



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

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2010**



**Dave Yost • Auditor of State**



**SOUTH EUCLID-LYNDHURST CITY SCHOOL DISTRICT  
 CUYAHOGA COUNTY  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the South Euclid-Lyndhurst City School District, Cuyahoga County, Ohio (the District), as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the South Euclid-Lyndhurst City School District, Cuyahoga County, Ohio, as of June 30, 2010, and the respective changes in financial position, thereof and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2011, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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



**Dave Yost**  
Auditor of State

January 13, 2011

## South Euclid-Lyndhurst City School District

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010  
Unaudited*

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The discussion and analysis of the South Euclid-Lyndhurst City School District's (The School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

### **Financial Highlights**

Key financial highlights for 2010 are as follows:

- In the Spring of 2009, the School District negotiated contracts with all three unions for the period of July 1, 2009 through June 30, 2012. Pursuant to these contracts, all staff received a 2.75 percent cost of living increase in fiscal year 2010 and will receive a 2.75 percent cost of living increase in fiscal year 2011 and 2012.
- Pursuant to the passage of a 5.4 mill levy in November 2008 and the promise to bring back programming in school year 2010, the School District brought back some transportation services previously cut and a few additional teaching positions amounting to approximately \$500,000.
- Also, pursuant to negotiated agreements, a change in the employee co-payment of prescriptions resulted in a 4 percent reduction to healthcare premiums in fiscal year 2010.
- In an effort to provide new technology to our students, the School District purchased/upgraded approximately 400 computers and approximately 15 smart boards/white boards during fiscal year 2010.
- Intergovernmental revenue increased as a direct result of additional funding from the American Recover and Reinvestment Act (ARRA), which exceeded \$1 million.
- The School District actively pursues grants and controls expenses while still maintaining the high academic standards the residents expect of the School District.

### **Using this Annual Financial Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets and Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term and what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the School District, the general fund is by far the most significant fund.

**South Euclid-Lyndhurst City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*  
*Unaudited*

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**Reporting the School District as a Whole**

*Statement of Net Assets and the Statement of Activities*

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2010?" The Statement of Net Assets and the Statement of Activities answers this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Assets and the Statement of Activities, Governmental Activities include the School District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities and non-instructional services.

***Reporting the School District's Most Significant Funds***

*Fund Financial Statements*

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

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

***Fiduciary Funds*** Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the School District's programs. These funds use the accrual basis of accounting.



**South Euclid-Lyndhurst City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*  
*Unaudited*

**The School District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2010 compared to 2009.

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

	Governmental Activities		
	2010	2009	Change
<b>Assets</b>			
Current and Other Assets	\$70,023,956	\$64,855,863	\$5,168,093
Capital Assets, Net	19,395,533	19,190,173	205,360
<i>Total Assets</i>	<u>89,419,489</u>	<u>84,046,036</u>	<u>5,373,453</u>
<b>Liabilities</b>			
Current Liabilities	52,580,624	52,382,844	(197,780)
Long Term Liabilities:			
Due Within One Year	1,807,348	1,693,092	(114,256)
Due in More than One Year	9,206,600	10,026,231	819,631
<i>Total Liabilities</i>	<u>63,594,572</u>	<u>64,102,167</u>	<u>507,595</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	3,599,786	3,164,505	435,281
Restricted:			
Capital Projects	1,962,904	2,249,031	(286,127)
Debt Service	1,460,196	1,607,866	(147,670)
Other Purposes	2,062,272	1,809,949	252,323
Unrestricted	16,739,759	11,112,518	5,627,241
<i>Total Net Assets</i>	<u>\$25,824,917</u>	<u>\$19,943,869</u>	<u>\$5,881,048</u>

As one can see from the increase in overall net assets, the School District continues to provide the services that the School District citizens expect while maintaining the costs of providing those services during the current economic recession. Cash and cash equivalents increased due to the School District's revenues exceeding expenditures. Fiscal year 2010 saw the collection of a full year of tax revenues from the passage of the 5.4 mill levy in 2008. The increase in capital assets was due to current year additions exceeding current year depreciation. Management is ever cognizant of the costs of providing a quality education.

Total liabilities decreased during fiscal year 2010 which can be attributed to annual payments on the School District's general obligation bonds.

**South Euclid-Lyndhurst City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*  
*Unaudited*

Table 2 shows the change in net assets for fiscal years 2010 and 2009.

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

	Governmental Activities		
	2010	2009	Change
<b>Revenues</b>			
Program Revenues:			
Charges for Services and Sales	\$3,117,086	\$3,060,431	\$56,655
Operating Grants, Interest and Contributions	4,880,840	4,107,466	773,374
Capital Grants and Contributions	325,395	28,504	296,891
<i>Total Program Revenues</i>	<u>8,323,321</u>	<u>7,196,401</u>	<u>1,126,920</u>
General Revenues:			
Property Taxes	44,310,008	45,131,005	(820,997)
Grants and Entitlements not Restricted to Specific Programs	15,481,397	14,974,272	507,125
Interest	22,056	198,313	(176,257)
Payment in Lieu of Taxes	0	310,589	(310,589)
Gain from Sale of Capital Assets	0	782,389	(782,389)
Other	1,048,328	1,032,470	15,858
<i>Total General Revenues</i>	<u>60,861,789</u>	<u>62,429,038</u>	<u>(1,567,249)</u>
<i>Total Revenues</i>	<u>69,185,110</u>	<u>69,625,439</u>	<u>(440,329)</u>
<b>Program Expenses</b>			
Instruction	35,372,475	33,084,808	(2,287,667)
Support Services:			
Pupil	3,769,763	3,697,082	(72,681)
Instructional Staff	1,519,675	1,435,837	(83,838)
Board of Education	211,177	210,337	(840)
Administration	3,693,493	3,459,223	(234,270)
Fiscal	1,794,109	1,698,998	(95,111)
Business	315,010	305,456	(9,554)
Operation and Maintenance of Plant	7,258,060	7,194,410	(63,650)
Pupil Transportation	3,091,708	2,740,165	(351,543)
Central	1,247,388	1,240,593	(6,795)
Operation of Non-Instructional Services	3,015,866	2,729,247	(286,619)
Extracurricular Activities	1,290,291	1,226,190	(64,101)
Interest and Fiscal Charges	725,047	812,825	87,778
<i>Total Program Expenses</i>	<u>63,304,062</u>	<u>59,835,171</u>	<u>(3,468,891)</u>
Change in Net Assets	5,881,048	9,790,268	(3,909,220)
<i>Net Assets, Beginning of Year</i>	<u>19,943,869</u>	<u>10,153,601</u>	<u>9,790,268</u>
<i>Net Assets, End of Year</i>	<u>\$25,824,917</u>	<u>\$19,943,869</u>	<u>\$5,881,048</u>

**South Euclid-Lyndhurst City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*  
*Unaudited*

***Governmental Activities***

While program revenues increased for governmental activities in fiscal 2010 as a result of additional grant funding, the vast majority of revenues supporting governmental activities are general revenues. General revenues decreased in fiscal year 2010 even though fiscal year 2010 benefited from a full year collection of the 5.4 mill levy that was passed in November 2008. Furthermore, during fiscal year 2009 the School District sold an elementary building for \$750,000.

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a voter levy does not increase solely as a result of inflation. Although school districts experience inflationary growth in expenses, tax revenue does not keep pace with the increased expenses due to House Bill 920 (HB 920). As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home was appraised and increased to \$200,000 (and the inflationary increase in value is comparable to the other property owners), the effective tax rate would become .5 mills and the owner would still pay \$35.00 and the School District would collect the same dollar value the levy generated in the year it was passed.

Thus, school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to voters to maintain a constant level of service. Property taxes made up the largest percentage of revenue for governmental activities for the School District in fiscal year 2010.

Program expenses increased in fiscal year 2010 due to negotiated increases in salaries in addition to increased staffing levels as a result of the successful levy in November 2008.

The *Statement of Activities* shows the cost of program services and the charges for services and grants offsetting those services for governmental activities. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

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

Programs	Total Cost of Services 2010	Net Cost of Services 2010	Total Cost of Services 2009	Net Cost of Services 2009
Instruction	\$35,372,475	(\$31,608,830)	\$33,084,808	(\$29,905,037)
Support Services:				
Pupil and Instructional Staff	5,289,438	(4,839,527)	5,132,919	(4,612,215)
Board of Education, Administration, Fiscal and Business	6,013,789	(5,707,446)	5,674,014	(5,473,730)
Operation and Maintenance of Plant	7,258,060	(6,661,112)	7,194,410	(6,922,599)
Pupil Transportation	3,091,708	(2,927,134)	2,740,165	(2,608,946)
Central	1,247,388	(1,178,696)	1,240,593	(1,158,032)
Operation of Non-Instructional Services	3,015,866	(241,966)	2,729,247	(136,616)
Extracurricular Activities	1,290,291	(1,090,983)	1,226,190	(1,008,770)
Interest and Fiscal Charges	725,047	(725,047)	812,825	(812,825)
<b>Total Expenses</b>	<b>\$63,304,062</b>	<b>(\$54,980,741)</b>	<b>\$59,835,171</b>	<b>(\$52,638,770)</b>

**South Euclid-Lyndhurst City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*  
*Unaudited*

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**The School District's Funds**

As previously stated, governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenue of \$66,259,875 and expenditures of \$64,197,372. The total fund balance for all of the governmental funds increased in fiscal year 2010 due primarily to an increase in Federal receipts. The community as a whole is by far the primary support for the South Euclid-Lyndhurst City School District's students.

Although the general fund balance increased compared to the previous year, revenues actually decreased and expenditures increased during the fiscal year. Property tax collections have taken a hit during these tough economic times. The School District also saw salaries increase due to negotiated agreements that called for a 2.75 percent cost of living increase.

The permanent improvement capital projects fund balance increased from the prior year. While revenues are down slightly due to the current economic situation and the effect it is having on tax collections, expenditures have also decreased due to projects that were finished up in the prior fiscal year.

**General Fund Budgeting Highlights**

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

During the course of fiscal year 2010, the School District modified its general fund budget. The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, final budget basis revenue (exclusive of other financing sources), was higher than the original budget estimate due to an increase in intergovernmental revenues estimated for the year. Total actual revenues were only slightly higher than final budgeted revenues.

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

Total actual expenditures on the budget basis were less than final budgeted amounts. This is largely attributable to the School District's cost cutting measures.

**South Euclid-Lyndhurst City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*  
*Unaudited*

**Capital Assets**

Table 4 shows fiscal year 2010 balances compared to 2009.

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

	Governmental Activities		
	2010	2009	Change
Land	\$660,393	\$660,393	\$0
Buildings and Improvements	16,192,070	16,228,873	(36,803)
Furniture and Equipment	1,592,351	1,486,908	105,443
Vehicles	950,719	813,999	136,720
Total	\$19,395,533	\$19,190,173	\$205,360

The increase in vehicles was a result of the purchase of three school buses in fiscal year 2010. In order to provide the students and teachers with the most recent technology available the School District purchased/upgraded 400 computers and purchased 15 smart boards/whiteboards. The addition to buildings and improvements were for roof replacements. Please see Note 9 for more information regarding capital assets.

Senate Bill 345 requires school districts to set aside certain general fund revenues in each of two areas, one for the purpose of textbooks and instructional materials and the other for capital improvements (See Note 16). For fiscal year 2010, this amounted to \$731,989 for each set aside.

**Debt**

Table 5 summarizes the outstanding debt.

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

	2010	2009	Change
School Improvement Refunding Bonds - 2006	\$7,326,185	\$7,988,407	(\$662,222)
Bond Anticipation Note - 2009	500,000	750,000	(250,000)
Tax Anticipation Note - 2007	8,290,000	9,140,000	(850,000)
Total Debt	\$16,116,185	\$17,878,407	(\$1,762,222)

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

**South Euclid-Lyndhurst City School District**  
*Management's Discussion and Analysis*  
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*Unaudited*

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

On November 29, 2008, the School District issued \$750,000 in bond anticipation notes for the purpose of updating school buildings to conserve energy. The School District paid \$250,000 on the notes and reissued them for \$500,000 on November 29, 2009 at a stated interest rate of 2.65 percent.

Please see Notes 14 and 15 for additional information.

### **Current Financial Related Activities**

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

The financial future of the School District is not without challenges. These challenges are both internal and external in nature. The internal challenge will continue to exist because the School District must rely heavily on local property taxes to fund operations. External challenges continue to increase as the State's educational funding system generates very little, nothing at all or less than the year prior growth.

Although the School District relies heavily on its property tax payers to support its operations, the community has been extremely supportive of past levies. The School District placed a 6.95 mill continuing operating levy on the ballot in March 2008 and that levy was defeated by the community. Subsequently the School District implemented reductions to the educational program of approximately \$2.5 million as indicated during the levy campaign. The School District then placed a 5.4 mill continuing operating levy on the ballot in November 2008 and that levy was approved by the community. As mentioned earlier, the community supported a 5.4 mill levy in November 2008 with the understanding that the School District would most likely be back on the ballot for additional money in two (2) years. As a result of additional federal stimulus funding and careful and considerate fiscal planning, the School District is not expected to be on the ballot again until sometime in calendar year 2011. As the preceding information shows, the School District relies heavily on its property tax payers.

The School District consistently monitors all current and pending legislation within the Ohio General Assembly which impacts schools. Tangible personal property loss payments the School District currently receives represents just under 4 percent of operating revenue of the general fund and equates to approximately 2.2 mills of local property taxation. Current legislation indicates that this reimbursement will be phased out over time beginning in fiscal year 2014 through fiscal year 2018. Without a permanent extension of this reimbursement, the School District will have to reduce programs and/or request even more additional funding from its residents.

### **Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information, contact Paul J. Pestello, Treasurer of South Euclid-Lyndhurst City School District, 5044 Mayfield Road, Lyndhurst, Ohio 44124 or [pestello@sel.k12.oh.us](mailto:pestello@sel.k12.oh.us).

## Basic Financial Statements

## South Euclid-Lyndhurst City School District

### Statement of Net Assets

June 30, 2010

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$14,323,173
Accounts Receivable	144,608
Intergovernmental Receivable	1,328,997
Prepaid Items	482,838
Materials and Supplies Inventory	30,158
Inventory Held for Resale	18,260
Property Taxes Receivable	53,479,385
Investment in Joint Venture	15,121
Deferred Charges	201,416
Non-depreciable Capital Assets	660,393
Depreciable Capital Assets, Net	<u>18,735,140</u>
<i>Total Assets</i>	<u>89,419,489</u>
<b>Liabilities</b>	
Accounts Payable	734,234
Accrued Wages and Benefits	4,336,605
Intergovernmental Payable	1,943,686
Contracts Payable	41,093
Deferred Revenue	36,621,012
Accrued Interest Payable	63,397
Notes Payable	8,840,597
Long-Term Liabilities:	
Due Within One Year	1,807,348
Due In More Than One Year	<u>9,206,600</u>
<i>Total Liabilities</i>	<u>63,594,572</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	3,599,786
Restricted for:	
Capital Projects	1,962,904
Debt Service	1,460,196
Sixth Grade Camp	331,964
Stadium	204,787
Auxiliary Services	117,167
Title VI-B	231,157
Title I	518,155
Unclaimed Monies	43,301
Other Purposes	615,741
Unrestricted	<u>16,739,759</u>
<i>Total Net Assets</i>	<u><u>\$25,824,917</u></u>

See accompanying notes to the basic financial statements



**South Euclid-Lyndhurst City School District**

*Statement of Activities*

*For the Fiscal Year Ended June 30, 2010*

	Program Revenues				Net (Expense)
	Expenses	Charges for Services and Sales	Operating Grants, Interest and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
<b>Governmental Activities</b>					
Instruction:					
Regular	\$24,329,607	\$903,727	\$406,484	\$0	(\$23,019,396)
Special	8,973,177	267,095	2,048,319	0	(6,657,763)
Vocational	2,069,691	138,020	0	0	(1,931,671)
Support Services:					
Pupil	3,769,763	143,631	64,823	0	(3,561,309)
Instructional Staff	1,519,675	48,147	193,310	0	(1,278,218)
Board of Education	211,177	8,305	0	0	(202,872)
Administration	3,693,493	153,720	65,860	0	(3,473,913)
Fiscal	1,794,109	66,757	0	0	(1,727,352)
Business	315,010	11,701	0	0	(303,309)
Operation and Maintenance of Plant	7,258,060	261,812	9,741	325,395	(6,661,112)
Pupil Transportation	3,091,708	122,846	41,728	0	(2,927,134)
Central	1,247,388	41,334	27,358	0	(1,178,696)
Operation of Non-Instructional Services:					
Food Service Operations	1,876,628	756,712	899,248	0	(220,668)
Other Non-Instructional Services	1,139,238	2,351	1,115,589	0	(21,298)
Extracurricular Activities	1,290,291	190,928	8,380	0	(1,090,983)
Interest and Fiscal Charges	725,047	0	0	0	(725,047)
<b>Totals</b>	<b>\$63,304,062</b>	<b>\$3,117,086</b>	<b>\$4,880,840</b>	<b>\$325,395</b>	<b>(54,980,741)</b>

**General Revenues**

Property Taxes Levied for:

General Purposes	41,722,586
Debt Service	686,900
Capital Projects	1,900,522
Grants and Entitlements not Restricted to Specific Programs	15,481,397
Investment Earnings	22,056
Miscellaneous	1,048,328

*Total General Revenues* 60,861,789

Change in Net Assets 5,881,048

*Net Assets, Beginning of Year* 19,943,869

*Net Assets, End of Year* \$25,824,917

See accompanying notes to the basic financial statements

**South Euclid-Lyndhurst City School District**

*Balance Sheet*

*Governmental Funds*

*June 30, 2010*

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$9,821,916	\$1,386,957	\$3,070,999	\$14,279,872
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	43,301	0	0	43,301
Accounts Receivable	139,104	0	5,504	144,608
Intergovernmental Receivable	22,156	0	1,306,841	1,328,997
Prepaid Items	453,627	0	29,211	482,838
Materials and Supplies Inventory	26,071	0	4,087	30,158
Inventory Held for Resale	0	0	18,260	18,260
Interfund Receivable	160,100	0	0	160,100
Property Taxes Receivable	50,163,994	2,253,477	1,061,914	53,479,385
Investment in Joint Venture	15,121	0	0	15,121
<i>Total Assets</i>	<u>\$60,845,390</u>	<u>\$3,640,434</u>	<u>\$5,496,816</u>	<u>\$69,982,640</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	\$238,577	\$79,126	\$416,531	\$734,234
Accrued Wages and Benefits	4,110,035	0	226,570	4,336,605
Intergovernmental Payable	1,860,766	0	82,920	1,943,686
Contracts Payable	13,848	27,245	0	41,093
Interfund Payable	0	0	160,100	160,100
Deferred Revenue	44,428,172	1,993,028	2,245,959	48,667,159
Accrued Interest Payable	0	30,496	3,865	34,361
Notes Payable	0	8,590,597	250,000	8,840,597
<i>Total Liabilities</i>	<u>50,651,398</u>	<u>10,720,492</u>	<u>3,385,945</u>	<u>64,757,835</u>
<b>Fund Balances</b>				
Reserved for Encumbrances	521,138	564,825	127,539	1,213,502
Reserved for Property Taxes	5,755,965	260,387	122,444	6,138,796
Reserved for Unclaimed Monies	43,301	0	0	43,301
Unreserved, Undesignated				
Reported in:				
General Fund	3,873,588	0	0	3,873,588
Special Revenue Funds	0	0	656,965	656,965
Debt Service Funds	0	0	1,455,138	1,455,138
Capital Projects Funds (Deficit)	0	(7,905,270)	(251,215)	(8,156,485)
<i>Total Fund Balances (Deficit)</i>	<u>10,193,992</u>	<u>(7,080,058)</u>	<u>2,110,871</u>	<u>5,224,805</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$60,845,390</u>	<u>\$3,640,434</u>	<u>\$5,496,816</u>	<u>\$69,982,640</u>

See accompanying notes to the basic financial statements

**South Euclid-Lyndhurst City School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 June 30, 2010*

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<b>Total Governmental Fund Balances</b>	<b>\$5,224,805</b>
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*Amounts reported for governmental activities in the  
 statement of net assets are different because:*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	19,395,533
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Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:

Delinquent Property Taxes	10,641,087
Grants	1,306,516
Investment in Joint Venture	98,544

Total	12,046,147
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In the statement of activities, bond issuance costs are amortized over the term of the bonds, whereas in governmental funds bond issuance expenditures are reported when bonds are issued.	201,416
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In the statement of activities, interest is accrued on outstanding loans, whereas in governmental funds, an interest expenditure is reported when due.	(29,036)
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

General Obligation Bonds	(6,935,000)
Amortization of Loss on Refunding	149,491
Capital Appreciation Bonds	(169,995)
Accretion on Capital Appreciation Bonds	(119,022)
Bond Anticipation Note	(250,000)
Unamortized Bond Premium	(251,659)
Compensated Absences	(3,437,763)

Total	(11,013,948)
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<i>Net Assets of Governmental Activities</i>	<b>\$25,824,917</b>
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See accompanying notes to the basic financial statements

**South Euclid-Lyndhurst City School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2010*

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property Taxes	\$39,217,500	\$1,830,510	\$672,070	\$41,720,080
Intergovernmental	14,898,048	325,395	5,015,122	20,238,565
Interest	22,056	0	409	22,465
Tuition and Fees	1,785,538	0	87,034	1,872,572
Extracurricular Activities	78,113	0	159,310	237,423
Contributions and Donations	0	0	161,454	161,454
Charges for Services	62,111	0	803,817	865,928
Rentals	90,760	0	2,300	93,060
Miscellaneous	805,572	25,860	216,896	1,048,328
<i>Total Revenues</i>	<u>56,959,698</u>	<u>2,181,765</u>	<u>7,118,412</u>	<u>66,259,875</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	23,069,452	0	956,932	24,026,384
Special	7,027,799	0	1,942,117	8,969,916
Vocational	2,002,039	0	75,376	2,077,415
Support Services:				
Pupil	3,740,501	0	60,788	3,801,289
Instructional Staff	1,113,635	0	324,075	1,437,710
Board of Education	211,052	0	125	211,177
Administration	3,535,610	0	109,497	3,645,107
Fiscal	1,760,143	0	0	1,760,143
Business	311,723	0	0	311,723
Operation and Maintenance of Plant	6,713,603	0	19,464	6,733,067
Pupil Transportation	3,120,835	0	51,325	3,172,160
Central	1,110,225	0	23,010	1,133,235
Operation of Non-Instructional Services:				
Food Service Operations	0	0	1,866,830	1,866,830
Other Non-Instructional Services	61,934	0	1,101,697	1,163,631
Extracurricular Activities	1,000,926	0	207,060	1,207,986
Capital Outlay	0	1,050,830	8,925	1,059,755
Debt Service:				
Principal Retirement	0	0	620,000	620,000
Principal Retirement - Current Refunding	0	0	250,000	250,000
Interest and Fiscal Charges	0	343,597	331,247	674,844
Capital Appreciation Bonds	0	0	75,000	75,000
<i>Total Expenditures</i>	<u>54,779,477</u>	<u>1,394,427</u>	<u>8,023,468</u>	<u>64,197,372</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>2,180,221</u>	<u>787,338</u>	<u>(905,056)</u>	<u>2,062,503</u>
<b>Other Financing Sources (Uses)</b>				
Bond Anticipation Notes Issued	0	0	250,000	250,000
Current Refunding	0	0	(250,000)	(250,000)
Transfers In	0	0	705,206	705,206
Transfers Out	(705,206)	0	0	(705,206)
<i>Total Other Financing Sources (Uses)</i>	<u>(705,206)</u>	<u>0</u>	<u>705,206</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	1,475,015	787,338	(199,850)	2,062,503
<i>Fund Balances (Deficit), Beginning of Year</i>	8,718,977	(7,867,396)	2,310,721	3,162,302
<i>Fund Balances (Deficit), End of Year</i>	<u>\$10,193,992</u>	<u>(\$7,080,058)</u>	<u>\$2,110,871</u>	<u>\$5,224,805</u>

See accompanying notes to the basic financial statements

**South Euclid-Lyndhurst City School District**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2010*

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$2,062,503</b>
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period:	
Capital Asset Additions	1,412,902
Current Year Depreciation	<u>(1,207,542)</u>
Total	205,360
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
Delinquent Property Taxes	2,589,928
Grants	287,204
Investment in Joint Venture	<u>48,103</u>
Total	2,925,235
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	1,195,000
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
Accrued Interest on Bonds	6,597
Annual Accretion	(44,130)
Amortization of Bond Premium	27,962
Amortization of Loss on Refunding	(16,610)
Amortization of Bond Issuance Costs	<u>(24,022)</u>
Total	(50,203)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(206,847)
Other financing sources in the governmental funds such as general obligation notes issued, increase long-term liabilities in the statement of net assets.	<u>(250,000)</u>
<i>Change in Net Assets of Governmental Activities</i>	<u><u>\$5,881,048</u></u>

See accompanying notes to the basic financial statements

**South Euclid-Lyndhurst City School District**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2010*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Property Taxes	\$40,181,201	\$40,181,201	\$40,181,202	\$1
Intergovernmental	14,102,083	14,846,519	14,883,608	37,089
Interest	22,950	22,950	22,950	0
Tuition and Fees	1,669,335	1,669,335	1,669,614	279
Extracurricular Activities	78,113	78,113	78,113	0
Charges for Services	0	0	61,230	61,230
Rentals	562,155	562,155	90,760	(471,395)
Miscellaneous	383,940	383,870	802,112	418,242
<i>Total Revenues</i>	<u>56,999,777</u>	<u>57,744,143</u>	<u>57,789,589</u>	<u>45,446</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	24,575,331	23,224,525	23,035,503	189,022
Special	7,244,636	7,124,655	7,020,283	104,372
Vocational	2,220,363	2,138,326	1,996,047	142,279
Support Services:				
Pupil	3,608,124	3,838,067	3,760,211	77,856
Instructional Staff	1,379,572	1,315,946	1,179,044	136,902
Board of Education	632,559	894,459	245,811	648,648
Administration	3,391,195	3,609,944	3,524,798	85,146
Fiscal	1,638,148	1,814,150	1,765,810	48,340
Business	351,115	381,266	310,792	70,474
Operation and Maintenance of Plant	7,393,434	7,077,437	6,870,219	207,218
Pupil Transportation	3,180,583	3,334,620	3,209,475	125,145
Central	1,195,896	1,272,622	1,181,416	91,206
Operation of Non-Instructional Services	62,000	63,000	61,934	1,066
Extracurricular Activities	986,417	1,032,507	989,199	43,308
<i>Total Expenditures</i>	<u>57,859,373</u>	<u>57,121,524</u>	<u>55,150,542</u>	<u>1,970,982</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(859,596)</u>	<u>622,619</u>	<u>2,639,047</u>	<u>2,016,428</u>
<b>Other Financing Sources (Uses)</b>				
Advances In	749,000	749,000	749,000	0
Transfers Out	(241,000)	(706,000)	(705,206)	794
Advances Out	(20,000)	(161,500)	(160,100)	1,400
<i>Total Other Financing Sources (Uses)</i>	<u>488,000</u>	<u>(118,500)</u>	<u>(116,306)</u>	<u>2,194</u>
<i>Net Change in Fund Balance</i>	<u>(371,596)</u>	<u>504,119</u>	<u>2,522,741</u>	<u>2,018,622</u>
<i>Fund Balance Beginning of Year</i>	<u>5,727,599</u>	<u>5,727,599</u>	<u>5,727,599</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>861,574</u>	<u>861,574</u>	<u>861,574</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$6,217,577</u>	<u>\$7,093,292</u>	<u>\$9,111,914</u>	<u>\$2,018,622</u>

See accompanying notes to the basic financial statements

**South Euclid-Lyndhurst City School District**

*Statement of Fiduciary Assets and Liabilities*

*Agency Funds*

*June 30, 2010*

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<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$132,256</u>
<b>Liabilities</b>	
Undistributed Monies	\$39,354
Due to Students	<u>92,902</u>
<i>Total Liabilities</i>	<u>\$132,256</u>

See accompanying notes to the basic financial statements

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

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

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### **Note 1 - Description of the School District and Reporting Entity**

The South Euclid-Lyndhurst City School District (School District) is a body public and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The School District is governed by a locally-elected five-member Board of Education (Board) and provides educational services as mandated by state and/or federal agencies. This Board controls the School District's six instructional/support facilities which are staffed by 237 classified and 347 certificated personnel who provide services to 4,347 students and other community members.

#### *Reporting Entity*

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes. The School District does not have any component units.

The School District participates in two jointly governed organizations, one joint venture, and one insurance purchasing pool. These organizations are the Lakeshore Northeast Ohio Computer Association, Ohio Schools' Council, South Euclid-Lyndhurst Recreation Commission and Ohio School Boards Association Workers' Compensation Group Rating Program. These organizations are presented in Notes 17, 18 and 19 of the basic financial statements.

### **Note 2 - Summary of Significant Accounting Policies**

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

# South Euclid-Lyndhurst City School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010*

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## ***Basis of Presentation***

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

***Government-wide Financial Statements*** The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type. The School District, however, has no business-type activities.

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental activity is self-financing or draws from the general revenues of the School District.

***Fund Financial Statements*** During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The fiduciary funds are reported by type.

## ***Fund Accounting***

The School District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The funds of the School District are divided into two categories, governmental and fiduciary.

***Governmental Funds*** Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the School District's major governmental funds:

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

## South Euclid-Lyndhurst City School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010*

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***Permanent Improvement Fund*** The permanent improvement fund accounts for all transactions related to acquiring, constructing, or improving of such permanent improvements as are authorized by Chapter 5707 of the Ohio Revised Code.

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

***Fiduciary Funds*** Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds account for student activities and the contributions of the cities of South Euclid and Lyndhurst to the South Euclid-Lyndhurst Recreation Commission (SELREC).

### ***Measurement Focus***

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

***Fund Financial Statements*** All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

### ***Basis of Accounting***

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Differences between the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from

## South Euclid-Lyndhurst City School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010*

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property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

***Deferred Revenue*** Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2010, but which were levied to finance fiscal year 2011 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

***Expenses/Expenditures*** On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

### ***Budgetary Data***

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the object level within each function for the general fund and at the fund level for all other funds.

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

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

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010*

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### ***Cash and Cash Equivalents***

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "equity in pooled cash and cash equivalents."

During fiscal year 2010, investments were limited to STAR Ohio. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2010.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2010 amounted to \$22,056 which includes \$6,725 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents.

### ***Prepaid Items***

Payments made to vendors for services that will benefit periods beyond June 30, 2010, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

### ***Restricted Assets***

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the general fund include money set aside for unclaimed monies. See Note 16 for additional information regarding set-asides.

### ***Inventory***

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventories consist of expendable supplies held for consumption and donated and purchased food held for resale.

### ***Capital Assets***

The School District's only capital assets are general capital assets. These assets generally result from expenditures in the governmental funds. They are reported in the governmental activities column of the governmental-wide statement of net assets but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of assets by backtrending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or

## South Euclid-Lyndhurst City School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010*

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estimated acquisition year). Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	10-40 years
Furniture and Equipment	5-20 years
Vehicles	10 years

### ***Interfund Balances***

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column of the statement of net assets.

### ***Bond Issuance Costs***

On the government-wide financial statements, bond issuance costs are deferred and amortized over the term of the applicable bonds using the effective interest method. On the governmental fund statements, bond issuance costs are expended in the year the bonds are issued.

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

### ***Bond Premium***

On the government-wide financial statements, bond premiums are deferred and amortized over the term of the bonds using the effective interest method. Bond premiums are presented as an increase of the face amount of the bonds payable. On the governmental fund statements, bond premiums are received in the year the bonds are issued.

### ***Gain/Loss on Refunding***

On the government-wide financial statements, the difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt, the gain/loss on refunding, is being amortized as a component of interest expense. This deferred amount is amortized over the life of the old or new debt, whichever is shorter, using the effective interest method.

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010*

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### ***Compensated Absences***

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for employees after 20 years of current service with the School District and attaining the age of 40.

### ***Accrued Liabilities and Long-Term Obligations***

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for the payment during the current fiscal year. Bonds are recognized as a liability on the fund financial statements when due.

### ***Net Assets***

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Net assets restricted for other purposes include resources restricted for athletic programs, education management information systems, entry-year programs, school-net professional development, miscellaneous state grant programs, drug free schools and miscellaneous federal grant programs.

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

### ***Fund Balance Reserves***

The School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances, property taxes and unclaimed monies.

## South Euclid-Lyndhurst City School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010*

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The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for unclaimed monies represents cash that, under Ohio law, must remain unclaimed for five years before it becomes available for appropriation.

### ***Internal Activity***

Transfers between governmental funds are eliminated on the government-wide financial statements. Internal events that are allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Interfund payments for services provided and used are eliminated.

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

### ***Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence.

### ***Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

### **Note 3 – Change in Accounting Principles**

For fiscal year 2010, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 51, “Accounting and Reporting for Intangible Assets”, Statement No. 53, “Accounting and Financial Reporting for Derivative Instruments”, Statement No. 57, “OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans”, and Statement No. 58, “Accounting and Financial Reporting for Chapter 9 Bankruptcies”.

GASB Statement No. 51 establishes accounting and financial reporting requirements for intangible assets to reduce inconsistencies thereby enhancing the comparability of accounting and financial reporting of such assets among state and local governments. The implementation of this statement did not result in any change to the School District’s financial statements.

GASB Statement No. 53 enhances the usefulness and comparability of derivative instrument information reported by state and local governments. This Statement provides a comprehensive framework for the measurement, recognition, and disclosure of derivative instrument transactions. The implementation of this statement did not result in any change to the School District’s financial statements.



## South Euclid-Lyndhurst City School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010*

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GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). The requirements in this Statement will allow more agent employers to use the alternative measurement method to produce actuarially based information for purposes of financial reporting and clarify that OPEB measures reported by agent multiple-employer OPEB plans and their participating employers should be determined at the same minimum frequency and as of a common date to improve the consistency of reporting with regard to funded status and funding progress information. The implementation of this statement did not result in any change in the School District's financial statements.

GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements in this Statement will provide more consistent recognition, measurement, display, and disclosure guidance for governments that file for Chapter 9 bankruptcy. The implementation of this statement did not result in any change in the School District's financial statements.

### **Note 4 – Accountability**

At June 30, 2010, the following funds have deficit balances:

<b>Major Fund:</b>	
Capital Projects Fund:	
Permanent Improvement	\$7,080,058
<b>Nonmajor Funds:</b>	
Special Revenue Funds:	
Food Service	31,112
Alternative School Grant	4,370
Title VI-B	107,671
State Fiscal Stabilization	7,895
Title I	66,793
Drug Free	3,000
Preschool Handicapped	270
Title II - A	519
Miscellaneous Federal Grants	184
Capital Projects Fund:	
Building Improvements	252,222

The deficits in the nonmajor special revenue funds are caused by the recognition of expenditures on the modified accrual basis of accounting. The general fund is liable for any deficits in these funds and provides transfers when cash is required, rather than when accruals occur.

The deficits in the capital projects funds are the result of the issuance of anticipation notes which are used to finance projects until bonds are issued. Once the notes are retired or the bonds are issued, the deficits will be eliminated.

## South Euclid-Lyndhurst City School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010*

### Note 5 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

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

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

<b>Net Change in Fund Balance</b>	
	<u>General</u>
GAAP Basis	\$1,475,015
Net Adjustment for Revenue Accruals	828,997
Advances In	749,000
Beginning Fair Value Adjustment for Investments	2,513
Ending Fair Value Adjustment for Investments	(1,619)
Net Adjustment for Expenditure Accruals	380,799
Advances Out	(160,100)
Adjustment for Encumbrances	<u>(751,864)</u>
Budget Basis	<u><u>\$2,522,741</u></u>

### Note 6 - Deposits and Investments

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

Active monies are public monies determined to be necessary to meet current demands upon the School District treasury. Active monies must be maintained either as cash in the School District treasury, in

## South Euclid-Lyndhurst City School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010*

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commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

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

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

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

### **Investments**

As of June 30, 2010, the School District investments with STAR Ohio were \$15,516,070 and an average maturity of 56 days.

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

## South Euclid-Lyndhurst City School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010*

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

### **Note 7 - Property Taxes**

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2010 represent the collection of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed values as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State statute at thirty-five percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2010 represents the collections of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien December 31, 2008, were levied after April 1, 2009, and are collected in 2010 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

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

The School District receives property taxes from Cuyahoga County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2010, are available to finance fiscal year 2010 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents the late personal property tax settlement, real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2010, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 and

## South Euclid-Lyndhurst City School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010*

the late personal property tax settlement were levied to finance current fiscal year operations and are reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2010 was \$5,755,965 in the general fund, \$122,444 in the bond retirement debt service fund and \$260,387 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2009 was \$6,616,332 in the general fund, \$174,800 in the bond retirement debt service fund and \$337,657 in the permanent improvement capital projects fund.

The late tax settlement made by the County for fiscal year 2010 was \$2,343 in the general fund, \$27 in the bond retirement fund debt service fund and \$62 in the permanent improvement capital projects fund.

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

The assessed values upon which the fiscal year 2010 taxes were collected are:

	2009 Second		2010 First	
	Half Collections		Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$966,343,610	98.58 %	\$885,458,700	98.79 %
Public Utility Personal	9,967,480	1.02	10,872,690	1.21
Tangible Personal Property	3,924,340	0.40	0	0.00
<b>Total</b>	<b>\$980,235,430</b>	<b>100.00 %</b>	<b>\$896,331,390</b>	<b>100.00 %</b>
 Tax rate per \$1,000 of assessed valuation	\$101.50		\$101.60	

### **Note 8 - Receivables**

Receivables at June 30, 2010, consisted of taxes, accounts (rent and tuition), and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes. All receivables, except delinquent property taxes, are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

## South Euclid-Lyndhurst City School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010*

A summary of the principal items of intergovernmental receivables follows:

Intergovernmental Receivables	Amounts
Title I Grant	\$615,973
Title IDEA-B Grant	397,689
Title II-A Grant	159,095
Miscellaneous Federal Grants	80,553
Preschool Grant	24,965
CAFS	22,156
Drug Free Grant	13,014
Title II - D Grant	10,786
State Fiscal Stabilization Funds	4,403
Title III Grant	363
Total	\$1,328,997

### Note 9 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2010 was as follows:

	Balance 6/30/09	Additions	Deletions	Balance 6/30/10
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$660,393	\$0	\$0	\$660,393
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	27,971,996	533,236	0	28,505,232
Furniture and Equipment	5,269,796	566,443	0	5,836,239
Vehicles	2,607,946	313,223	0	2,921,169
<i>Total Capital Assets, being depreciated</i>	35,849,738	1,412,902	0	37,262,640
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	(11,743,123)	(570,039)	0	(12,313,162)
Furniture and Equipment	(3,782,888)	(461,000)	0	(4,243,888)
Vehicles	(1,793,947)	(176,503)	0	(1,970,450)
<i>Total Accumulated Depreciation</i>	(17,319,958)	(1,207,542) *	0	(18,527,500)
<i>Total Capital Assets, being depreciated, net</i>	18,529,780	205,360	0	18,735,140
<b>Governmental Activities Capital Assets, Net</b>	\$19,190,173	\$205,360	\$0	\$19,395,533

## South Euclid-Lyndhurst City School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010*

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

Instruction:	
Regular	\$689,290
Special	3,416
Vocational	2,956
Support Services:	
Pupil	4,631
Instructional Staff	56,446
Administration	23,540
Fiscal	2,598
Business	929
Operation and Maintenance of Plant	109,868
Pupil Transportation	120,709
Central	58,815
Operation of Non-Instructional Services:	
Food Service Operations	12,880
Other Non-Instructional Services	38,905
Extracurricular Activities	82,559
Total Depreciation Expense	<u>\$1,207,542</u>

### **Note 10 - Risk Management**

The School District is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of assets, errors, and omissions, injuries to employees, and natural disasters. The School District has addressed these various types of risk by purchasing a comprehensive insurance policy through commercial carriers.

General liability insurance is maintained in the amount of \$1,000,000 for each occurrence and \$2,000,000 in the aggregate.

The School District maintains fleet insurance in the amount of \$1,000,000 for any one accident or loss.

The School District maintains replacement cost insurance on buildings and contents in the amount of \$154,500,000.

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

For fiscal year 2010, the School District participated in the Ohio School Boards Association Workers' Compensation Grouping Rating Program (GRP), an insurance purchasing pool (Note 19). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based

## South Euclid-Lyndhurst City School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010*

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on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley Uniserve provides administration, cost control, and actuarial services to the GRP.

### **Note 11 - Defined Benefit Pension Plans**

#### ***School Employee Retirement System***

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2010, 12.78 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$1,216,112, \$829,820 and \$888,298 respectively; 94.07 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

#### ***State Teachers Retirement System***

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer



## South Euclid-Lyndhurst City School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010*

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contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2009, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009 and 2008 were \$3,218,066, \$3,237,000 and \$3,230,701, respectively; 83.52 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$136,843 made by the School District and \$97,745 made by the plan members.

### **Note 12 - Post Employment Benefits**

#### ***School Employee Retirement System***

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2010, 4.6 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2010, this amount was \$35,800. During fiscal year 2010, the School District paid \$145,369 in surcharge.

## South Euclid-Lyndhurst City School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010*

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Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2010, 2009 and 2008 were \$193,097, \$517,507 and \$552,044 respectively; 94.07 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2010, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009 and 2008 were \$72,547, \$68,467 and \$64,004 respectively; 94.07 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

### ***State Teachers Retirement System***

Plan Description – The School District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$247,544, \$249,000, and \$248,515 respectively; 83.52 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

## **Note 13 - Employee Benefits**

### ***Compensated Absences***

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

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

## South Euclid-Lyndhurst City School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010*

### ***Insurance Benefits***

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Anthem, in the amount of \$50,000 for all certified employees, \$50,000 for classified employees, and for administrators it is \$135,000.

The School District provides health insurance coverage through Medical Mutual of Ohio and is subject to certain deductibles, co-pays, and maximum benefits as outlined in the plan. In order for employees to be eligible to receive health insurance coverage they must work at least twenty hours or more for classified employees and at least half-time for certified employees. Per negotiated agreement, the premium is paid based on full time equivalency. If an employee is not full time, the School District pays a pro-rated share of the premium.

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

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

### **Note 14 – Short-Term Debt**

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

	Balance 6/30/2009	Additions	Deletions	Balance 6/30/2010
<b>Building Fund</b>				
Bond Anticipation Note 2008	\$250,000	\$0	(\$250,000)	\$0
Bond Anticipation Note 2009	0	250,000	0	250,000
<b>Permanent Improvement Fund</b>				
Tax Anticipation Note 2007	9,140,000	0	(850,000)	8,290,000
Unamortized Premium	338,971	0	(38,374)	300,597
Total Tax Anticipation Note	9,478,971	0	(888,374)	8,590,597
<i>Total Short-Term Debt</i>	\$9,728,971	\$250,000	(\$1,138,374)	\$8,840,597

The energy conservation improvement bond anticipation note is backed by the full faith and credit of the School District and will mature within one year. The note liability is reflected in the fund which received the proceeds.

## South Euclid-Lyndhurst City School District

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

The tax anticipation notes will be paid from the permanent improvement capital project fund with property tax revenue. The notes were issued with a premium of \$422,115. The amortization of the premium for fiscal year 2010 was \$38,374. Principal and interest payments to retire the tax anticipation notes are as follows:

	Principal	Interest	Total
2011	\$900,000	\$347,950	\$1,247,950
2012	930,000	311,350	1,241,350
2013	970,000	273,350	1,243,350
2014	1,005,000	233,850	1,238,850
2015	1,050,000	192,750	1,242,750
2016-2018	3,435,000	263,125	3,698,125
	\$8,290,000	\$1,622,375	\$9,912,375

### Note 15 - Long-Term Obligations

The original issue date, interest rate, original issue amount and date of maturity of each of the School District's long-term obligations are:

Debt Issue	Interest Rate	Issue Amount	Date of Maturity
<i>General Obligation Bonds:</i>			
School Improvement Refunding - 2006			
Serial Bonds	4.00 - 5.00%	\$7,065,000	December 1, 2016
Capital Appreciation Bonds	6.155 - 13.656%	494,995	December 1, 2010
Term Bonds	4.00%	1,830,000	December 1, 2018
<i>Long-Term Notes:</i>			
Bond Anticipation Note - 2008	3.25%	500,000	November 25, 2009
Bond Anticipation Note - 2009	2.65%	250,000	November 24, 2010

Changes in long-term obligations of the School District during fiscal year 2010, were as follows:

## South Euclid-Lyndhurst City School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010*

	Principal Outstanding 6/30/09	Additions	(Reductions)	Principal Outstanding 6/30/10	Amount Due in One Year
<b>Governmental Activities:</b>					
General Obligations Bonds:					
School Improvement Refunding - 2006					
Serial Bonds	\$5,400,000	\$0	(\$295,000)	\$5,105,000	\$400,000
Capital Appreciation Bonds	494,995	0	(325,000)	169,995	169,995
Accretion on Capital Appreciation Bonds	149,892	44,130	(75,000)	119,022	119,022
Term Bonds	1,830,000	0	0	1,830,000	0
Unamortized Premium	279,621	0	(27,962)	251,659	0
Unamortized Loss	(166,101)	16,610	0	(149,491)	0
<i>Total General Obligation Bonds</i>	<u>7,988,407</u>	<u>60,740</u>	<u>(722,962)</u>	<u>7,326,185</u>	<u>689,017</u>
Long-Term Notes:					
Bond Anticipation Note - 2008	500,000	0	(500,000)	0	0
Bond Anticipation Note - 2009	0	250,000	0	250,000	0
<i>Total Long-Term Notes</i>	<u>500,000</u>	<u>250,000</u>	<u>(500,000)</u>	<u>250,000</u>	<u>0</u>
Compensated Absences	3,230,916	437,830	(230,983)	3,437,763	1,118,331
<b>Total Governmental Activities</b>	<u>\$11,719,323</u>	<u>\$748,570</u>	<u>(\$1,453,945)</u>	<u>\$11,013,948</u>	<u>\$1,807,348</u>

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

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

### ***2006 School Improvement Advance Refunding General Obligation Bonds***

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

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

The capital appreciation bonds will mature December 1, 2009 and 2010. The maturity amount of the bonds is \$705,000. For fiscal year 2010, \$44,130 was accreted for a total bond value of \$289,017.

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

## South Euclid-Lyndhurst City School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010*

### **2008 Bond Anticipation Note**

The bond anticipation note was issued on November 29, 2008 for the purpose of paying costs of installations, modifications, and remodeling of school buildings to conserve energy. The note has a stated interest rate of 3.25 percent and was rolled on November 25, 2009.

### **2009 Bond Anticipation Note**

The bond anticipation note was issued on November 25, 2009 for the purpose of paying costs of installations, modifications, and remodeling of school buildings to conserve energy. The note has a stated interest rate of 2.65 percent and matures November 25, 2010. Bond anticipation notes that were rolled prior to the issuance of the financial statements and have a new maturity beyond the end of the fiscal year in which the report is issued have been reported in the government wide statements. The note is backed by the full faith of the South Euclid-Lyndhurst School District.

The School District's overall debt margin was \$66,213,805 with an unvoted debt margin of \$896,331 at June 30, 2010. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2010 are as follows:

	Serial Bonds		Capital Appreciation Bonds		Term Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$400,000	\$222,050	\$169,995	\$135,005	\$0	\$72,000	\$400,000	\$294,050
2012	725,000	199,550	0	0	0	72,000	725,000	271,550
2013	745,000	170,150	0	0	0	72,000	745,000	242,150
2014	770,000	139,850	0	0	0	72,000	770,000	211,850
2015	795,000	104,575	0	0	0	72,000	795,000	176,575
2016-2019	1,670,000	230,900	0	0	1,830,000	73,800	3,500,000	304,700
Total	<u>\$5,105,000</u>	<u>\$1,067,075</u>	<u>\$169,995</u>	<u>\$135,005</u>	<u>\$1,830,000</u>	<u>\$433,800</u>	<u>\$6,935,000</u>	<u>\$1,500,875</u>

In 2006, the School District defeased 1993 and 1996 school improvement bond issues, in order to take advantage of lower interest rates. The proceeds of the new bonds were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the School District's financial statements. On June 30, 2010, \$7,300,000 of the defeased bonds are still outstanding.

### **Note 16 - Set-Asides**

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by fiscal year end or offset by similarly restricted resources received during the year must be held in cash at fiscal year end and carried forward to be used for the same purposes in future years. In prior years, the School District was also required to set aside money for budget stabilization.

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

## South Euclid-Lyndhurst City School District

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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	Textbooks Instructional Materials Reserve	Capital Improvement Reserve
Set-aside Reserve Balance as of June 30, 2009	(\$2,148,014)	\$0
Current Year Set-aside Requirement	731,989	731,989
Qualifying Disbursements	(992,146)	(2,713,773)
Totals	<u>(\$2,408,171)</u>	<u>(\$1,981,784)</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>(\$2,408,171)</u>	<u>\$0</u>
Set-aside Reserve Balance as of June 30, 2010	<u>\$0</u>	<u>\$0</u>

The School District had qualifying disbursements during the fiscal year that reduced the textbook set-aside amount below zero. This extra amount may be used to reduce the set-aside requirements of future fiscal years. While the qualifying disbursements during the fiscal year reduced the capital improvement set-aside amount to below zero, this amount may not be used to reduce the set-aside requirements of future fiscal years.

### Note 17 - Jointly Governed Organizations

#### *Lakeshore Northeast Ohio Computer Association*

The Lakeshore Northeast Ohio Computer Association (LNOCA) is a jointly governed organization among sixteen school districts, one educational service center and the South Euclid-Lyndhurst City School District. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among the member districts. Each of the school districts support LNOCA based on a per pupil charge. In fiscal year 2010, the School District paid \$124,433 to LNOCA.

The Governing Board consists of the superintendent from each of the participating school districts and the educational service center. The degree of control exercised by any participant is limited to its representation on the Governing Board. The Board exercises total control over the operation of the organization including budgeting, appropriating, contracting and designating management. A copy of LNOCA's financial statements may be obtained by contacting the Educational Service Center at 5811 West Canal Road, Valley View, Ohio 44125.

#### *Ohio Schools Council Association*

The Ohio Schools Council (Council) is a jointly governed organization among 126 school districts. The jointly governed organization was created by school districts for the purpose of saving money through volume purchases. Each district supports the Council by paying an annual participation fee. Each school district member's superintendent serves as a representative of the Assembly. The Assembly elects five of the Council's Board members and the remaining four are representatives of the Greater Cleveland School Superintendents' Association. The Council operates under a nine-member Board of Directors (the Board). The Board is the policy making authority of the Council. The Board meets monthly September to June. The Board appoints an Executive Director who is responsible for receiving and disbursing funds, investing available funds, preparing financial reports for the Board and Assembly and carrying out such

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010*

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other responsibilities as designated by the Board. In fiscal year 2010, the School District paid \$130,438 to the Council. Financial information can be obtained by contacting Dr. David A. Cottrell, the Executive Director of the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

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

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

### **Note 18 – Joint Venture**

The South Euclid-Lyndhurst Recreation Commission (SELREC) is a joint venture that is jointly owned and operated by the Cities of South Euclid and Lyndhurst, and the South Euclid-Lyndhurst City School District for the purpose of operating the Cities' and the School District's playgrounds, playing fields and indoor recreation centers. Each of these governments supports SELREC through funds that are appropriated in their budgets and each shares in the equity of SELREC.

The operation of SELREC is controlled by a nine member board consisting of the following: one member appointed by the Mayor of the City of South Euclid and one member appointed by the Mayor of the City of Lyndhurst, three members that are residents of the City of South Euclid, three members that are residents of the City of Lyndhurst, and one member that is a resident of the South Euclid-Lyndhurst City School District and that lives in either the City of South Euclid or the City of Lyndhurst (jointly appointed by the Mayors of the Cities of South Euclid and Lyndhurst). The continued existence of the joint venture depends on the School District's continued participation. SELREC is not accumulating significant financial resources or experiencing fiscal stress which would cause additional benefit or burden on the School District. During fiscal year 2010, the School District contributed \$41,582 to SELREC. The School District also has a measurable equity interest in SELREC because the joint venture agreement stipulates that the participants have a claim to assets and sets forth the method of distribution upon dissolution of the joint venture. SELREC has no capital assets. SELREC is audited on a two-year basis; the latest reported is for the fiscal year ended June 30, 2010. Financial statements may be obtained by contacting the Treasurer of the South Euclid-Lyndhurst City School District at 6044 Mayfield Road, Lyndhurst, Ohio 44124.



## South Euclid-Lyndhurst City School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010*

### Note 19 – Insurance Purchasing Pool

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

### Note 20 - Contingencies

The School District received financial assistance from federal and state agencies in the form of grants. The disbursements of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2010.

### Note 21 – Interfund Transfers and Balances

#### *Interfund Transfers*

Transfers made during fiscal year 2010 were as follows:

<u>Transfers In</u>	<u>Transfers Out</u>
	<u>General Fund</u>
<b>Nonmajor Governmental Funds</b>	
Sixth Grade Camp	\$6,000
Other Grants	7,950
Uniform School Supplies	12,348
Athletics	40,000
Food Service	163,908
Stadium Fund	200,000
Building Fund	<u>275,000</u>
Total	<u><u>\$705,206</u></u>

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

## South Euclid-Lyndhurst City School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010*

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### ***Interfund Balances***

Interfund balances at June 30, 2010, consist of the following individual fund receivables and payables:

	<u>Interfund Receivable</u>
<u>Interfund Payable</u>	<u>General Fund</u>
<b>Nonmajor Governmental Funds</b>	
Title IDEA - B Grant	\$40,000
Miscellaneous Federal Grants	40,000
Food Service	30,000
Title I Grant	30,000
Title II-D Grant	10,000
Alternative Schools	4,100
Drug Free Schools	3,000
Cosmetology Customer Service	2,000
Auxiliary Services	1,000
Total	<u><u>\$160,100</u></u>

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

### **Note 22 – Subsequent Events**

On July 1, 2010, the YMCA of Greater Cleveland assumed operational control of SELREC. The YMCA assumed financial control of SELREC on October 1, 2010. On October 21, 2010, the Fiscal Agent provided a cash reconciliation to the YMCA and also provided them the revenue received for their summer programs totaling \$77,524. On October 31, 2010, SELREC had a negative fund balance of \$168,909 on the books of its formal fiscal agent. The South Euclid-Lyndhurst City School District and the Cities of South Euclid and Lyndhurst will contribute payments equivalent of 40 percent, 36 percent and 24 percent respectively, of the remaining negative fund balance to cover the deficit.

On November 25, 2010, the School District refinanced the bond anticipation note in the amount of \$250,000. The new note will mature November 25, 2011 and carries an interest rate of 2.25 percent. The proceeds were used to retire the November 25, 2009 \$500,000 note.

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

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2010**

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>					
<i>Passed Through Ohio Department of Education:</i>					
School Breakfast Program	10.553	\$200,245	\$0	\$200,245	\$0
National School Lunch Program	10.555	746,102	54,164	746,102	54,164
Total Nutrition Cluster		946,347	54,164	946,347	54,164
<b>Total U.S. Department of Agriculture</b>		<b>946,347</b>	<b>54,164</b>	<b>946,347</b>	<b>54,164</b>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>					
<i>Passed Through Ohio Department of Education:</i>					
Cafeteria Equipment Assistance - FY 2010 - ARRA	10.579	33,885	0	33,440	0
Special Education Grants - FY 2009	84.027	212,283	0	109,897	0
Special Education Grants - FY 2010	84.027	972,538	0	966,826	0
Special Education Grants - FY 2010 - ARRA	84.391	349,629	0	348,735	0
Subtotal Special Education Grants		1,534,450	0	1,425,458	0
Preschool Grant - FY 2009	84.173	585	0	1,150	0
Preschool Grant - FY 2010	84.173	36,154	0	36,154	0
Subtotal Preschool Grant		36,739	0	37,304	0
Total Special Education Cluster		1,571,189	0	1,462,762	0
Safe and Drug-Free Schools and Communities Safe Grants - FY 2010	84.186	9,000	0	12,000	0
Title I Grants to Local Education Agencies - FY 2009	84.010	(60,098)	0	3,621	0
Title I Grants to Local Education Agencies - FY 2010	84.010	590,586	0	580,868	0
Title I Grants to Local Education Agencies - FY 2010 - ARRA	84.389	98,261	0	96,614	0
Total Title I		628,749	0	681,103	0
Twenty First Century Community Learning Center - FY 2009	84.287	87,243	0	84,548	0
Twenty First Century Community Learning Center - FY 2010	84.287	144,447	0	152,858	0
Total Twenty First Century Community Learning Center		231,690	0	237,406	0
Innovative Education Program Strategies - FY 2009	84.298	(1,242)	0	0	0
Innovative Education Program Strategies - FY 2010	84.298	1,242	0	1,242	0
Total Innovative Education Program Strategies		0	0	1,242	0
Educational Technology - FY 2009	84.318	1,056	0	0	0
Educational Technology - FY 2010	84.318	556	0	465	0
Total Educational Technology		1,612	0	465	0
English Language Acquisition Grants - FY 2009	84.365	363	0	141	0
English Language Acquisition Grants - FY 2010	84.365	3,496	0	2,210	0
Total English Language Acquisition Grants		3,859	0	2,351	0
Improving Teacher Quality - FY 2009	84.367	(2,688)	0	0	0
Improving Teacher Quality - FY 2010	84.367	69,270	0	69,270	0
Total Improving Teacher Quality		66,582	0	69,270	0
School Improvement Grants - FY 2009	84.377	5,841	0	24,561	0
School Improvement Grants - FY 2010	84.377	21,825	0	21,825	0
Total School Improvement Grants		27,666	0	46,386	0
Education Stabilization Fund - FY 2010 - ARRA	84.394	454,151	0	120,438	0
<b>Total Passed Through the Ohio Department of Education</b>		<b>3,000,717</b>	<b>0</b>	<b>2,666,863</b>	<b>0</b>
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>					
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities:</i>					
Medicaid Assistance Program	93.778	114,265	0	0	0
<b>Total U.S. Department of Health and Human Services</b>		<b>114,265</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b><u>U.S. INSTITUTE OF MUSEUM AND LIBRARY SERVICES</u></b>					
<i>Passes Through the Ohio State Library Board:</i>					
Services to Youth Program - FY 2009	45.310	0	0	27,649	0
Services to Youth Program - FY 2010	45.310	11,250	0	0	0
<b>Total U.S. Institute of Museum and Library Services</b>		<b>11,250</b>	<b>0</b>	<b>27,649</b>	<b>0</b>
<b>Total Federal Assistance</b>		<b>\$4,072,579</b>	<b>\$54,164</b>	<b>\$3,640,859</b>	<b>\$54,164</b>

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

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

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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

**NOTE D - TRANSFERS BETWEEN PROGRAM YEARS**

Federal regulations require schools to obligate certain federal awards by June 30. However, with the Ohio Department of Education's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. These transfers resulted in the Schedule reporting negative receipts. The District transferred the following amounts from 2009 to 2010 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Transferred from 2009 to 2010</u>
Title I Grants to Local Educational Agencies	84.010	\$60,098
Innovative Education Program Strategies	84.298	1,242
Improving Teacher Quality State Grant	84.367	2,688



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the South Euclid-Lyndhurst City School District, Cuyahoga County, (the District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 13, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

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

### Compliance and Other Matters

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

We did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated January 13, 2011.

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

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

**Dave Yost**  
Auditor of State

January 13, 2011



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Education:

### Compliance

We have audited the compliance of the South Euclid-Lyndhurst City School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the South Euclid-Lyndhurst City School District's major federal programs for the year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the South Euclid-Lyndhurst City School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2010.

### Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

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

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

We did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated January 13, 2011.

We intend this report solely for the information and use of the audit committee, management, Board of Education, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



**Dave Yost**  
Auditor of State

January 13, 2011



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

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2010**

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

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Cluster # 84.027, 84.173 & 84.391 Title I # 84.010 & 84.389 State Fiscal Stabilization # 84.394
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	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

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# Dave Yost • Auditor of State

**SOUTH EUCLID-LYNDHURST CITY SCHOOL DISTRICT**

**CUYAHOGA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 8, 2011**