	(1,243,226)	(1,242,875)	(1,276,038)	(1,272,065)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
School District Covered-Employee Payroll	$10,471,662	$11,113,947	$13,149,689	$13,939,844	$12,916,969	$13,154,623	$12,634,411	$12,656,568	$11,947,921	$12,023,299
Contributions as a Percentage of Covered-Employee Payroll	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%	9.84%	9.82%	10.68%	10.58%

Required Supplementary Information
Schedule of the District's Contributions
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually Required Contribution	$ 4,587,054	$ 4,209,319	$ 4,174,937	$ 4,271,755	$ 4,684,882	$ 4,747,383	$ 4,635,825	$ 4,449,009	$ 4,236,488	$ 4,123,858
Contributions in Relation to the Contractually Required Contribution	(4,587,054)	(4,209,319)	(4,174,937)	(4,271,755)	(4,684,882)	(4,747,383)	(4,635,825)	(4,449,009)	(4,236,488)	(4,123,858)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
School District Covered-Employee Payroll	$32,764,671	$32,379,377	$32,114,900	$32,859,654	$36,037,554	$36,518,331	$35,660,192	$34,223,146	$32,588,369	$31,721,985
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

EUCLID CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Federal Grantor/ *Pass-Through Grantor/* Program or Cluster Title	**Federal CFDA Number**	**Receipts**	**Non-Cash Receipts**	**Expenditures**	**Non-Cash Expenditures**
U.S. Department of Agriculture					
Passed through Ohio Department of Education					
Child Nutrition Cluster:					
Child Care - Summer School Meals	10.559	$ 72,412	$ 0	$ 72,412	$ 0
National School Breakfast Program	10.553	442,281	0	442,281	0
National School Lunch Program	10.555	1,536,702	172,746	1,536,702	172,746
Fresh Fruit and Vegetable Program	10.582	36,304	0	36,304	0
Total Child Nutrition Cluster		2,087,699	172,746	2,087,699	172,746
Total U.S. Department of Agriculture		2,087,699	172,746	2,087,699	172,746
U.S. Department of Defense					
Direct Programs:					
Junior ROTC	12.000	44,944	0	44,944	0
Total U.S. Department of Defense		44,944	0	44,944	0
U.S. Department of Education					
Passed through Ohio Department of Education					
Special Education Cluster:					
Special Education Grants	84.027	1,285,041	0	1,276,402	0
Preschool Grant	84.173	51,530	0	49,820	0
Total Special Education Cluster		1,336,571	0	1,326,222	0
Title I, Part A	84.010	2,189,915	0	2,477,356	0
ARRA - Race to the Top	84.395	176,119	0	176,119	0
Improving Teacher Quality	84.367	224,617	0	252,479	0
Total U.S. Department of Education		3,927,222	0	4,232,176	0
TOTAL EXPENDITURES OF FEDERAL AWARDS		$ 6,059,865	$ 172,746	$ 6,364,819	$ 172,746

See accompanying notes to Schedule of Expenditures of Federal Awards.

NOTE 1: **BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Euclid City School 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.

NOTE 2: **NONCASH SUPPORT**

The District receives noncash support in the form of food subsidies from the National School Lunch Program (NSLP), CFDA #10.555. The value of the food subsidies is determined by using the fair market value of the food items as quoted by local food suppliers.

JAMES G. ZUPKA, C.P.A., INC.

Certified Public Accountants

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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
Euclid City School District
Euclid, Ohio

The Honorable Dave Yost
Auditor of State
State of 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, business-type activities, each major fund, and the aggregate remaining fund information of the Euclid City School District, Cuyahoga County, Ohio, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Euclid City School District, Ohio's basic financial statements and have issued our report thereon dated December 18, 2015, wherein we noted that the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27,* and GASB Statement No.71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68,* and restated its net position at June 30, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Euclid City School District, Ohio'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 Euclid City School District, Ohio's internal control. Accordingly, we do not express an opinion on the effectiveness of the Euclid City School District, Ohio'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 Euclid City School District, Ohio'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 Euclid City School District, Ohio' 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.

James G. Zupka,
CPA, President

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James G. Zupka, CPA, Inc.
Certified Public Accountants

December 18, 2015

JAMES G. ZUPKA, C.P.A., INC.
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5240 East 98th Street
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REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Board of Education
Euclid City School District
Euclid, Ohio

The Honorable Dave Yost
Auditor of State
State of Ohio

Report on Compliance for Each Major Federal Program

We have audited the Euclid City School District, Cuyahoga County, Ohio's 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 Euclid City School District, Ohio's major federal programs for the year ended June 30, 2015. The Euclid City School District, Ohio's major federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs.

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 Euclid City School District, Ohio'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 Euclid City School District, Ohio'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 Euclid City School District, Ohio's compliance.

Opinion on Each Major Federal Program

In our opinion, the Euclid City School District, Ohio 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, 2015.

Report on Internal Control Over Compliance

Management of the Euclid City School District, Ohio, 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 Euclid City School District, Ohio'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 Euclid City School District, Ohio'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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

James G. Zupka, CPA,
President

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James G. Zupka, CPA, Inc.
Certified Public Accountants

December 18, 2015

EUCLID CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & §.505
JUNE 30, 2015

1. SUMMARY OF AUDITOR'S RESULTS

2015(i)	Type of Financial Statement Opinion	Unmodified
2015(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
2015(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
2015(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2015(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2015(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
2015(v)	Type of Major Programs' Compliance Opinion:	Unmodified
2015(vi)	Are there any reportable findings under .510(a)?	No
2015(vii)	Major Programs (list): Special Education Cluster - CFDA #84.027 and #84.173 ARRA - Race to the Top - CFDA #84.395 Child Nutrition Cluster - CFDA #10.553, #10.555, #10.559 and #10.582	
2015(viii)	Dollar Threshold: Type A\B Program	Type A: $300,000 or more Type B: All others less than $300,000
2015(ix)	Low Risk Auditee?	No

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

EUCLID CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Number	Finding Summary	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding no Longer Valid; Explain
2014-001	Noncompliance Citation/Significant Deficiency - Cash Requests	Corrected.

Management letter recommendations have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.

EUCLID CITY SCHOOL DISTRICT

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 24, 2016