EUCLID CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO

AUDIT REPORT

FOR THE FISCAL YEAR
ENDED JUNE 30, 2016

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

Board of Education
Euclid City School District
651 East 22nd 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, 2015 through June 30, 2016. 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

December 23, 2016

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EUCLID CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO
AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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JAMES G. ZUPKA, C.P.A., INC.
Certified Public Accountants
5240 East 98th Street
Garfield Hts., Ohio 44125

Member American Institute of Certified Public Accountants (216) 475 - 6136 Ohio Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Members of 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, (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Euclid City School District, Cuyahoga County, Ohio, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Schedules of Net Pension Liabilities and Pension 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's basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 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 6, 2016, on our consideration of the Euclid City School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Euclid City School District's internal control over financial reporting and compliance.

James G. Zupka, CPA, Inc.

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

December 6, 2016

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Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2016 (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, 2016. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the financial statements and notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2016 are as follows:

- In total, net position increased $5,914,214 or by 18.5 percent. Net position of governmental activities increased $5,555,280 which represents a 17.7 percent increase from 2015 to 2016. Net position of business-type activities increased $358,934 which represents a 62.8 percent increase from 2015 to 2016.

- General revenues accounted for $78,089,946 in revenue or 87.2 percent of all governmental revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for $11,466,208 or 12.8 percent of total governmental revenues of $89,556,154.

- Total assets of governmental activities experienced a decrease of $1,808,260 as current and other assets increased by $834,483 and capital assets decreased by $2,642,743. Total liabilities of governmental activities increased by $10,085,043.

- The District had $84,000,874 in expenses related to governmental activities; only $11,466,208 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 $78,089,946 were able to fully cover for these programs.

- The general fund had $80,024,863 in revenues (including other financing sources) and $75,958,780 in expenditures (including other financing uses). The fund balance of the general fund increased from $3,486,440 to $7,552,523.

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 is by far the most significant fund.

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 2016?” 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 11. 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 only major governmental fund is the general 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 2016 compared to 2015:

Table 1 - Net Position

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
ASSETS						
Current and other assets	$ 70,791,082	$ 69,956,599	$ 1,442,592	$ 1,095,124	$ 72,233,674	$ 71,051,723
Capital assets, net	80,155,389	82,798,132	492,400	539,565	80,647,789	83,337,697
Total Assets	150,946,471	152,754,731	1,934,992	1,634,689	152,881,463	154,389,420
DEFERRED OUTFLOWS OF RESOURCES						
Deferral on refunding	290,352	303,550	-	-	290,352	303,550
Pensions	11,430,804	6,701,358	181,046	154,558	11,611,850	6,855,916
Total Deferred Outflows of Resources	11,721,156	7,004,908	181,046	154,558	11,902,202	7,159,466
LIABILITIES						
Current and other liabilities	11,279,527	11,243,721	75,605	62,111	11,355,132	11,305,832
Long-term liabilities:						
Due within one year	3,413,511	3,128,901	14,124	1,722	3,427,635	3,130,623
Due in more than one year:						
Net pension liability	104,379,773	92,627,120	1,986,070	1,964,097	106,365,843	94,591,217
Other amounts	37,661,411	39,649,437	9,949	14,129	37,671,360	39,663,566
Total Liabilities	156,734,222	146,649,179	2,085,748	2,042,059	158,819,970	148,691,238
DEFERRED INFLOWS OF RESOURCES						
Property taxes	23,325,517	27,734,461	-	-	23,325,517	27,734,461
Payments in lieu of taxes	60,000	58,000	-	-	60,000	58,000
Pensions	8,409,129	16,734,520	242,946	318,778	8,652,075	17,053,298
Total Deferred Inflows of Resources	31,794,646	44,526,981	242,946	318,778	32,037,592	44,845,759
NET POSITION						
Net investment in Capital Assets	41,596,409	42,541,087	492,400	539,565	42,088,809	43,080,652
Restricted	9,396,246	9,053,261	-	-	9,396,246	9,053,261
Unrestricted	(76,853,896)	(83,010,869)	(705,056)	(1,111,155)	(77,558,952)	(84,122,024)
Total Net Position	$ (25,861,241)	$ (31,416,521)	$ (212,656)	$ (571,590)	$ (26,073,897)	$ (31,988,111)

In 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.

Current and other assets of governmental activities increased $834,483. Capital assets decreased by $2,642,743. 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 $358,934 or 62.8 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 2016 compared to 2015.

Table 2 - Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
REVENUES						
Program Revenues:						
Charges for services	$ 1,092,966	$ 1,528,863	$ 310,741	$ 330,488	$ 1,403,707	$ 1,859,351
Operating grants and contributions	10,373,242	8,140,316	2,453,208	2,305,419	12,826,450	10,445,735
Total Program Revenues	11,466,208	9,669,179	2,763,949	2,635,907	14,230,157	12,305,086
General Revenues:						
Property taxes	43,581,509	39,764,609	-	-	43,581,509	39,764,609
School District income taxes	6,098,827	6,189,984	-	-	6,098,827	6,189,984
Grants and entitlements	27,273,643	26,960,587	-	-	27,273,643	26,960,587
Payment in lieu of taxes	64,303	87,391	-	-	64,303	87,391
Investment income	257,872	237,835	18,982	15,729	276,854	253,564
All other revenues	813,792	1,162,600	79,839	24,108	893,631	1,186,708
Total General Revenues	78,089,946	74,403,006	98,821	39,837	78,188,767	74,442,843
Total Revenues	89,556,154	84,072,185	2,862,770	2,675,744	92,418,924	86,747,929
EXPENSES						
Program Expenses:						
Instruction:						
Regular	29,249,527	26,929,027	-	-	29,249,527	26,929,027
Special	16,933,301	17,498,876	-	-	16,933,301	17,498,876
Vocational	1,149,487	1,116,634	-	-	1,149,487	1,116,634
Other	54,538	24,478	-	-	54,538	24,478
Supporting Services:						
Pupils	6,650,201	6,394,045	-	-	6,650,201	6,394,045
Instructional Staff	5,135,370	3,058,516	-	-	5,135,370	3,058,516
Board of Education	87,800	57,323	-	-	87,800	57,323
Administration	5,127,739	5,178,735	-	-	5,127,739	5,178,735
Fiscal Services	2,076,228	1,965,151	-	-	2,076,228	1,965,151
Business	798,618	640,879	-	-	798,618	640,879
Operation and Maintenance of Plant	6,619,964	6,977,602	-	-	6,619,964	6,977,602
Pupil Transportation	5,592,852	4,654,039	-	-	5,592,852	4,654,039
Central	1,723,622	1,649,986	-	-	1,723,622	1,649,986
Operation of Non-Instructional Services	319,432	786,421	-	-	319,432	786,421
Extracurricular Activities	1,274,511	1,100,794	-	-	1,274,511	1,100,794
Interest and Fiscal Charges	1,207,684	1,597,092	-	-	1,207,684	1,597,092
Food Service	-	-	2,477,170	2,424,539	2,477,170	2,424,539
Customer Services	-	-	26,666	8,647	26,666	8,647
Total Expenses	84,000,874	79,629,598	2,503,836	2,433,186	86,504,710	82,062,784
Change in Net Position before Transfers	5,555,280	4,442,587	358,934	242,558	5,914,214	4,685,145
Transfers	-	40,015	-	(40,015)	-	-
Change in Net Position	5,555,280	4,482,602	358,934	202,543	5,914,214	4,685,145
Net Position - Beginning of Year	(31,416,521)	(35,899,123)	(571,590)	(774,133)	(31,988,111)	(36,673,256)
Net Position - End of Year	$ (25,861,241)	$ (31,416,521)	$ (212,656)	$ (571,590)	$ (26,073,897)	$ (31,988,111)

Governmental Activities

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 48.7 percent of revenues for governmental activities for the District in fiscal year 2016. Property taxes increased by $3,816,900 from prior year as a result of uneven collections of prior year delinquencies. General grants and entitlements represented 30.5 percent of governmental activity revenue in fiscal year 2016. This revenue source remained relatively consistent with a slight increase from 2015.

Instruction comprises 56.4 percent of governmental program expenses. Pupils and Instructional Staff comprised 14.0 percent; Board of Education, Administration, Fiscal Services, and Business comprised 9.6 percent; Operations and Maintenance of Plant comprised 7.9 percent; and Pupil Transportation comprised 6.7 percent of governmental program expenses. Interest and fiscal charges were 1.4 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 2016 and 2015. 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 2016	Total Cost of Services 2015	Net Cost of Services 2016	Net Cost of Services 2015
Instruction	$ 47,386,853	$ 45,569,015	$ 39,512,839	$ 38,325,672
Supporting Services:				
Pupils and Instructional Staff	11,785,571	9,452,561	9,491,890	8,318,959
Board of Education, Administration, Fiscal Services, and Business	8,090,385	7,842,088	7,922,471	7,628,549
Operation and Maintenance of Plant	6,619,964	6,977,602	6,573,119	6,954,716
Pupil Transportation	5,592,852	4,654,039	5,574,498	4,645,058
Central	1,723,622	1,649,986	1,718,952	1,649,986
Operation of Non-Instructional Services	319,432	786,421	(454,988)	5,656
Extracurricular Activities	1,274,511	1,100,794	988,201	834,731
Interest and fiscal charges	1,207,684	1,597,092	1,207,684	1,597,092
Total cost of service	$ 84,000,874	$ 79,629,598	$ 72,534,666	$ 69,960,419

The dependence upon general revenues for governmental activities is apparent. 86.3 percent of governmental activities are supported through taxes and other general revenues. In fiscal year 2016, other general revenues are mostly comprised of grants and entitlements. For all governmental activities, general revenue support is 87.2 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 culinary arts customer service operation. These programs had revenues of $2,862,770 and expenses of $2,503,836 in fiscal year 2016. The food service and the culinary arts customer service activities experienced increases in net position during fiscal year 2016. 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 $90,197,729 and expenditures of $86,440,889 (including other financing sources and uses). The net increase in fund balances (including Other Financing Sources and Uses) of $3,756,840 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 $4,066,083. All other governmental funds netted a decrease in fund balance of $309,243 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 2016, 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 decreased to $75,988,410 from the total original budget estimate of $76,956,462 (including other financing sources), due mainly to decreases in the estimates of intergovernmental revenues. Actual tax revenues were slightly higher than the final amended budget; however this increase was offset by a decrease in intergovernmental revenues.

The final appropriations of $77,086,835 (including other financing uses) were higher than the original appropriations of $76,421,635.

The District's ending unobligated cash balance was $200,100 above the final budgeted amount.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2016, the District had $80,647,789 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles of which, $80,155,389 represented governmental activities. Table 4 shows fiscal year 2016 balances compared to 2015.

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

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	$ 2,052,789	$ 2,052,789	$ -	$ -	$ 2,052,789	$ 2,052,789
Land Improvements	5,906,271	6,213,675	-	-	5,906,271	6,213,675
Buildings and Improvements	70,567,235	73,121,309	9,450	9,750	70,576,685	73,131,059
Furniture and Equipment	1,125,981	794,713	482,950	529,815	1,608,931	1,324,528
Vehicles	503,113	615,646	-	-	503,113	615,646
Total Capital Assets	$ 80,155,389	$ 82,798,132	$ 492,400	$ 539,565	$ 80,647,789	$ 83,337,697

For fiscal year 2016, Ohio law required school districts to set aside three percent of certain revenues for capital improvements. For fiscal 2016, this amounted to $876,556 for the set-aside. For fiscal year 2016, 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, 2016, the District had $38,496,109 in debt outstanding with $2,023,782 due within one year. Table 5 summarizes the District's bonds and notes outstanding.

Table 5 - Outstanding Debt at Year End

	Governmental Activities	
	2016	2015
General Obligation Bonds:		
Energy Conservation Bonds	$ 1,026,500	$ 1,328,600
School and Library Refunding	-	65,000
Classroom Facilities and School Improvements	12,775,000	13,920,000
Classroom Facilities & School Improvements Refunding	21,336,611	21,401,393
Long-Term Tax Anticipation Notes	3,065,000	3,450,000
Capital Lease	292,998	-
Total Outstanding Debt	$ 38,496,109	$ 40,164,993

At June 30, 2016, the District's overall legal debt margin was $20,228,325 with an unvoted debt margin of $557,394. 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 economic recession that began in the late 2000's had a significant effect on the finances of the District. Property value reductions in the 2012 county reappraisal year resulted in an annual loss of $2.1 million in real estate revenues. The District responded by reducing and tightly controlling operating expenditures. In fact, total General Fund expenditures in fiscal year 2016 were $223,000 less than expended 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 120 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 2017. Negotiations for new agreements will commence in the spring of 2017.

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, will allow the District to operate at the current level of programs and services through at least fiscal 2019. A previous operating levy, passed in 2008 will need to be renewed no later than November 2018. The District's stated goal is to not seek additional operating funds until 2020.

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. In November 2016 voters approved a $96.3 million bond issue which will fund the second and final phase of the District's facilities program. This phase will rebuild the current High School, construct a new Middle School, and construct a new Pre-K, Kindergarten building, among other projects.

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, 2016

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Equity in Pooled Cash, Cash Equivalents, and Investments	$ 24,309,088	$ 1,356,108	$ 25,665,196
Income Taxes Receivable	556,279	-	556,279
Property Taxes Receivable	43,650,587	-	43,650,587
Lease Receivable	481,250	-	481,250
Accounts Receivable	908,157	-	908,157
Accrued Interest Receivable	33,537	-	33,537
Intergovernmental Receivable	834,419	38,376	872,795
Internal Balances	1,500	(1,500)	-
Materials and Supplies Inventory	4,309	48,245	52,554
Prepaid Items	11,956	1,363	13,319
Nondepreciable Capital Assets	2,052,789	-	2,052,789
Depreciable Capital Assets, Net	78,102,600	492,400	78,595,000
Total Assets	150,946,471	1,934,992	152,881,463
DEFERRED OUTFLOWS OF RESOURCES			
Deferral on Refunding	290,352	-	290,352
Pensions	11,430,804	181,046	11,611,850
Total Deferred Outflows of Resources	11,721,156	181,046	11,902,202
LIABILITIES			
Accounts Payable	534,635	16,034	550,669
Accrued Wages and Benefits	8,585,344	26,202	8,611,546
Intergovernmental Payable	1,473,393	33,369	1,506,762
Accrued Interest Payable	494,749	-	494,749
Matured Compensated Absences Payable	124,963	-	124,963
Retainage Payable	10,500	-	10,500
Unearned Revenue	55,943	-	55,943
Long-term Liabilities:			
Due within one year	3,413,511	14,124	3,427,635
Due in more than one year:			
Net Pension Liability (See Note 15)	104,379,773	1,986,070	106,365,843
Other Amounts due in more than one year	37,661,411	9,949	37,671,360
Total Liabilities	156,734,222	2,085,748	158,819,970
DEFERRED INFLOWS OF RESOURCES			
Property Taxes	23,325,517	-	23,325,517
Payments in Lieu of Taxes	60,000	-	60,000
Pensions	8,409,129	242,946	8,652,075
Total Deferred Inflows of Resources	31,794,646	242,946	32,037,592
NET POSITION			
Net Investment in Capital Assets	41,596,409	492,400	42,088,809
Restricted:			
Capital Projects	3,248,866	-	3,248,866
Debt Service	4,171,701	-	4,171,701
State Funded Programs	128,115	-	128,115
Federally Funded Programs	522	-	522
Classroom Facilities Maintenance	1,300,962	-	1,300,962
Student Activities	20,254	-	20,254
Set-Asides	476,511	-	476,511
Other Purposes	49,315	-	49,315
Unrestricted	(76,853,896)	(705,056)	(77,558,952)
Total Net Position	$ (25,861,241)	$ (212,656)	$ (26,073,897)

See the accompanying notes to the basic financial statements.

Statement of Activities

For the Fiscal Year Ended June 30, 2016

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Business-type Activities	Total
Governmental activities:						
Instruction:						
Regular	$ 29,249,527	$ 691,573	$ 387,142	$ (28,170,812)	$ -	$ (28,170,812)
Special	16,933,301	-	6,734,863	(10,198,438)	-	(10,198,438)
Vocational	1,149,487	60,436	-	(1,089,051)	-	(1,089,051)
Other	54,538	-	-	(54,538)	-	(54,538)
Supporting Services:						
Pupils	6,650,201	-	264,143	(6,386,058)	-	(6,386,058)
Instructional Staff	5,135,370	-	2,029,538	(3,105,832)	-	(3,105,832)
Board of Education	87,800	-	-	(87,800)	-	(87,800)
Administration	5,127,739	-	136,207	(4,991,532)	-	(4,991,532)
Fiscal Services	2,076,228	-	31,707	(2,044,521)	-	(2,044,521)
Business	798,618	-	-	(798,618)	-	(798,618)
Operation and Maintenance of Plant	6,619,964	46,268	577	(6,573,119)	-	(6,573,119)
Pupil Transportation	5,592,852	18,354	-	(5,574,498)	-	(5,574,498)
Central	1,723,622	-	4,670	(1,718,952)	-	(1,718,952)
Operation of Non-Instructional Services	319,432	30,697	743,723	454,988	-	454,988
Extracurricular Activities	1,274,511	245,638	40,672	(988,201)	-	(988,201)
Interest and Fiscal Charges	1,207,684	-	-	(1,207,684)	-	(1,207,684)
Total Governmental activities	84,000,874	1,092,966	10,373,242	(72,534,666)	-	(72,534,666)
Business-type activities:						
Food Service	2,477,170	302,856	2,453,208	-	278,894	278,894
Customer Services	26,666	7,885	-	-	(18,781)	(18,781)
Total Business-type activities	2,503,836	310,741	2,453,208	-	260,113	260,113
Totals	$ 86,504,710	$ 1,403,707	$ 12,826,450	(72,534,666)	260,113	(72,274,553)
General Revenues:						
Property Taxes levied for:						
General Purposes				39,828,646	-	39,828,646
Debt Service				2,935,859	-	2,935,859
Capital Outlay				574,104	-	574,104
Other Purposes				242,900	-	242,900
School District Income Taxes levied for:						
General Purposes				6,098,827	-	6,098,827
Payment in Lieu of Taxes				64,303	-	64,303
Grants & Entitlements not restricted to specific programs				27,273,643	-	27,273,643
Investment Income				257,872	18,982	276,854
Gain on Sale of Capital Assets				138,545	-	138,545
All Other Revenues				675,247	79,839	755,086
Total General Revenues				78,089,946	98,821	78,188,767
Change in Net Position				5,555,280	358,934	5,914,214
Net Position - Beginning of Year				(31,416,521)	(571,590)	(31,988,111)
Net Position - End of Year				$ (25,861,241)	$ (212,656)	$ (26,073,897)

See the accompanying notes to the basic financial statements.

Balance Sheet
Governmental Funds

June 30, 2016

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Equity in Pooled Cash, Cash Equivalents, and Investments	$ 5,283,075	$ 7,714,492	$ 12,997,567
Materials and Supplies Inventory	4,309	-	4,309
Accrued Interest Receivable	33,537	-	33,537
Accounts Receivable	710,585	791	711,376
Due from Other Funds	92,589	-	92,589
Interfund Receivable	666,700	-	666,700
Intergovernmental Receivable	561,311	264,868	826,179
Prepaid Items	11,956	-	11,956
Income Taxes Receivable	556,279	-	556,279
Property Taxes Receivable	39,861,421	3,789,166	43,650,587
Lease Receivable	-	481,250	481,250
Total Assets	$ 47,781,762	$ 12,250,567	$ 60,032,329
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts Payable	$ 464,633	$ 62,142	$ 526,775
Accrued Wages and Benefits	8,281,641	303,703	8,585,344
Intergovernmental Payable	1,286,041	187,352	1,473,393
Matured Compensated Absences Payable	124,963	-	124,963
Retainage Payable	-	10,500	10,500
Interfund Payable	-	665,200	665,200
Total Liabilities	10,157,278	1,228,897	11,386,175
Deferred Inflows of Resources:			
Property Taxes	21,428,426	1,897,091	23,325,517
Payments in Lieu of Taxes	60,000	-	60,000
Unavailable Revenue - Delinquent Property Taxes	7,539,108	773,860	8,312,968
Unavailable Revenue - Grants	-	263,908	263,908
Unavailable Revenue - Other	1,044,427	482,210	1,526,637
Total Deferred Inflows of Resources	30,071,961	3,417,069	33,489,030
Fund Balances:			
Nonspendable	16,265	-	16,265
Restricted	-	8,138,370	8,138,370
Committed	64,865	48,545	113,410
Assigned	1,499,825	51,997	1,551,822
Unassigned (Deficit)	5,971,568	(634,311)	5,337,257
Total Fund Balances	7,552,523	7,604,601	15,157,124
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 47,781,762	$ 12,250,567	$ 60,032,329

See the accompanying notes to the basic financial statements.

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

June 30, 2016

Total Governmental Fund Balances		$ 15,157,124
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	$ 80,155,389	
Total Internal Service capital assets	(350)	
Total		80,155,039
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable revenue in the funds:		
Delinquent property taxes	8,312,968	
Intergovernmental grants	263,908	
Other revenues	1,526,637	
Total		10,103,513
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.		10,532,788
The unearned revenue represents interest income received in the future, but not earned as of the inception of the lease receivable.		(55,943)
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	11,430,804	
Deferred Inflows - Pensions	(8,409,129)	
Net Pension Liability	(104,379,773)	
Total		(101,358,098)
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	(35,131,496)	
Tax anticipation notes payable	(3,065,000)	
Bond accretion	(6,615)	
Unamortized bond premiums	(868,885)	
Unamortized bond discounts	509,047	
Deferral on refunding	290,352	
Compensated absences	(1,335,320)	
Accrued interest payable	(494,749)	
Capital lease payable	(292,998)	
Total		(40,395,664)
Net Position of Governmental Activities		$ (25,861,241)

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, 2016

	General	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	$ 45,582,487	$ 3,829,152	$ 49,411,639
Intergovernmental	32,270,584	5,154,387	37,424,971
Interest	220,122	34,806	254,928
Tuition	769,567	-	769,567
Extracurricular Activities	74,652	162,224	236,876
Rentals	46,268	12,939	59,207
Charges for Services	72,227	4,920	77,147
Contributions and Donations	6,510	66,345	72,855
Transportation Fees	20,264	3,462	23,726
Miscellaneous	560,681	9,538	570,219
Total Revenues	79,623,362	9,277,773	88,901,135
EXPENDITURES			
Current:			
Instruction:			
Regular	26,556,772	671,990	27,228,762
Special	15,661,501	1,105,835	16,767,336
Vocational	1,157,383	-	1,157,383
Other	59,194	475	59,669
Supporting Services:			
Pupils	6,599,271	315,737	6,915,008
Instructional Staff	2,325,750	2,923,456	5,249,206
Board of Education	90,806	-	90,806
Administration	5,060,856	185,575	5,246,431
Fiscal Services	2,085,251	31,788	2,117,039
Business	686,516	133,704	820,220
Operation and Maintenance of Plant Services	6,398,646	479,429	6,878,075
Pupil Transportation	5,460,586	-	5,460,586
Central	1,697,871	225,872	1,923,743
Operation of Non-Instructional Services:			
Community Services	26,617	770,953	797,570
Extracurricular Activities	886,364	438,974	1,325,338
Capital Outlay	352,718	13,295	366,013
Debt Service:			
Principal Retirement	59,720	1,967,100	2,026,820
Interest and Fiscal Charges	11,437	1,217,926	1,229,363
Total Expenditures	75,177,259	10,482,109	85,659,368
Excess of Revenues Over (Under) Expenditures	4,446,103	(1,204,336)	3,241,767
OTHER FINANCING SOURCES (USES)			
Sale of Capital Assets	24,973	113,572	138,545
Inception of Capital Lease	352,718	-	352,718
Transfers In	23,810	781,521	805,331
Transfers Out	(781,521)	-	(781,521)
Total Other Financing Sources (Uses)	(380,020)	895,093	515,073
Net Change in Fund Balances	4,066,083	(309,243)	3,756,840
Fund Balances - Beginning of Year	3,486,440	7,913,844	11,400,284
Fund Balances - End of Year	$ 7,552,523	$ 7,604,601	$ 15,157,124

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, 2016

Net Change in Fund Balances-Total Governmental Funds		$ 3,756,840
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	$ 723,585	
Depreciation, net of Internal Service depreciation	(2,934,514)	
Total		(2,210,929)
In the Statement of Activities, only the loss on the disposal of capital assets is reported, whereas, in the Governmental Funds, the proceeds from the disposals increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the capital assets.		(431,113)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Delinquent property taxes	(431,303)	
Intergovernmental grants	243,543	
Other revenues	1,191,290	
Total		1,003,530
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 a capital lease.		(352,718)
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.		2,026,820
Contractually required contributions are reported as expenditures in the governmental funds; however, the Statement of Net Position reports these amounts as deferred outflows.		6,085,098
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the Statement of Activities.		(4,782,914)
Unearned revenue is the difference between the gross investment in the lease and the sum of the present values of the two components of the gross investment.		(58,887)
Revenue reported in the Statement of Activities from the amortization of unearned revenue is not reported as revenue in the Governmental funds.		2,944
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	(5,218)	
Amortization of bond premiums	60,299	
Amortization of bond discounts	(23,138)	
Amortization of deferral on refunding	(13,198)	
Compensated absences	169,874	
Accrued interest payable	2,934	
Total		191,553
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.		325,056
Change in Net Position of Governmental Activities		$ 5,555,280

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, 2016

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
Property Taxes	$ 37,861,461	$ 37,558,609	$ 36,233,718	$ (1,324,891)
Income Taxes	6,088,131	5,848,633	6,084,279	235,646
Tuition	770,055	739,762	769,568	29,806
Transportation Fees	18,366	17,643	18,354	711
Earnings on Investments	158,596	152,357	159,823	7,466
Classroom Materials and Fees	25,246	24,253	25,230	977
Rentals	42,198	40,538	42,171	1,633
Charges for Services	72,273	69,430	72,227	2,797
Contributions and Donations	46	44	46	2
Miscellaneous	121,502	116,722	121,425	4,703
Other Revenue Sources	23,464	22,541	23,449	908
Unrestricted Grants: State	26,091,120	25,064,737	26,074,614	1,009,877
Restricted Grants: State	3,755,284	3,607,557	3,752,908	145,351
Restricted Grants: Federal	1,864,376	1,791,035	1,863,197	72,162
Revenue in Lieu of Taxes	64,344	61,813	64,303	2,490
Total Revenues	76,956,462	75,115,674	75,305,312	189,638
Expenditures:				
Instruction:				
Regular	26,764,705	26,764,705	26,377,850	386,855
Special	16,642,669	16,642,669	16,552,028	90,641
Vocational	1,352,484	1,352,484	1,152,218	200,266
Other	46,580	46,580	68,766	(22,186)
Total Instruction	44,806,438	44,806,438	44,150,862	655,576
Supporting Services:				
Pupils	6,580,952	6,580,952	6,549,108	31,844
Instructional Staff	2,246,220	2,246,220	2,231,511	14,709
Board of Education	113,443	113,443	90,853	22,590
Administration	5,141,134	5,141,134	5,064,313	76,821
Fiscal Services	2,296,432	2,296,432	2,108,633	187,799
Business	719,911	719,911	679,554	40,357
Operation and Maintenance of Plant Services	6,737,144	6,737,144	6,658,454	78,690
Pupil Transportation	4,538,679	4,538,679	5,454,147	(915,468)
Central	1,829,532	1,829,532	1,738,773	90,759
Total Supporting Services	30,203,447	30,203,447	30,575,346	(371,899)
Operation of Non-Instructional Services:				
Community Services	17,248	17,248	26,416	(9,168)
Total Operation of Non-Instructional Services	17,248	17,248	26,416	(9,168)
Extracurricular Activities:				
Academic Oriented Activities	111,523	111,523	130,101	(18,578)
Occupation Oriented Activities	11,051	11,051	10,753	298
Sport Oriented Activities	522,065	522,065	610,610	(88,545)
School and Public Services Co-Curricular Activities	49,863	49,863	46,002	3,861
Total Extracurricular Activities	694,502	694,502	797,466	(102,964)
Total Expenditures	75,721,635	75,721,635	75,550,090	171,545
Excess of Revenues over Expenditures	1,234,827	(605,961)	(244,778)	361,183
Other Financing Sources and Uses:				
Transfers In	-	23,810	23,810	-
Transfers Out	(594,500)	(594,500)	(769,749)	(175,249)
Advances In	-	255,725	255,725	-
Advances Out	-	(665,200)	(665,200)	-
Refund of Prior Year's Expenditures	-	593,201	503,067	(90,134)
Contingencies	(105,500)	(105,500)	(1,200)	104,300
Total Other Financing Sources and Uses	(700,000)	(492,464)	(653,547)	(161,083)
Net Change in Budgetary Fund Balance	534,827	(1,098,425)	(898,325)	200,100
Budgetary Fund Balance - Beginning of Year	3,074,482	3,074,482	3,074,482	-
Prior Year Encumbrances Appropriated	1,346,248	1,346,248	1,346,248	-
Budgetary Fund Balance - End of Year	$ 4,955,557	$ 3,322,305	$ 3,522,405	$ 200,100

See the accompanying notes to the basic financial statements.

Statement of Fund Net Position
Proprietary Funds

June 30, 2016

	Business-Type Activities - Enterprise Funds	Governmental Activities - Internal Service Funds
ASSETS		
Current Assets:		
Equity in Pooled Cash, Cash Equivalents, and Investments	$ 1,356,108	$ 11,311,521
Materials and Supplies Inventory	48,245	-
Accounts Receivable	-	196,781
Intergovernmental Receivable	38,376	8,240
Prepaid Items	1,363	-
Total Current Assets	1,444,092	11,516,542
Noncurrent Assets:		
Capital Assets:		
Depreciable Capital Assets, Net of Depreciation	492,400	350
Total Assets	1,936,492	11,516,892
Deferred Outflows of Resources		
Pension	181,046	-
Total Deferred Outflows of Resources	181,046	-
LIABILITIES		
Current Liabilities:		
Accounts Payable	16,034	7,860
Accrued Wages and Benefits	26,202	-
Compensated Absences Payable	14,124	-
Intergovernmental Payable	33,369	-
Interfund Payable	1,500	92,589
Insurance Claims Payable	-	786,714
Workers' Compensation Claims Payable	-	39,024
Total Current Liabilities	91,229	926,187
Noncurrent Liabilities:		
Compensated Absences Payable	9,949	-
Workers' Compensation Claims Payable	-	57,917
Net Pension Liability (See Note 15)	1,986,070	-
Total Noncurrent Liabilities	1,996,019	57,917
Total Liabilities	2,087,248	984,104
Deferred Inflows of Resources		
Pension	242,946	-
Total Deferred Inflows of Resources	242,946	-
NET POSITION		
Investment In Capital Assets	492,400	350
Unrestricted	(705,056)	10,532,438
Total Net Position	$ (212,656)	$ 10,532,788

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, 2016

	Business-Type Activities - Enterprise Funds	Governmental Activities - Internal Service Fund
OPERATING REVENUES		
Food Services	$ 302,856	$ -
Charges for Services	7,885	9,953,787
Miscellaneous	79,839	21,404
Classroom Materials and Fees	-	124,523
Extracurricular Activities	-	4,804
Transportation Fees	-	7,546
Total Operating Revenues	390,580	10,112,064
OPERATING EXPENSES		
Salaries	858,487	21,296
Fringe Benefits	295,223	9,613,869
Purchased Services	37,586	124,553
Materials and Supplies	1,260,709	8,024
Depreciation	47,165	701
Other	4,666	-
Total Operating Expenses	2,503,836	9,768,443
Operating Income (Loss)	(2,113,256)	343,621
NONOPERATING REVENUES		
Interest	18,982	-
Intergovernmental	2,265,475	5,245
Donated Commodities	187,733	-
Total Nonoperating Revenues	2,472,190	5,245
(Transfers Out)	-	(23,810)
Change in Net Position	358,934	325,056
Net Position - Beginning of Year	(571,590)	10,207,732
Net Position - End of Year	$ (212,656)	$ 10,532,788

See the accompanying notes to the basic financial statements.

Statement of Cash Flows
Proprietary Funds

For the Fiscal Year Ended June 30, 2016

	Business-Type Activities Enterprise Funds	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	$ 310,741	$ 9,984,201
Other Cash Receipts	48,643	29,832
Cash Payments to Employees for Services	(849,556)	(21,296)
Cash Payments for Employee Benefits	(370,684)	(9,674,303)
Cash Payments for Goods and Services	(1,098,438)	(131,397)
Cash Payments for Other Expenses	(4,565)	-
Net Cash Provided by (Used in) Operating Activities	(1,963,859)	187,037
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating Grants Received	2,265,475	5,245
Transfers Out	-	(23,810)
Advances to Other Funds	(1,500)	-
Net Cash Provided by (Used in) Noncapital Financing Activities	2,263,975	(18,565)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on Investments	18,982	-
Net Cash Provided by Investing Activities	18,982	-
Net Increase in Cash and Cash Equivalents	319,098	168,472
Cash and Cash Equivalents - Beginning of Year	1,037,010	11,143,049
Cash and Cash Equivalents - End of Year	$ 1,356,108	$ 11,311,521
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating Income (Loss)	$ (2,113,256)	$ 343,621
Adjustments:		
Depreciation	47,165	701
Federal Donated Commodities	187,733	-
(Increase) Decrease in Assets and Deferred Outflows:		
Accounts Receivable	-	(188,353)
Intergovernmental Receivable	(31,196)	(8,240)
Materials and Supplies Inventory	4,225	-
Prepaid Items	101	-
Deferred Outflows - Pension	(26,488)	-
Increase (Decrease) in Liabilities and Deferred Inflows:		
Accounts Payable	7,899	7,860
Accrued Wages and Benefits	13,586	92,589
Compensated Absences Payable	8,222	-
Intergovernmental Payable	(7,991)	(233,644)
Claims Payable	-	172,503
Net Pension Liability	21,973	-
Deferred Inflows - Pension	(75,832)	-
Net Cash Provided by (Used in) Operating Activities	$ (1,963,859)	$ 187,037

Schedule of Noncash Non-Capital and Capital Financing Activities

- During the year, the Food Service fund received donated commodities of $187,733.

See the accompanying notes to the basic financial statements.

Statement of Assets and Liabilities
Fiduciary Funds

June 30, 2016

	Agency Funds
Assets	
Equity in Pooled Cash, Cash Equivalents, and Investments	$ 37,589
Total Assets	$ 37,589
Liabilities	
Due to Students	$ 37,589
Total Liabilities	$ 37,589

See the accompanying notes to the basic financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Notes to the Basic Financial Statements
June 30, 2016

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 preschool to grade 12. The District's enrollment as of June 30, 2016 was 5,341. The District employed 506 certified employees and 318 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 18 and the related organization is presented in Note 19 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 is the District's major governmental fund:

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.

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 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 15.

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, 2016, but which were levied to finance fiscal year 2017 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 15.

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 unearned 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, Cash Equivalents, and Investments**

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

During the fiscal year 2016, investments were limited to US Bank First American Government Obligation money market mutual fund, negotiable certificates of deposit, U.S. Government Agency securities, commercial paper, 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.

During fiscal year 2016, the District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of 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 has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, *Certain External Investment Pools and Pool Participants*. The District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For the fiscal year 2016, there were no limitation or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding $25 million. STAR Ohio reserves the right to limit the transaction to $50 million, requiring the excess amount to be transacted the following business day(s), but only to the $50 million limit. All accounts of the participant will be combined for these purposes.

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 2016 amounted to $220,122, which includes $167,646 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 22 for additional information regarding set-asides. As of June 30, 2016, the District did not have any restricted assets.

F. **Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2016 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.

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

G. **Inventory (Continued)**

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 when used.

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

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.

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

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.

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.

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

M. **Fund Balance (Continued)**

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.

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 or a District official delegated that authority by State statute.

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 first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

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

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.

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 2016.

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 level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

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

S. **Budgetary Accounting (Continued)**

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.

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 2016.

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 level for all funds, which is the legal level 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 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.

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

S. **Budgetary Accounting (Continued)**

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.

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: **ACCOUNTABILITY**

The following funds had negative fund balances at June 30, 2016:

	Deficit
Nonmajor Special Revenue Funds	
Public School Preschool	$ 78,772
Alternative Schools	47,229
Project Head Start	129,752
Title I School Improvement Stimulus A	5,139
Title I Disadvantaged Children / Targeted Assistance	107,287
IDEA Preschool Grant for the Handicapped	6,586
IDEA Education of Handicapped Children	259,546
Nonmajor Enterprise Fund	
Food Services	266,120

The fund deficits in the nonmajor special revenue funds 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 $25,861,241 and $212,656, respectively. The effect of GASB Statement No. 68 is solely responsible for these deficits and further explained in Note 15.

NOTE 4: **CHANGES IN ACCOUNTING PRINCIPLES**

For the fiscal year ended June 30, 2016, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants.*

GASB Statement No. 72, *Fair Value Measurement of Application.* The objective of this Statement is to address accounting and financial reporting issues related to fair value measurement. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The District implemented these changes in the fiscal year 2016 financial statements; however, there was no effect on the beginning net position/fund balance.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68 as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also clarifies the application of certain provisions of GASB Statements 67 and 68. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the District.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the District.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants.* This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The District implemented these changes in the fiscal year 2016 financial statements; however, there was no effect on the beginning net position/fund balance.

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); and
4. Some funds are included in the General Fund (GAAP basis), but have separate legally adopted budgets (budgetary basis).

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	$ 4,066,083
Net Adjustment for Revenue Accruals	(3,841,998)
Net Adjustments for Expenditure Accruals	421,699
Funds with Separate Legally Adopted Budgets	36,178
Adjustment for Encumbrances	(1,580,287)
Budget Basis	$ (898,325)

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 and all other governmental funds are presented below:

Fund Balances	General	Other Governmental Funds	Total
Nonspendable			
Prepaid Items	$ 11,956	$ -	$ 11,956
Materials and Supplies Inventory	4,309	-	4,309
Total Nonspendable	16,265	-	16,265
Restricted for			
Classroom Facilities Maintenance	-	1,300,962	1,300,962
Athletics	-	20,254	20,254
Auxiliary Services	-	145,095	145,095
Title III - LEP	-	522	522
Other Grants	-	770	770
Debt Service	-	4,167,906	4,167,906
Permanent Improvements	-	1,816,507	1,816,507
Buildings	-	58,215	58,215
Classroom Facilities Project	-	628,139	628,139
Total Restricted	-	8,138,370	8,138,370
Committed to			
Termination Benefits	64,865	-	64,865
Special Programs	-	48,545	48,545
Total Committed	64,865	48,545	113,410
Assigned to			
Property Replacement	-	51,997	51,997
Public School Support	38,434	-	38,434
Instructional Activities	1,263,804	-	1,263,804
Supporting Services	197,587	-	197,587
Total Assigned	1,499,825	51,997	1,551,822
Unassigned (Deficit)	5,971,568	(634,311)	5,337,257
Total Fund Balances	$ 7,552,523	$ 7,604,601	$ 15,157,124

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); and

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, 2016, the District had $250 in undeposited cash on hand, which is included on the balance sheet of the District as part of "Equity in Pooled Cash, Cash Equivalents, and Investments".

Deposits

At June 30, 2016, the carrying amount of the District's deposits was $2,221,766 and the bank balance was $3,393,987. $378,173 of the District's bank balance was covered by Federal Depository Insurance and $3,015,814 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 and utilizes a pooled investment concept for all its funds to maximize its investment program. The objective of the policy shall be the preservation of capital and protection of principal while earning investment interest. STAR Ohio is measured at net asset value per share, while all other investments are measured at fair value.

Investments at year end were as follows:

Investment Type	Investment Maturities (in Years)	Credit Rating (*)	Fair Value
STAR Ohio	< 1	AAAm	$ 8,004,187
Negotiable CDs	> 1	N/A	7,965,810
U.S. Government Agency Securities	> 1	AA+	3,551,370
Money Market Mutual Fund	< 1	N/A	1,575,150
JP Morgan Securities - Commercial Paper	< 1	AA+	597,054
Toyota Motor Credit - Commercial Paper	< 1	A-1+	794,448
Credit Agricole CIB NY - Commercial Paper	< 1	A-1	992,750
Total Investments			$ 23,480,769

* 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 2016 represents collections of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed value listed as of January 1, 2015, 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 2016 represents collections of calendar year 2015 taxes. Public utility real and tangible personal property taxes received in calendar year 2016 became a lien December 31, 2015, were levied after April 1, 2015 and are collected in 2015 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, 2016, are available to finance fiscal year 2016 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, 2016, 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, 2016 was $10,893,887 in the General Fund, $729,946 in the Bond Retirement Fund, and $388,269 in the Permanent Improvement Capital Projects Fund. 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.

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 reported as deferred inflows of resources – unavailable revenue.

The assessed values upon which fiscal year 2016 taxes were collected are:

	2015 Second Half Collections		2016 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	$ 560,680,350	96.54%	$ 536,751,410	96.30%
Public Utility	20,085,560	3.46%	20,642,090	3.70%
Totals	$ 580,765,910	100.00%	$ 557,393,500	100.00%
Tax Rate per $1,000 of Assessed Valuation	$ 101.60		$ 102.02	

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, 2016 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
ROTC Grant	$ 15,469	$ -
Medicaid	27,495	-
Alternative Education Challenge	8,994	-
Special Education, Part B - IDEA	127,577	-
School Improvement Sub A, Title I	361	-
Title I	71,810	-
IDEA Early Childhood Special Education	6,586	-
SERS True-up	345,387	38,376
Foundation	103,362	-
TIF	60,000	-
Head Start	48,580	
Other	18,798	-
Total Intergovernmental Receivables	$ 834,419	$ 38,376

This space is intentionally left blank.

NOTE 11: **CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	Balance 6/30/2015	Additions	Deletions	Balance 6/30/2016
Governmental Activities				
Capital Assets, not being depreciated:				
Land	$ 2,052,789	$ -	$ -	$ 2,052,789
Total Capital Assets, not being depreciated	2,052,789	-	-	2,052,789
Capital Assets, being depreciated:				
Land Improvements	9,493,410	73,499	(59,461)	9,507,448
Buildings and Improvements	104,709,999	25,850	(1,894,227)	102,841,622
Furniture and Equipment	2,239,225	594,597	-	2,833,822
Vehicles	3,518,481	29,639	(404,085)	3,144,035
Total Capital Assets, being depreciated	119,961,115	723,585	(2,357,773)	118,326,927
Less Accumulated Depreciation:				
Land Improvements	(3,279,735)	(380,903)	59,461	(3,601,177)
Buildings and Improvements	(31,588,690)	(2,148,811)	1,463,114	(32,274,387)
Furniture and Equipment	(1,444,512)	(263,329)	-	(1,707,841)
Vehicles	(2,902,835)	(142,172)	404,085	(2,640,922)
Total Accumulated Depreciation	(39,215,772)	(2,935,215)	1,926,660	(40,224,327)
Total Capital Assets being depreciated, Net	80,745,343	(2,211,630)	(431,113)	78,102,600
Governmental Activities' Capital Assets, Net	$ 82,798,132	$ (2,211,630)	$ (431,113)	$ 80,155,389
Business-Type Activities				
Capital Assets, being depreciated:				
Buildings 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:				
Buildings and Improvements	(2,250)	(300)	-	(2,550)
Furniture and Equipment	(245,212)	(46,865)	-	(292,077)
Total Accumulated Depreciation	(247,462)	(47,165)	-	(294,627)
Business-Type Activities' Capital Assets, Net	$ 539,565	$ (47,165)	$ -	$ 492,400

NOTE 11: **CAPITAL ASSETS (CONTINUED)**

Depreciation expense was charged to the governmental functions as follows:

Instruction:	
Regular	$ 2,559,440
Special	3,198
Support Services:	
Instructional Staff	45,850
Administration	43,689
Operation and Maintenance of Plant	94,452
Pupil Transportation	132,266
Central	55,828
Extracurricular Activities	492
Total Depreciation Expense	$ 2,935,215

NOTE 12: **LONG-TERM OBLIGATIONS**

The changes in the District's long-term obligations during fiscal year 2016 were as follows:

	Balance Outstanding 6/30/2015	Additions	Deletions	Balance Outstanding 6/30/2016	Amounts Due in One Year
Governmental Activities					
General Obligation Bonds					
Energy Conservation Bonds					
Series 2002 - $2,715,000 - 2.50% to 6.00%	$ 465,000	$ -	$ (225,000)	$ 240,000	$ 240,000
Series 2009 - $1,253,000 - 5.25%	863,600	-	(77,100)	786,500	81,200
School and Library Refunding, Series 2006 -					
Serial Bonds - $6,300,000 - 3.375 % to 5.00%	65,000	-	(65,000)	-	-
Classroom Facilities and School					
Improvement Bonds, Series 2010					
Sinking Fund Bonds - $15,165,000 - 1.85%	13,920,000	-	(1,145,000)	12,775,000	1,165,000
Classroom Facilities and School					
Improvement Refunding Bonds, Series 2014					
Serial Bonds - $9,575,000 - 1.00-4.00%	9,575,000	-	(70,000)	9,505,000	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	5,218	-	6,615	-
Total General Obligation Bonds	36,714,993	5,218	(1,582,100)	35,138,111	1,556,200

(Continued)

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

	Balance Outstanding 6/30/2015	Additions	Deletions	Balance Outstanding 6/30/2016	Amounts Due in One Year
Governmental Activities (Continued)					
Other Long-Term Obligations					
Permanent Improvement Tax Anticipation -					
$4,185,000 - 3.15%	3,450,000	-	(385,000)	3,065,000	400,000
Unamortized Bond Premium	929,184	-	(60,299)	868,885	-
Unamortized Bond Discount	(532,185)	-	23,138	(509,047)	-
Claims	711,152	8,666,140	(8,493,637)	883,655	825,738
Compensated Absences	1,505,194	378,403	(548,277)	1,335,320	563,991
Capital Lease	-	352,718	(59,720)	292,998	67,582
Total Other Long-Term Obligations	6,063,345	9,397,261	(9,523,795)	5,936,811	1,857,311
Net Pension Liability:					
STRS	74,925,303	11,554,609	-	86,479,912	-
SERS	17,701,817	198,044	-	17,899,861	-
Total Net Pension Liability	92,627,120	11,752,653	-	104,379,773	-
Total Governmental Activities					
Long-Term Liabilities	$ 135,405,458	$ 21,155,132	$ (11,105,895)	$ 145,454,695	$ 3,413,511
Business-Type Activities					
Compensated Absences	$ 15,851	$ 9,944	$ (1,722)	$ 24,073	$ 14,124
Net Pension Liability:					
SERS	1,964,097	21,973	-	1,986,070	-
Total Business-Type Activities					
Long-Term Liabilities	$ 1,979,948	$ 31,917	$ (1,722)	$ 2,010,143	$ 14,124

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 school and library refunding bonds matured in December 2015. The capital appreciation bonds matured during the fiscal year 2012. The maturity amount of the bonds was $1,720,000.

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 sinking fund bonds remained outstanding at June 30, 2016.

$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 QCSBs 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
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
Total	$ 12,775,000

Tax Anticipation Notes

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 17 for further details on the District's liability for claims. The net pension liability recorded on the government-wide financial statements is further explained in Note 15.

The District's voted legal debt margin was $20,228,325 with an unvoted debt margin of $557,394 at June 30, 2016.

Principal and interest requirements to retire the general obligation debt outstanding at June 30, 2016 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
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	450,000	50,794	1,405,100	1,074,998	1,855,100	1,125,792
2021	435,000	36,855	1,440,200	1,068,472	1,875,200	1,105,327
2022-2026	945,000	30,004	7,424,200	5,240,589	8,369,200	5,270,593
2027-2031	-	-	6,879,996	4,389,273	6,879,996	4,389,273
2032-2036	-	-	9,450,000	1,785,694	9,450,000	1,785,694
2037-2038	-	-	4,255,000	232,725	4,255,000	232,725
Totals	$ 3,065,000	$ 349,730	$ 35,131,496	$ 17,056,896	$ 38,196,496	$ 17,406,626

NOTE 13: **CAPITALIZED LEASE – LEASEE DISCLOSURE**

On August 15, 2015, the District entered into a capitalized lease for copiers in the amount of $352,718. This represents the present value of the minimum lease payments at the time of acquisition. A portion of the copier lease ($39,742) did not meet the District's capitalization threshold of $5,000 and has not been included with the District's capital assets. Accumulated depreciation as of June 30, 2016, was $31,298, leaving a current book value of $281,678. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2016 totaled $59,720 paid by the General Fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2016:

Fiscal Year Ending June 30,	Amount
2017	$ 77,626
2018	77,626
2019	77,626
2020	77,626
2021	6,470
Total	316,974
Less: Amount representing interest	(23,976)
Total	$ 292,998

NOTE 14: **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 15: **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 – The District's 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 15: **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, 2016, the allocation to pension, death benefits, and Medicare B was 14.00 percent. No allocation was made to the Health Care Fund.

The District's contractually required contribution to SERS was $1,492,555 for fiscal year 2016. Of this amount $32,500 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 15: **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, 11.0 of the 12.0 percent member rates goes to the DC Plan and 1.0 percent goes to the DB plan. Member contributions to the DC plan are allocated among investment choices by the member, and contributions to the DB plan from the employer and the member 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 after termination of employment at age 50 or later.

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 in the GASB 68 schedules of employer allocation and pension amounts by employer.

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 15: **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. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. Effective July 1, 2016, the statutory maximum employee contribution rate was increased one percent to 14 percent. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was $4,741,609 for fiscal year 2016. Of this amount $1,068,546 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, 2015, 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
Proportion of the Net Pension Liability Prior Measurement Date	0.3885820%	0.30803718%	
Proportion of the Net Pension Liability Current Measurement Date	0.3485032%	0.31291268%	
Change in Proportionate Share	-0.0400788%	0.0048755%	
Proportionate share of the Net Pension Liability	$19,885,931	$86,479,912	$106,365,843
Pension Expense	$688,063	$4,163,570	$4,851,633

At June 30, 2016, 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	$320,199	$3,942,393	$4,262,592
Changes in proportion and differences	-	1,115,094	1,115,094
School District contributions subsequent to the measurement date	1,492,555	4,741,609	6,234,164
Total Deferred Outflows of Resources	$1,812,754	$9,799,096	$11,611,850
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	$ 658,886	$ 6,219,540	$ 6,878,426
Changes in proportion and differences	1,773,649	-	1,773,649
Total Deferred Inflows of Resources	$2,432,535	$6,219,540	$8,652,075

NOTE 15: **PENSION PLANS (CONTINUED)**

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

$6,234,164 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, 2017. 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:			
2017	($707,337)	($1,124,772)	($1,832,109)
2018	(707,337)	(1,124,772)	(1,832,109)
2019	(1,078,318)	(1,124,772)	(2,203,090)
2020	380,656	2,212,263	2,592,919
Total	($2,112,336)	($1,162,053)	($3,274,389)

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, 2015, 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 15: **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 15: **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	$27,574,639	$19,885,931	$13,411,404

F. **Actuarial Assumptions – STRS**

The total pension liability in the June 30, 2015, 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, 2015, 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 15: **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, 2015. 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, 2015. 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, 2015.

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	$120,127,121	$86,479,912	$58,026,179

G. **Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2016, one member of the Board of Education had elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 16: **POST-EMPLOYMENT BENEFITS**

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

Plan Description **–** In addition to a cost-sharing multiple-employer defined benefit pension plan described in Note 14, the School Employees Retirement System (SERS) administers two postemployment benefit plans.

Health Care Plan – Sections 3309.375 and 3309.69 of the Ohio Revised Code permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

NOTE 16: **POST-EMPLOYMENT BENEFITS (CONTINUED)**

A. **School Employees Retirement System (SERS) (continued)**

The Ohio Revised Code provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plan.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer 14% contribution to the Health Care Fund in accordance with the funding policy. For the year ended June 30, 2016, the health care allocation is 0.00%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. By statute no employer shall pay a health care surcharge greater than 2.0% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2016, the minimum compensation level was established at $23,000. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District contributions assigned to health care for the years ended June 30, 2016, 2015, and 2014 were $166,608, $244,993 and $99,724, respectively.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care plan are included in its Comprehensive Annual Financial Report. That report can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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

Plan Description - STRS Ohio administers a pension plan that is comprised of: a Defined Benefit Plan; a self-directed Defined Contribution Plan, and a Combined Plan that is a hybrid of the Defined Benefit Plan and the Defined Contribution Plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums.

Pursuant to Chapter 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent *Comprehensive Annual Financial Report* by visiting www.strsoh.org or by requesting a copy by calling toll-free 1-888-227-7877.

NOTE 16: **POST-EMPLOYMENT BENEFITS (CONTINUED)**

B. **State Teachers Retirement System (STRS) (continued)**

Funding Policy - Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14.00 percent employer contribution rate, 0.00 percent of covered payroll was allocated to post-employment health care for the year ended June 30, 2015 (latest information available). For the years ended June 30, 2014, and 2013, 1.00 percent of covered payroll was allocated to post-employment health care. The 14.00 percent employer contribution rate is the maximum rate established under Ohio law. For the fiscal years ended June 30, 2016, 2015, and 2014, the District's contributions to post-employment health care were $0, $0, $327,664, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

NOTE 17: **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 2016, the District contracted with Catlin Indemnity Company for fleet and liability insurance, boiler and machinery, property and inland marine coverage. Coverages provided were as follows:.

Building, Contents, Boiler and Machinery Contents ($5,000 deductible)	$	246,519,068
Crime Insurance ($500 to $50,000 deductible)		25,000 - 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.

NOTE 17: **RISK MANAGEMENT (CONTINUED)**

B. **Self-Insurance Program (continued)**

The claims liability of $786,714 reported in the fund at June 30, 2016 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, 2015 and 2016 were:

	Beginning of Year	Current Year Claims	Claim Payments	End of Year
June 30, 2015	$ 461,000	$ 7,843,061	$ (7,750,061)	$ 554,000
June 30, 2016	554,000	8,450,229	(8,217,515)	786,714

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 from 2004 through 2011. 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 $96,941 reported in the fund at June 30, 2016 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, 2015 and 2016 were:

	Beginning of Year	Current Year Claims	Claim Payments	End of Year
June 30, 2015	$ 250,066	$ 538,253	$ (631,167)	$ 157,152
June 30, 2016	157,152	215,911	(276,122)	96,941

For fiscal year 2016, the District participated in the Ohio SchoolComp Group Retrospective Rating Program, which is administered by Comp Management, a third party administrator. The Group Retrospective Rating Program offers an opportunity for districts that may not qualify for Group Rating or only qualify for a low discount and have an increased emphasis on safety and claims management. Through the program, districts are grouped together to achieve premium refunds based on the performance of the group. However, districts continue to pay their own individual merit-rated premium to the Ohio BWC and depending on the performance, the participating districts can receive either a retrospective premium refund or assessment (maximum assessment selected per group). Retrospective refunds are achieved when the standard premium of the group exceeds the developed claims costs.

NOTE 18: **JOINTLY GOVERNED ORGANIZATIONS**

Ohio Schools' Council Association (Council) – The Council is a jointly governed organization among 203 members in 33 counties. The jointly governed organization was created by schools districts for the purpose of saving money through volume purchases. Each district supports the Council by paying an annual participation fee. Each school district member's superintendent serves as a representative of the Assembly. The Assembly elects five of the Council's Board members and the remaining four are representatives of the Greater Cleveland School Superintendents' Association. The Council operates under a nine-member Board of Directors (the Board). The Board 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 2016, the District paid $7,302 to the Council. Financial information can be obtained by contacting William J. Zelei, the Executive Director of the Ohio Schools' Council at 6393 Oak Tree Boulevard, Suite 377, Independence, Ohio 44131.

The District participates in the natural gas purchase program. This program allows the District to purchase natural gas at reduced rates. Compass Energy has been selected as the supplier and program manager. There are currently 151 participants in the program include the Euclid City School District. The participants make monthly payments based on estimated usage. Each September, these estimated payments are compared to their actual usage for the year (July to June). Districts that paid more in estimated billings than their actual billings are issued credits on future billings beginning in September until the credits are exhausted and districts that did not pay enough on estimated billings are invoiced for the difference on the September monthly estimated billing.

NOTE 19: **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 20: **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, 2016, 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 total impact of enrollment adjustments to the June 30, 2016. Foundation funding for the District; therefore, the financial statement impact is not determinable at this time.

NOTE 21: **INTERFUND TRANSACTIONS**

A. **Interfund Balances**

On June 30, 2016, interfund balances on fund financial statements consist of the following:

	Receivable	Payable
Major Governmental Fund		
General Fund	$ 666,700	$ -
Nonmajor Governmental Funds		
Special Revenue Funds	-	665,200
Nonmajor Proprietary Fund		
Enterprise Fund	-	1,500
Total Interfund Balances	$ 666,700	$ 666,700

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.

NOTE 21: **INTERFUND TRANSACTIONS (continued)**

B. **Interfund Transfers**

On June 30, 2016, interfund transfers on fund financial statements consist of the following:

	Transfers In	Transfers Out
Major Fund		
General	$ 23,810	$ 781,521
Nonmajor Governmental Funds		
Special Revenue Funds	418,481	-
Debt Service Fund	363,040	-
Nonmajor Proprietary Funds		
Internal Service Fund	-	23,810
Total Interfund Transfers	$ 805,331	$ 805,331

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

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NOTE 22: **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, 2016, 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, 2015	$ -	$ 476,511
Current Year Set-Aside Requirements	876,556	-
Qualifying Disbursements	(948,928)	-
Totals	(72,372)	476,511
Set-Aside Balance Carried Forward to Future Fiscal Years	$ -	$ 476,511
Set-Aside Constraint Balance as of June 30, 2016	$ -	$ 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 23: **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, 2016, the District's commitments for encumbrances in the governmental funds were as follows:

	Encumbrances Outstanding
General	$ 1,473,383
Nonmajor Governmental	398,557
Total	$ 1,871,940

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

	2015	2014	2013
School District's Proportion of the Net Pension Liability	0.3485032%	0.388582%	0.388582%
School District's Proportionate Share of the Net Pension Liability	$ 19,885,931	$ 19,665,914	$ 23,107,724
School District's Covered Payroll	$ 10,471,662	$ 11,113,947	$ 13,149,689
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	189.90%	176.95%	175.73%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.16%	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 period end.

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

	2015	2014	2013
School District's Proportion of the Net Pension Liability	0.31291268%	0.30803718%	0.30803718%
School District's Proportionate Share of the Net Pension Liability	$ 86,479,912	$ 74,925,303	$ 89,250,530
School District's Covered Payroll	$ 32,764,671	$ 32,379,377	$ 32,114,900
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	263.94%	231.40%	277.91%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.10%	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 period end.

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually Required Contribution	$ 1,492,555	$ 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
Contributions in Relation to the Contractually Required Contribution	(1,492,555)	(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)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
School District Covered Payroll	$ 10,661,107	$ 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
Contributions as a Percentage of Covered Payroll	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%	9.84%	9.82%	10.68%

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually Required Contribution	$ 4,741,609	$ 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
Contributions in Relation to the Contractually Required Contribution	(4,741,609)	(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)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
School District Covered Payroll	$ 33,868,636	$ 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
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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EUCLID CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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:					
Summer Food Service Program for Children	10.559	$ 67,519	$ 0	$ 67,519	$ 0
National School Breakfast Program	10.553	518,557	0	518,557	0
National School Lunch Program	10.555	1,635,502	187,733	1,635,502	187,733
Total Child Nutrition Cluster		2,221,578	187,733	2,221,578	187,733
Total U.S. Department of Agriculture		2,221,578	187,733	2,221,578	187,733
U.S. Department of Defense					
Direct Programs:					
Junior ROTC	12.000	63,521	0	62,603	0
Total U.S. Department of Defense		63,521	0	62,603	0
U.S. Department of Education					
Passed through Ohio Department of Education					
Special Education Cluster:					
Special Education Grants (Idea, Part B)	84.027	1,104,080	0	1,218,654	0
Preschool Grant (Idea Preschool)	84.173	40,099	0	55,831	0
Total Special Education Cluster		1,144,179	0	1,274,485	0
Title I, Part A- Grants to Local Educational Agencies					
Improving Basic Program	84.010	1,950,995	0	2,103,477	
School Improvement Sub A	84.010	148,350	0	148,350	0
Total I, Part A- Grants to Local Educational Agencies		2,099,345	0	2,251,827	0
ARRA - Race to the Top	84.395	5,188	0	5,188	0
Title II, Part A - Improving Teacher Quality	84.367	148,605	0	148,605	0
Total U.S. Department of Education		3,397,317	0	3,680,105	0
U.S. Department of Transportation					
Passed through Ohio Department of Transportation					
Safe Routes to School	20.205	4,670	0	4,670	0
TOTAL EXPENDITURES OF FEDERAL AWARDS		$ 5,687,086	$ 187,733	$ 5,968,956	$ 187,733

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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.* Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

The District did not use the de-mimimus rate of 10 percent for indirect costs charged to the federal grants.

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
5240 East 98th Street
Garfield Hts., Ohio 44125

Member American Institute of Certified Public Accountants (216) 475 - 6136 Ohio Society of Certified Public Accountants

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

To the Members of 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Euclid City School District, Cuyahoga County, Ohio, (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 6, 2016.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Euclid City School 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'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'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 Euclid City School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

James G. Zupka, CPA, Inc.

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

December 6, 2016

JAMES G. ZUPKA, C.P.A., INC.
Certified Public Accountants
5240 East 98th Street
Garfield Hts., Ohio 44125

Member American Institute of Certified Public Accountants (216) 475 - 6136 Ohio Society of Certified Public Accountants

REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Members of Board of Education
Euclid City School District
Euclid, Ohio

The Honorable Dave Yost
Auditor of State
State of Ohio

We have audited the Euclid City School District, Cuyahoga County, Ohio's (the District) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on the Euclid City School District's major federal program for the year ended June 30, 2016. The Euclid City School District's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Euclid City School District's major federal program 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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'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 the major federal program. However, our audit does not provide a legal determination of the Euclid City School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Euclid City School District, Cuyahoga County, Ohio, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2016.

Report on Internal Control over Compliance

Management of the Euclid City School District, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Euclid City School District's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, 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'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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

James G. Zupka, CPA, Inc.

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

December 6, 2016

EUCLID CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2016

1. SUMMARY OF AUDITOR'S RESULTS

2016(i)	Type of Financial Statement Opinion	Unmodified
2016(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
2016(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
2016(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2016(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2016(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
2016(v)	Type of Major Programs' Compliance Opinion:	Unmodified
2016(vi)	Are there any reportable findings under 2 CFR 200.516(a)?	No
2016(vii)	Major Programs (list): Title I, Part A - CFDA #84.010	
2016(viii)	Dollar Threshold: Type A\B Program	Type A: $750,000 or more Type B: All others
2016(ix)	Low Risk Auditee?	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

SCHEDULE OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

Dave Yost • Auditor of State

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
JANUARY 5, 2017

88 East Broad Street, Fourth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-4514 or 800-282-0370 Fax: 614-466-4490
www.ohioauditor.gov