

South Euclid-Lyndhurst City School District

**Basic Financial Statements
June 30, 2013**



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the South Euclid-Lyndhurst City School District, Cuyahoga County, prepared by Ciuni & Panichi, Inc., for the audit period July 1, 2012 through June 30, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

March 11, 2014

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South Euclid-Lyndhurst City School District

For the Year Ended June 30, 2013

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the South Euclid-Lyndhurst City School District (the "District") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2013, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 3 to the basic financial statements, in 2013, the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2013, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Cimini & Panichi, Inc.

Cleveland, Ohio
December 27, 2013

South Euclid-Lyndhurst City School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited*

The discussion and analysis of the South Euclid-Lyndhurst City School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2013. 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 2013 are as follows:

- Net position increased in fiscal year 2013 due mainly to an increase in property tax revenues resulting from 5.9 mill additional operating levy that was passed in November 2012. The increase in net position was also due to a reduction in program expenses resulting from staff cuts and other cost saving measures.
- The School District actively pursues grants and controls expenses while still maintaining the high academic standards the residents expect of the School District.
- Capital asset additions for fiscal year 2013 included construction for stadium improvements and additions to buildings and improvements as well as the purchase of various furniture and equipment and three school buses. The HB264 lighting project which involved updating school buildings for the purpose of conserving energy was completed during fiscal year 2013.
- Program expenses decreased due to significant reductions in certified and classified staff.

Using this Annual Financial Report

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

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

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2013?" The Statement of Net Position and the Statement of Activities answers this question. These statements include *all assets and deferred outflows of resources* and

South Euclid-Lyndhurst City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

liabilities and deferred inflows of resources using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

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

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

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

The School District as a Whole

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2013 compared to 2012.

(Table 1)
Net Position

	Governmental Activities		
	2013	2012	Change
Assets			
Current and Other Assets	\$78,319,660	\$69,761,849	\$8,557,811
Capital Assets, Net	20,004,990	18,947,508	1,057,482
<i>Total Assets</i>	<u>98,324,650</u>	<u>88,709,357</u>	<u>9,615,293</u>
Deferred Outflows of Resources	<u>99,660</u>	<u>116,271</u>	<u>(16,611)</u>
Liabilities			
Current Liabilities	12,219,360	14,095,904	1,876,544
Long Term Liabilities:			
Due Within One Year	1,514,748	1,658,817	144,069
Due in More than One Year	7,766,869	7,859,336	92,467
<i>Total Liabilities</i>	<u>21,500,977</u>	<u>23,614,057</u>	<u>2,113,080</u>
Deferred Inflows of Resources	<u>36,196,621</u>	<u>34,369,880</u>	<u>(1,826,741)</u>
Net Position			
Net Investment in Capital Assets	8,651,990	6,751,416	1,900,574
Restricted:			
Capital Projects	2,616,899	1,862,641	754,258
Debt Service	1,127,698	1,267,851	(140,153)
Other Purposes	732,262	1,247,337	(515,075)
Unrestricted	27,597,863	19,712,446	7,885,417
<i>Total Net Position</i>	<u>\$40,726,712</u>	<u>\$30,841,691</u>	<u>\$9,885,021</u>

As one can see from the increase in overall net position, the School District continues to provide the services that the School District citizens expect while maintaining the costs of providing those services during the current economic recession. Management is ever cognizant of the costs of providing a quality education.

Total current assets increased during fiscal year 2013 primarily due to an increase in cash and cash equivalents and property taxes receivable as a result of property tax collections from a 5.9 mill additional operating levy which became effective in January 2013. The increase in capital assets was due to capital asset additions outpacing current year depreciation. Total liabilities decreased during fiscal year 2013 which can be primarily attributed to a decrease in accounts payable as well as annual payments on the School District's short-term notes payable and long-term general obligation bonds.

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Table 2 shows the change in net position for fiscal years 2013 and 2012.

Governmental Activities

Table 2
Changes in Net Position

	2013	2012	Change
Program Revenues			
Charges for Services and Sales	\$2,834,813	\$2,767,165	\$67,648
Operating Grants, Contributions and Interest	4,045,203	4,756,101	(710,898)
Capital Grants	291,994	0	291,994
<i>Total Program Revenues</i>	<u>7,172,010</u>	<u>7,523,266</u>	<u>(351,256)</u>
General Revenues			
Property Taxes	48,506,024	44,874,401	3,631,623
Grants and Entitlements	13,314,604	14,107,975	(793,371)
Unrestricted Contributions	0	3,175	(3,175)
Investment Earnings	58,000	35,651	22,349
Payment in Lieu of Taxes	504,000	562,500	(58,500)
Miscellaneous	1,140,383	893,391	246,992
<i>Total General Revenues</i>	<u>63,523,011</u>	<u>60,477,093</u>	<u>3,045,918</u>
<i>Total Revenues</i>	<u>70,695,021</u>	<u>68,000,359</u>	<u>2,694,662</u>
Program Expenses			
Instruction	33,470,677	36,123,528	2,652,851
Support Services			
Pupil	3,910,788	4,130,354	219,566
Instructional Staff	1,400,180	1,449,460	49,280
Board of Education	300,257	245,149	(55,108)
Administration	3,682,777	3,644,349	(38,428)
Fiscal	2,161,272	1,874,350	(286,922)
Business	370,513	373,195	2,682
Operation and Maintenance of Plant	6,475,862	6,622,079	146,217
Pupil Transportation	3,228,468	2,845,497	(382,971)
Central	1,107,059	1,378,785	271,726
Food Service Operations	1,760,333	1,738,513	(21,820)
Other Non-Instructional Services	1,107,955	1,133,331	25,376
Extracurricular Activities	1,213,687	1,305,547	91,860
Interest and Fiscal Charges	620,172	562,692	(57,480)
<i>Total Program Expenses</i>	<u>60,810,000</u>	<u>63,426,829</u>	<u>2,616,829</u>
<i>Change in Net Position</i>	9,885,021	4,573,530	5,311,491
Net Position Beginning of Year	<u>30,841,691</u>	<u>26,268,161</u>	<u>4,573,530</u>
Net Position End of Year	<u>\$40,726,712</u>	<u>\$30,841,691</u>	<u>\$9,885,021</u>

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Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

While program revenues decreased for governmental activities in fiscal 2013 as a result of less operating grant funding, the vast majority of revenues supporting governmental activities are general revenues. General revenues increased in fiscal year 2013 primarily due to an increase in property taxes due to the passage of a 5.9 mill additional operating levy in November 2012.

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

Thus, school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to voters to maintain a constant level of service. Property taxes made up the largest percentage of revenue for governmental activities for the School District in fiscal year 2013.

Program expenses decreased in fiscal year 2013 primarily due to a reduction in salaries, staffing levels and healthcare premium costs from the previous fiscal year.

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

(Table 3)
Governmental Activities

Programs	Total Cost of Services 2013	Net Cost of Services 2013	Total Cost of Services 2012	Net Cost of Services 2012
Instruction	\$33,470,677	(\$30,804,895)	\$36,123,528	(\$32,932,164)
Support Services:				
Pupil and Instructional Staff	5,310,968	(4,705,664)	5,579,814	(4,947,760)
Board of Education, Administration, Fiscal and Business	6,514,819	(6,235,889)	6,137,043	(5,877,064)
Operation and Maintenance of Plant	6,475,862	(5,945,171)	6,622,079	(6,373,985)
Pupil Transportation	3,228,468	(3,111,169)	2,845,497	(2,748,001)
Central	1,107,059	(1,057,289)	1,378,785	(1,331,114)
Operation of Non-Instructional Services	2,868,288	(173,130)	2,871,844	(154,889)
Extracurricular Activities	1,213,687	(984,611)	1,305,547	(975,894)
Interest and Fiscal Charges	620,172	(620,172)	562,692	(562,692)
Total Expenses	<u>\$60,810,000</u>	<u>(\$53,637,990)</u>	<u>\$63,426,829</u>	<u>(\$55,903,563)</u>

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

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 \$68,982,015 and expenditures of \$62,544,776. The total fund balance for all governmental funds increased in fiscal year 2013 due primarily to an increase in property taxes as well as a decrease in program expenditures resulting from staff reductions. The community as a whole is by far the primary support for the South Euclid-Lyndhurst City School District's students.

The general fund balance increased from the previous fiscal year due to an increase in property taxes resulting from a 5.9 mill additional operating levy which became effective in January 2013.

The permanent improvement capital projects fund balance increased from the prior fiscal year due to a reduction in capital outlay expenditures.

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 2013, the School District modified its general fund budget. The School District uses site-based budgeting and budgeting systems which are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, final budget basis revenue was higher than the original budget estimate due to an increase in property taxes resulting from the passage of a 5.9 mill additional operating levy and an increase in intergovernmental revenues as the School District received notifications of current year grant awards and changes in State aid were finalized.

For the general fund, final budget basis expenditures closely matched the original budget basis expenditures.

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, 2013
Unaudited

Capital Assets

Table 4 shows fiscal year 2013 balances compared to 2012.

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

	2013	2012	Change
Land	\$660,393	\$660,393	\$0
Construction in Progress	448,880	160,815	288,065
Buildings and Improvements	16,362,020	15,634,589	727,431
Furniture and Equipment	1,366,731	1,396,142	(29,411)
Vehicles	1,166,966	1,095,569	71,397
Total	\$20,004,990	\$18,947,508	\$1,057,482

The increase in capital assets is due to capital asset additions exceeding current year depreciation. In fiscal year 2013, capital asset additions included construction for stadium improvements, buildings and improvements, the purchase of various furniture and equipment and three school buses. For additional information, see Note 11.

Senate Bill 345 requires school districts to set aside certain general fund revenues for the purpose of capital improvements. For fiscal year 2013, this amounted to \$672,267. Please see Note 15 for additional information regarding set asides.

Debt

Table 5 summarizes the outstanding debt.

(Table 5)
Outstanding Debt at Fiscal Year End

	2013	2012	Change
School Improvement Refunding Bonds - 2006	\$5,232,772	\$6,005,735	(\$772,963)
Tax Anticipation Note - 2007	5,675,475	6,683,849	(1,008,374)
Energy Conservation Note	685,000	0	685,000
Total Debt	\$11,593,247	\$12,689,584	(\$1,096,337)

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

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

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On August 16, 2012, the School District issued \$685,000 in bond anticipation notes for the purpose of updating school buildings to conserve energy. The notes mature on August 15, 2013 and carry an interest rate of 1.125 percent.

Please see Notes 16 and 17 for additional information.

Current Financial Related Activities

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

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

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

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

As a result of careful and considerate fiscal planning, the School District placed a 5.9 mill operating levy on the November 6, 2012 ballot (2 years longer than originally promised). By a considerable margin, the South Euclid-Lyndhurst community approved this continuing levy, which is expected to generate \$4.4 million annually beginning in calendar year 2013.

Contacting the School District's Financial Management

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

South Euclid-Lyndhurst City School District

Statement of Net Position

June 30, 2013

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$17,181,840
Accounts Receivable	73,772
Accrued Interest Receivable	11,845
Intergovernmental Receivable	591,331
Materials and Supplies Inventory	24,789
Inventory Held for Resale	48,012
Property Taxes Receivable	60,388,071
Non-depreciable Capital Assets	1,109,273
Depreciable Capital Assets, Net	<u>18,895,717</u>
<i>Total Assets</i>	<u>98,324,650</u>
Deferred Outflows of Resources	
Deferred Charge on Refunding	<u>99,660</u>
Liabilities	
Accounts Payable	405,899
Contracts Payable	41,530
Accrued Wages and Benefits	4,222,248
Intergovernmental Payable	1,418,650
Matured Compensated Absences Payable	338,715
Accrued Interest Payable	46,843
Notes Payable	5,745,475
Long-Term Liabilities:	
Due Within One Year	1,514,748
Due In More Than One Year	<u>7,766,869</u>
<i>Total Liabilities</i>	<u>21,500,977</u>
Deferred Inflows of Resources	
Property Taxes	<u>36,196,621</u>
Net Position	
Net Investment in Capital Assets	8,651,990
Restricted for:	
Capital Outlay	2,616,899
Debt Service	1,127,698
Sixth Grade Camp	283,078
Reading Programs	55,530
Athletics and Music	87,487
Auxiliary Services	127,479
Title I	12,703
Unclaimed Monies	35,750
Other Purposes	130,235
Unrestricted	<u>27,597,863</u>
<i>Total Net Position</i>	<u><u>\$40,726,712</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, 2013

	Program Revenues			Capital Grants	Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest		
Governmental Activities					
Instruction:					
Regular	\$22,480,821	\$901,811	\$275,509	\$0	(\$21,303,501)
Special	9,074,654	296,744	1,120,228	0	(7,657,682)
Vocational	1,915,202	71,490	0	0	(1,843,712)
Support Services:					
Pupil	3,910,788	143,362	73,129	0	(3,694,297)
Instructional Staff	1,400,180	37,642	351,171	0	(1,011,367)
Board of Education	300,257	11,214	0	0	(289,043)
Administration	3,682,777	133,818	39,436	0	(3,509,523)
Fiscal	2,161,272	80,660	0	0	(2,080,612)
Business	370,513	13,802	0	0	(356,711)
Operation and Maintenance of Plant	6,475,862	238,697	0	291,994	(5,945,171)
Pupil Transportation	3,228,468	117,299	0	0	(3,111,169)
Central	1,107,059	37,170	12,600	0	(1,057,289)
Operation of Non-Instructional Services:					
Food Service Operations	1,760,333	525,514	1,181,339	0	(53,480)
Other Non-Instructional Services	1,107,955	1,273	987,032	0	(119,650)
Extracurricular Activities	1,213,687	224,317	4,759	0	(984,611)
Interest and Fiscal Charges	620,172	0	0	0	(620,172)
Totals	\$60,810,000	\$2,834,813	\$4,045,203	\$291,994	(53,637,990)
General Revenues					
Property Taxes Levied for:					
General Purposes					45,806,764
Debt Service					729,175
Capital Projects					1,970,085
Grants and Entitlements not Restricted to Specific Programs					13,314,604
Investment Earnings					58,000
Payment in Lieu of Taxes					504,000
Miscellaneous					1,140,383
Total General Revenues					63,523,011
Change in Net Position					9,885,021
Net Position Beginning of Year					30,841,691
Net Position End of Year					\$40,726,712

See accompanying notes to the basic financial statements

South Euclid-Lyndhurst City School District

Balance Sheet

Governmental Funds

June 30, 2013

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$13,767,635	\$1,574,963	\$1,803,492	\$17,146,090
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	35,750	0	0	35,750
Accounts Receivable	73,772	0	0	73,772
Accrued Interest Receivable	11,845	0	0	11,845
Intergovernmental Receivable	264,708	0	326,623	591,331
Materials and Supplies Inventory	22,790	0	1,999	24,789
Inventory Held for Resale	0	0	48,012	48,012
Interfund Receivable	78,000	0	0	78,000
Property Taxes Receivable	<u>57,021,553</u>	<u>2,395,821</u>	<u>970,697</u>	<u>60,388,071</u>
<i>Total Assets</i>	<u><u>\$71,276,053</u></u>	<u><u>\$3,970,784</u></u>	<u><u>\$3,150,823</u></u>	<u><u>\$78,397,660</u></u>
Liabilities				
Accounts Payable	\$222,080	\$55,658	\$128,161	\$405,899
Contracts Payable	0	41,530	0	41,530
Accrued Wages and Benefits	4,061,083	0	161,165	4,222,248
Intergovernmental Payable	1,402,933	0	15,717	1,418,650
Matured Compensated Absences Payable	331,582	0	7,133	338,715
Interfund Payable	0	0	78,000	78,000
Accrued Interest Payable	0	21,163	0	21,163
Notes Payable	<u>0</u>	<u>5,675,475</u>	<u>70,000</u>	<u>5,745,475</u>
<i>Total Liabilities</i>	<u>6,017,678</u>	<u>5,793,826</u>	<u>460,176</u>	<u>12,271,680</u>
Deferred Inflows of Resources				
Property Taxes	34,324,847	1,341,929	529,845	36,196,621
Unavailable Revenue	<u>16,924,485</u>	<u>781,506</u>	<u>578,384</u>	<u>18,284,375</u>
<i>Total Deferred Inflows of Resources</i>	<u>51,249,332</u>	<u>2,123,435</u>	<u>1,108,229</u>	<u>54,480,996</u>
Fund Balances				
Nonspendable	58,540	0	1,999	60,539
Restricted	0	0	1,755,610	1,755,610
Assigned	640,474	0	0	640,474
Unassigned (Deficit)	<u>13,310,029</u>	<u>(3,946,477)</u>	<u>(175,191)</u>	<u>9,188,361</u>
<i>Total Fund Balances (Deficit)</i>	<u>14,009,043</u>	<u>(3,946,477)</u>	<u>1,582,418</u>	<u>11,644,984</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u><u>\$71,276,053</u></u>	<u><u>\$3,970,784</u></u>	<u><u>\$3,150,823</u></u>	<u><u>\$78,397,660</u></u>

See accompanying notes to the basic financial statements

South Euclid-Lyndhurst City School District
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities*
 June 30, 2013

Total Governmental Fund Balances	\$11,644,984
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*Amounts reported for governmental activities in the
 statement of net position are different because:*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	20,004,990
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Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds:

Delinquent Property Taxes	17,938,376	
Grants	345,999	
	345,999	

Total	18,284,375
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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.	(25,680)
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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	(5,232,772)	
Energy Conservation Note	(615,000)	
Compensated Absences	(3,433,845)	
Deferred Charge on Refunding	99,660	
	99,660	

Total	(9,181,957)
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<i>Net Position of Governmental Activities</i>	\$40,726,712
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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, 2013

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$44,056,057	\$1,887,728	\$725,220	\$46,669,005
Intergovernmental	13,215,773	291,994	4,165,697	17,673,464
Interest	58,000	0	384	58,384
Tuition and Fees	1,975,710	0	180	1,975,890
Extracurricular Activities	86,990	0	104,977	191,967
Contributions and Donations	0	0	101,966	101,966
Charges for Services	58,947	0	525,514	584,461
Rentals	82,495	0	0	82,495
Payments in Lieu of Taxes	504,000	0	0	504,000
Miscellaneous	1,030,908	7,612	101,863	1,140,383
<i>Total Revenues</i>	<u>61,068,880</u>	<u>2,187,334</u>	<u>5,725,801</u>	<u>68,982,015</u>
Expenditures				
Current:				
Instruction:				
Regular	22,147,084	0	331,578	22,478,662
Special	7,954,659	0	1,127,896	9,082,555
Vocational	1,907,984	0	0	1,907,984
Support Services:				
Pupil	3,861,402	0	69,271	3,930,673
Instructional Staff	1,042,176	0	360,313	1,402,489
Board of Education	300,257	0	0	300,257
Administration	3,508,697	0	58,699	3,567,396
Fiscal	2,177,389	0	0	2,177,389
Business	367,012	0	0	367,012
Operation and Maintenance of Plant	6,440,774	0	7,242	6,448,016
Pupil Transportation	3,097,832	0	0	3,097,832
Central	986,263	0	19,922	1,006,185
Operation of Non-Instructional Services:				
Food Service Operations	0	0	1,752,054	1,752,054
Other Non-Instructional Services	34,110	0	1,047,478	1,081,588
Extracurricular Activities	946,252	0	181,198	1,127,450
Capital Outlay	464,923	455,703	677,715	1,598,341
Debt Service:				
Principal Retirement	0	0	745,000	745,000
Interest and Fiscal Charges	0	231,743	242,150	473,893
<i>Total Expenditures</i>	<u>55,236,814</u>	<u>687,446</u>	<u>6,620,516</u>	<u>62,544,776</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>5,832,066</u>	<u>1,499,888</u>	<u>(894,715)</u>	<u>6,437,239</u>
Other Financing Sources (Uses)				
Energy Conservation Notes Issued	0	0	615,000	615,000
Transfers In	0	75,000	257,500	332,500
Transfers Out	(332,500)	0	0	(332,500)
<i>Total Other Financing Sources (Uses)</i>	<u>(332,500)</u>	<u>75,000</u>	<u>872,500</u>	<u>615,000</u>
<i>Net Change in Fund Balances</i>	5,499,566	1,574,888	(22,215)	7,052,239
<i>Fund Balances (Deficit) Beginning of Year</i>	<u>8,509,477</u>	<u>(5,521,365)</u>	<u>1,604,633</u>	<u>4,592,745</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>\$14,009,043</u>	<u>(\$3,946,477)</u>	<u>\$1,582,418</u>	<u>\$11,644,984</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, 2013*

Net Change in Fund Balances - Total Governmental Funds \$7,052,239

*Amounts reported for governmental activities in the
statement of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period:

Capital Asset Additions	2,317,090	
Current Year Depreciation	(1,259,608)	
Total		1,057,482

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

Delinquent Property Taxes	1,837,019	
Grants	(124,013)	
Total		1,713,006

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 745,000

Other financing sources in the governmental funds, such as notes issued, increase long-term liabilities in the statement of net position. (615,000)

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	(157,631)	
Amortization of Bond Premium	27,963	
Amortization of Deferred Charge on Refunding	(16,611)	
Total		(146,279)

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. 78,573

Change in Net Position of Governmental Activities **\$9,885,021**

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, 2013

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property Taxes	\$38,779,134	\$43,568,718	\$43,568,718	\$0
Intergovernmental	11,622,641	13,045,592	13,045,592	0
Interest	48,917	54,958	54,958	0
Tuition and Fees	1,742,955	1,958,226	1,976,471	18,245
Extracurricular Activities	77,427	86,990	86,990	0
Charges for Services	28,591	32,122	64,288	32,166
Rentals	0	0	4,345	4,345
Payment in Lieu of Taxes	448,594	504,000	504,000	0
Miscellaneous	842,346	930,332	929,151	(1,181)
<i>Total Revenues</i>	<u>53,590,605</u>	<u>60,180,938</u>	<u>60,234,513</u>	<u>53,575</u>
Expenditures				
Current:				
Instruction:				
Regular	22,483,606	22,482,412	22,159,888	322,524
Special	8,188,394	8,187,959	8,066,418	121,541
Vocational	2,124,855	2,124,742	1,892,391	232,351
Support Services:				
Pupil	3,919,443	3,919,235	3,852,653	66,582
Instructional Staff	1,142,521	1,136,883	1,057,621	79,262
Board of Education	1,082,079	1,082,022	325,811	756,211
Administration	3,662,535	3,662,340	3,549,516	112,824
Fiscal	2,232,545	2,232,427	2,167,885	64,542
Business	452,037	452,013	368,483	83,530
Operation and Maintenance of Plant	6,681,567	6,681,212	6,489,361	191,851
Pupil Transportation	3,213,530	3,213,359	3,151,163	62,196
Central	1,250,641	1,250,575	1,113,941	136,634
Operation of Non-Instructional Services	50,003	50,000	40,610	9,390
Extracurricular Activities	1,014,340	1,014,286	947,148	67,138
Capital Outlay	27,001	27,000	25,543	1,457
<i>Total Expenditures</i>	<u>57,525,097</u>	<u>57,516,465</u>	<u>55,208,432</u>	<u>2,308,033</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(3,934,492)</u>	<u>2,664,473</u>	<u>5,026,081</u>	<u>2,361,608</u>
Other Financing Sources (Uses)				
Advances In	72,350	72,350	72,350	0
Advances Out	(149,000)	(139,616)	(78,000)	61,616
Transfers Out	(123,500)	(383,500)	(382,500)	1,000
<i>Total Other Financing Sources (Uses)</i>	<u>(200,150)</u>	<u>(450,766)</u>	<u>(388,150)</u>	<u>62,616</u>
<i>Net Change in Fund Balance</i>	(4,134,642)	2,213,707	4,637,931	2,424,224
<i>Fund Balance Beginning of Year</i>	7,688,225	7,688,225	7,688,225	0
Prior Year Encumbrances Appropriated	619,721	619,721	619,721	0
<i>Fund Balance End of Year</i>	<u>\$4,173,304</u>	<u>\$10,521,653</u>	<u>\$12,945,877</u>	<u>\$2,424,224</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, 2013

Assets	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$87,618</u></u>
Liabilities	
Undistributed Monies	\$1,551
Due to Students	<u>86,067</u>
<i>Total Liabilities</i>	<u><u>\$87,618</u></u>

See accompanying notes to the basic financial statements

South Euclid-Lyndhurst City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

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 229 classified and 289 certificated personnel who provide services to 3,954 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, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The School District does not have any component units.

The School District participates in two jointly governed organizations and one insurance purchasing pool. These organizations are the North Coast Council, Ohio Schools Council, and Ohio School Boards Association Workers' Compensation Group Rating Program. These organizations are presented in Notes 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 more significant of the School District's accounting policies are described below.

Basis of Presentation

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

South Euclid-Lyndhurst City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

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

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

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

Fund Accounting

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

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

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

Permanent Improvement Fund The permanent improvement fund accounts for and reports restricted property taxes and note proceeds to acquire, construct, or improve of such permanent improvements as are authorized by Chapter 5707 of the Ohio Revised Code.

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

South Euclid-Lyndhurst City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

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

Measurement Focus

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

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

Basis of Accounting

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

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

South Euclid-Lyndhurst City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

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

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

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

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance fiscal year 2014 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

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

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

Budgetary Data

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

South Euclid-Lyndhurst City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

control selected by the Board. The legal level of control has been established by the Board of Education at the object level within each function for the general fund and at the fund level for all other funds. The Treasurer has been given the authority to allocate board appropriations to the function and object levels within each fund, other than the general fund.

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

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

Cash and Cash Equivalents

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

During fiscal year 2013, investments were limited to STAR Ohio. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's net asset value per share, which is the price the investment could be sold for on June 30, 2013.

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 2013 amounted to \$58,000 which includes \$11,096 assigned from other School District funds.

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

Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments or imposed by law through constitutional provisions. Restricted assets in the general fund include money set aside for unclaimed monies. See Note 15 for additional information regarding set-asides.

Inventory

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

South Euclid-Lyndhurst City School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Capital Assets

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

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of assets by backtrending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

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

Interfund Balances

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

Fund Balance

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

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

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

South Euclid-Lyndhurst City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by the highest level formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by the School District Board of Education. In the general fund, assigned amounts represent intended uses established by the School District Board of Education, delegated that authority by State statute. State statute authorizes the Treasurer to assign fund balance purchases on order provided such amounts have been lawfully appropriated.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

Bond Premium

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

Deferred Charge on Refunding

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

Compensated Absences

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

South Euclid-Lyndhurst City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

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.

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

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

Accrued Liabilities and Long-Term Obligations

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

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

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws, or regulations of other governments adopted by the School District. Net position restricted for other purposes include resources restricted for athletic programs, education management information systems, entry-year programs, school-net professional development, miscellaneous state grant programs, 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 position are available.

Internal Activity

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

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

South Euclid-Lyndhurst City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

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.

Estimates

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

Note 3 - Changes in Accounting Principle

For fiscal year 2013, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements," Statement No. 61, "The Financial Reporting Entity: Omnibus; an amendment of GASB Statements No. 14 and No. 34," Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements," Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position," Statement No. 65, "Items Previously Reported as Assets and Liabilities" and Statement No. 66, "Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62."

GASB Statement No. 60 improves financial reporting by addressing issues related to service concession arrangements, which are a type of public-private or public-public partnership. The implementation of this statement did not result in any change in the School District's financial statements.

GASB Statement No. 61 modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, the display of component units' presentation and certain disclosure requirements. These changes were incorporated in the School District's fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 62 incorporates into GASB's authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989. The implementation of this statement did not result in any change in the School District's financial statements.

GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related note disclosures. These changes were incorporated in the School District's fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These changes were incorporated in the School District's fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

South Euclid-Lyndhurst City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The implementation of this statement did not result in any change in the School District's financial statements.

Note 4 – Fund Balances

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

Fund Balances	General	Permanent Improvement	Nonmajor Governmental Funds	Total
<i>Nonspendable</i>				
Unclaimed Monies	\$35,750	\$0	\$0	\$35,750
Materials and Supplies Inventory	22,790	0	1,999	24,789
Total Nonspendable	58,540	0	1,999	60,539
<i>Restricted for</i>				
Food Service	0	0	41,996	41,996
Scholarships	0	0	55,530	55,530
Leadership/Intern Programs	0	0	318,497	318,497
Athletics	0	0	87,487	87,487
Non-Public Schools	0	0	127,479	127,479
Technology Improvements	0	0	6,325	6,325
Teacher Development	0	0	5,473	5,473
Reading Programs	0	0	1,672	1,672
English Proficiency	0	0	22,902	22,902
Preschool Education	0	0	2,333	2,333
Instructional Services	0	0	9,096	9,096
Education Reform	0	0	28,484	28,484
Capital Projects	0	0	14,962	14,962
Debt Service	0	0	1,033,374	1,033,374
Total Restricted	0	0	1,755,610	1,755,610
<i>Assigned to</i>				
Instructional Services	173,398	0	0	173,398
Purchases on Order	467,076	0	0	467,076
Total Assigned	640,474	0	0	640,474
<i>Unassigned (Deficit)</i>	13,310,029	(3,946,477)	(175,191)	9,188,361
<i>Total Fund Balances (Deficit)</i>	\$14,009,043	(\$3,946,477)	\$1,582,418	\$11,644,984

South Euclid-Lyndhurst City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

Note 5 – Accountability

At June 30, 2013, the following funds have deficit balances:

Major Fund:	
Capital Projects Fund:	
Permanent Improvement	\$3,946,477
Nonmajor Funds:	
Special Revenue Funds:	
Race to the Top	65,737
Title VI-B	97,745
Title I	11,709

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

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

Note 6 - Budgetary Basis of Accounting

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

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

South Euclid-Lyndhurst City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

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

	<u>General</u>
GAAP Basis	\$5,499,566
Net Adjustment for Revenue Accruals	(680,656)
Advances In	72,350
Beginning Unrecorded Cash	11,367
Ending Unrecorded Cash	(2,564)
Net Adjustment for Expenditure Accruals	106,466
Perspective Difference:	
Public School Support	25,330
Stadium	320,730
Advances Out	(78,000)
Encumbrances	<u>(636,658)</u>
Budget Basis	<u><u>\$4,637,931</u></u>

Note 7 - Deposits and Investments

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

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

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;

South Euclid-Lyndhurst City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

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, 2013, the School District investments with STAR Ohio were \$7,213,848 and an average maturity of 57.5 days.

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

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

Note 8 - Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenues received in calendar year 2013 represent the collection of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed value listed as of January 1, 2012, the lien date. Assessed values for real property are established by State law at thirty-five percent of appraised market value. Real property are payable

South Euclid-Lyndhurst City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2013 represents collections of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien on December 31, 2011, were levied after April 1, 2012, and are collected in 2013 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The School District receives property taxes from Cuyahoga County. The County Fiscal Officer periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2013, are available to finance fiscal year 2013 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2013 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

The amount available as an advance at June 30, 2013, was \$5,864,792 in the general fund, \$113,920 in the bond retirement debt service fund and \$272,334 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2012, was \$5,377,453 in the general fund, \$115,171 in the bond retirement debt service fund and \$249,325 in the permanent improvement capital projects fund.

The assessed values upon which the fiscal year 2013 taxes were collected are:

	2012 Second Half Collections		2013 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$880,611,510	98.69 %	\$764,758,260	98.37 %
Public Utility Personal	11,668,130	1.31	12,651,090	1.63
Total	<u>\$892,279,640</u>	<u>100.00 %</u>	<u>\$777,409,350</u>	<u>100.00 %</u>
Tax rate per \$1,000 of assessed valuation	\$101.50		\$107.40	

On November 6, 2012, the residents of the School District approved a 5.9 mill additional operating levy. Tax revenue from this levy was received beginning in January 2013.

South Euclid-Lyndhurst City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

Note 9 - Receivables

Receivables at June 30, 2013, consisted of taxes, accounts (tuition), and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes. All receivables, except delinquent property taxes, are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

<u>Governmental Activities</u>	<u>Amount</u>
Title VI-B Grant	\$163,706
Bureau of Workers' Compensation Refund	162,132
School Employees Retirement System Refund	94,527
Title I Grant	79,392
Race to the Top Grant	72,451
21st Century Grant	9,024
Medicaid CAFS Reimbursement	8,049
Alternative Schools Grant	1,069
Preschool Handicap Grant	981
Total Governmental Activities	<u><u>\$591,331</u></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 2013, the School District participated in the Ohio School Boards Association Workers' Compensation Group 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 on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley Uniserve provides administration, cost control, and actuarial services to the GRP.

South Euclid-Lyndhurst City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

Note 11 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2013 was as follows:

	Balance 6/30/12	Additions	Deletions	Balance 6/30/13
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$660,393	\$0	\$0	\$660,393
Construction in Progress	160,815	1,126,595	(838,530)	448,880
<i>Total Capital Assets, not being depreciated</i>	821,208	1,126,595	(838,530)	1,109,273
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	29,151,497	1,360,586	0	30,512,083
Furniture and Equipment	6,661,975	387,039	0	7,049,014
Vehicles	3,441,854	281,400	0	3,723,254
<i>Total Capital Assets, being depreciated</i>	39,255,326	2,029,025	0	41,284,351
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	(13,516,908)	(633,155)	0	(14,150,063)
Furniture and Equipment	(5,265,833)	(416,450)	0	(5,682,283)
Vehicles	(2,346,285)	(210,003)	0	(2,556,288)
<i>Total Accumulated Depreciation</i>	(21,129,026)	(1,259,608)	0	(22,388,634)
<i>Total Capital Assets, being depreciated, net</i>	18,126,300	769,417	0	18,895,717
Governmental Activities Capital Assets, Net	\$18,947,508	\$1,896,012	(\$838,530)	\$20,004,990

* Depreciation expense was charged to governmental functions as follow:

Instruction:	
Regular	\$651,559
Special	15,291
Vocational	1,052
Support Services:	
Pupil	3,303
Instructional Staff	19,870
Administration	11,686
Fiscal	2,245
Business	975
Operation and Maintenance of Plant	103,857
Pupil Transportation	196,034
Central	97,353
Operation of Non-Instructional Services:	
Food Service Operations	13,660
Other Non-Instructional Services	55,394
Extracurricular Activities	87,329
Total Depreciation Expense	\$1,259,608

South Euclid-Lyndhurst City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

Note 12 – Defined Benefit Pension Plans

School Employees Retirement System

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2013, the allocation to pension and death benefits was 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2013, 2012 and 2011 were \$1,206,031, \$1,216,163 and \$1,591,892, respectively. For fiscal year 2013, 94.37 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

State Teachers Retirement System

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

South Euclid-Lyndhurst City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

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

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The statutory maximum employee contribution rate will be increased one percent each year beginning July 1, 2013, until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2013, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$3,097,132 and \$96,866 for the fiscal year ended June 30, 2013, \$3,259,293 and \$106,826 for the fiscal year ended June 30, 2012, and \$3,280,302 and \$101,176 for the fiscal year ended June 30, 2011. For fiscal year 2013, 84.93 percent has been contributed for the DB plan and 87.41 has been contributed for the Combined Plan, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

Contributions made to STRS Ohio for the DC Plan for fiscal year 2013 were \$36,964 made by the School District and \$26,403 made by the plan members. In addition, member contributions of \$69,190 were made for fiscal year 2013 for the defined contribution portion of the Combined Plan.

Note 13 – Postemployment Benefits

School Employees Retirement System

Plan Description – The School District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2013, 0.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2013, this amount was \$20,525. During fiscal year 2013, the School District paid \$142,980 in surcharge.

South Euclid-Lyndhurst City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

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, 2013, 2012 and 2011 were \$153,092, \$195,649 and \$193,407, respectively. For fiscal year 2013, 94.37 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012 and 2011 were \$68,127, \$71,821 and \$102,790, respectively. For fiscal year 2013, 94.37 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2013, 2012 and 2011 were \$238,241, \$250,715 and \$263,439, respectively. For fiscal year 2013, 84.93 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

Note 14 - Employee Benefits

Compensated Absences

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

South Euclid-Lyndhurst City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

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.

Insurance Benefits

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

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

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

Note 15 - Set-Asides

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

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

South Euclid-Lyndhurst City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

	Capital Improvements
Set-Aside Balance as of June 30, 2012	\$0
Current Year Set-Aside Requirement	672,267
Current Year Offsets	(913,363)
Qualifying Disbursements	(1,514,457)
Totals	(\$1,755,553)
Set-Aside Balance Carried Forward to Future Fiscal Years	\$0
Set-Aside Balance as of June 30, 2013	\$0

While the qualifying disbursements during the fiscal year reduced the capital improvement set-aside amount to below zero, this amount may not be used to reduce the set-aside requirements of future fiscal years.

Note 16 – Short-Term Debt

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

	Balance 6/30/2012	Additions	Deletions	Balance 6/30/2013
Permanent Improvement Fund				
Tax Anticipation Note 2007	\$6,460,000	\$0	(\$970,000)	\$5,490,000
Unamortized Premium	223,849	0	(38,374)	185,475
Total Tax Anticipation Note	6,683,849	0	(1,008,374)	5,675,475
Building Fund				
Energy Conservation Notes	0	70,000	0	70,000
<i>Total Short-Term Debt</i>	\$6,683,849	\$70,000	(\$1,008,374)	\$5,745,475

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

The tax anticipation notes will be paid from the permanent improvement capital project fund with property tax revenue. The notes were issued with a premium of \$422,115. The amortization of the premium for fiscal year 2013 was \$38,374. Principal and interest payments to retire the tax anticipation notes are as follows:

	Principal	Interest	Total
2014	\$1,005,000	\$233,850	\$1,238,850
2015	1,050,000	192,750	1,242,750
2016	1,090,000	144,500	1,234,500
2017	1,145,000	88,625	1,233,625
2018	1,200,000	30,000	1,230,000
	\$5,490,000	\$689,725	\$6,179,725

South Euclid-Lyndhurst City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

Note 17 - Long-Term Obligations

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

Debt Issue	Interest Rate	Issue Amount	Date of Maturity
<i>General Obligation Bonds:</i>			
School Improvement Refunding - 2006			
Serial Bonds	4.00 - 5.00%	\$7,065,000	December 1, 2016
Capital Appreciation Bonds	6.155 - 13.656%	494,995	December 1, 2010
Term Bonds	4.00%	1,830,000	December 1, 2018
Energy Conservation Notes	1.125%	615,000	August 15, 2013

Changes in long-term obligations of the School District during fiscal year 2013 were as follows:

	Principal Outstanding 6/30/12	Additions	(Reductions)	Principal Outstanding 6/30/13	Amount Due in One Year
Governmental Activities:					
General Obligations Bonds:					
School Improvement Refunding - 2006					
Serial Bonds	\$3,980,000	\$0	(\$745,000)	\$3,235,000	\$770,000
Term Bonds	1,830,000	0	0	1,830,000	0
Unamortized Premium	195,735	0	(27,963)	167,772	0
<i>Total General Obligation Bonds</i>	6,005,735	0	(772,963)	5,232,772	770,000
Energy Conservation Notes	0	615,000	0	615,000	0
Compensated Absences	3,512,418	246,847	(325,420)	3,433,845	744,748
Total Governmental Activities	\$9,518,153	\$861,847	(\$1,098,383)	\$9,281,617	\$1,514,748

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

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

On June 28, 2006, the School District issued \$9,389,995 in voted general obligation bonds, which included serial, term, and capital appreciation (deep discount) bonds in the amount of \$7,065,000, \$1,830,000 and \$494,995, respectively. The bonds advance refunded \$5,605,000 of outstanding 1993 School Improvement General Obligation Bonds and \$3,785,000 of outstanding 1996 School Improvement General Obligation Bonds which were issued for the purpose of renovating and making additions to school buildings. The bonds will be paid from property taxes in the debt service fund.

South Euclid-Lyndhurst City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

The serial and term bonds remained outstanding at June 30, 2013. 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 2012.

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

The School District's overall debt margin was \$65,935,216 with an unvoted debt margin of \$777,409 at June 30, 2013. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2013 are as follows:

	Serial Bonds		Term Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$770,000	\$139,850	\$0	\$72,000	\$770,000	\$211,850
2015	795,000	104,575	0	72,000	795,000	176,575
2016	815,000	63,125	0	73,200	815,000	136,325
2017	855,000	21,375	0	73,200	855,000	94,575
2018	0	0	900,000	55,200	900,000	55,200
2019	0	0	930,000	18,600	930,000	18,600
Total	\$3,235,000	\$328,925	\$1,830,000	\$364,200	\$5,065,000	\$693,125

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, 2013, \$5,215,000 of the defeased bonds are still outstanding.

Note 18 - Jointly Governed Organizations

North Coast Council

The North Coast Council (NCC) is a jointly governed organization among sixteen school districts, one educational service center and the South Euclid-Lyndhurst City School District. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among the member districts. Each of the school districts support NCC based on a per pupil charge. In fiscal year 2013, the School District paid \$135,763 to NCC.

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

South Euclid-Lyndhurst City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

Ohio Schools Council

The Ohio Schools Council (Council) is a jointly governed organization among 161 school districts. The jointly governed organization was created by school districts for the purpose of saving money through volume purchases. Each district supports the Council by paying an annual participation fee. Each school district member's superintendent serves as a representative of the Assembly. The Council's Board exercises total control over the operations of the organization including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the Board. The Assembly elects five of the Council's Board members and the remaining four are representatives of the Greater Cleveland School Superintendents' Association. The Council operates under a nine-member Board of Directors (the Board). The Board is the policy making authority of the Council. The Board meets monthly September to June. The Board appoints an Executive Director who is responsible for receiving and disbursing funds, investing available funds, preparing financial reports for the Board and Assembly and carrying out such other responsibilities as designated by the Board. In fiscal year 2013, the School District paid \$158,504 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.

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

Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2013, if applicable, cannot be determined at this time.

South Euclid-Lyndhurst City School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Litigation

The School District is a party to legal proceedings seeking damages as of June 30, 2013. The School District management is of the opinion that ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the School District.

Note 21 – Interfund Transfers and Balances

Interfund Transfers

The general fund transferred \$75,000 and \$257,500, respectively; to the permanent improvement capital projects fund and the nonmajor other governmental funds to help provide funding for fiscal year 2013.

Interfund Balances

Interfund balances at June 30, 2013, consist of the following individual fund receivables and payables:

<u>Interfund Payable</u>	<u>Interfund Receivable</u>
	<u>General Fund</u>
Nonmajor Governmental Funds	
Race to the Top	\$76,000
Title I	1,000
Miscellaneous Federal Grants	1,000
Total	<u><u>\$78,000</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 – Significant Commitments

Encumbrances

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

General Fund	\$636,658
Permanent Improvement Fund	587,254
Other Governmental Funds	245,702
Total	<u><u>\$1,469,614</u></u>

South Euclid-Lyndhurst City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

Note 23 – Subsequent Event

On August 7, 2013, the School District retired \$70,000 in energy conservation bond anticipation notes and issued \$615,000 in new notes. The new notes have a maturity date of August 7, 2014 and an interest rate of 0.88 percent.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the South Euclid-Lyndhurst City School District (the "District"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 27, 2013, wherein we noted that the District adopted Governmental Accounting Standards Board (GASB) Statement No. 63 and GASB Statement No. 65, as disclosed in Note 3.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider to be significant deficiencies: 2013-1.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The District's Response to Findings

The District's response to the findings identified in our audit is described in the accompanying schedule of findings. The District's response was not subject to the audit procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

Purpose of this Report

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

Ciani & Panichi, Inc.

Cleveland, Ohio
December 27, 2013

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

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

Report on Compliance for Each Major Federal Program

We have audited the South Euclid-Lyndhurst City School District's (the "District") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of District's major federal programs for the year ended June 30, 2013. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control over Compliance

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

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

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

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated December 27, 2013, which contained unmodified opinions on those financial statements, wherein, wherein we noted the District adopted GASB Statement No. 63 and GASB Statement No. 65, as disclosed in Note 3. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of

Board of Education
South Euclid-Lyndhurst City School District

expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Cini & Parichi, Inc.

Cleveland, Ohio
December 27, 2013

South Euclid-Lyndhurst City School District

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Grant Year	Receipts	Non-cash Receipts	Disbursements	Non-cash Disbursements
U.S. Department of Agriculture:						
Passed-Through Ohio Department of Education:						
Nutrition Cluster:						
National School Breakfast Program	10.553	2013	\$ 324,048	\$ -	\$ 324,048	\$ -
National School Lunch Program	10.555	2013	<u>890,694</u>	<u>85,038</u>	<u>890,694</u>	<u>85,038</u>
Total U.S. Department of Agriculture – Nutrition Cluster			<u>1,214,742</u>	<u>85,038</u>	<u>1,214,742</u>	<u>85,038</u>
U.S. Department of Education:						
Passed-Through Ohio Department of Education:						
Special Education Cluster:						
Special Education Grants	84.027	2012	159,339	-	168,576	-
Special Education Grants	84.027	2013	<u>747,148</u>	<u>-</u>	<u>739,500</u>	<u>-</u>
Subtotal Special Education Grants			<u>906,487</u>	<u>-</u>	<u>908,076</u>	<u>-</u>
Preschool Grants	84.173	2012	5,590	-	6,235	-
Preschool Grants	84.173	2013	<u>41,759</u>	<u>-</u>	<u>40,082</u>	<u>-</u>
Subtotal Preschool Grant			<u>47,349</u>	<u>-</u>	<u>46,317</u>	<u>-</u>
Total Special Education Cluster			<u>953,836</u>	<u>-</u>	<u>954,393</u>	<u>-</u>
Title I Cluster						
Title I Grants to Local Education Agencies	84.010	2012	134,930	-	144,514	-
Title I Grants to Local Education Agencies	84.010	2013	<u>416,753</u>	<u>-</u>	<u>416,547</u>	<u>-</u>
Subtotal Title I Grants to Local Education Agencies			<u>551,683</u>	<u>-</u>	<u>561,061</u>	<u>-</u>
ARRA – Title I Grants to Local Education Agencies	84.389	2012	<u>3,755</u>	<u>-</u>	<u>3,755</u>	<u>-</u>
Total Title I Cluster			<u>555,438</u>	<u>-</u>	<u>564,816</u>	<u>-</u>
Twenty-First Century Community Learning Centers						
Twenty-First Century Community Learning Centers	84.287	2012	57,219	-	54,294	-
Twenty-First Century Community Learning Centers	84.287	2013	<u>106,166</u>	<u>-</u>	<u>106,190</u>	<u>-</u>
Total Twenty-First Century Community Learning Centers			<u>163,385</u>	<u>-</u>	<u>160,484</u>	<u>-</u>
English Language Acquisition Grants	84.365	2013	<u>4,600</u>	<u>-</u>	<u>4,329</u>	<u>-</u>
Improving Teacher Quality	84.367	2012	3,818	-	9,220	-
Improving Teacher Quality	84.367	2013	<u>109,782</u>	<u>-</u>	<u>99,578</u>	<u>-</u>
Total Improving Teacher Quality			<u>113,600</u>	<u>-</u>	<u>108,798</u>	<u>-</u>
Education Jobs Fund	84.410	2012	<u>5,845</u>	<u>-</u>	<u>9,656</u>	<u>-</u>
ARRA – Race to the Top	84.395	2012	9,584	-	5,776	-
ARRA – Race to the Top	84.395	2013	<u>83,390</u>	<u>-</u>	<u>149,126</u>	<u>-</u>
Total ARRA – Race to the Top			<u>92,974</u>	<u>-</u>	<u>154,902</u>	<u>-</u>
Total U.S. Department of Education			<u>3,104,420</u>	<u>85,038</u>	<u>3,172,120</u>	<u>85,038</u>
U.S. Department of Health and Human Services						
Passed-Through Ohio Department of Mental Retardation and Development Disabilities:						
Medicaid Assistance Program (CAFS)	93.778	2013	<u>109,672</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures of Federal Awards			\$ <u>3,214,092</u>	\$ <u>85,038</u>	\$ <u>3,172,123</u>	\$ <u>85,035</u>

The accompanying notes are an integral part of this schedule

South Euclid-Lyndhurst City School District

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2013

Note 1: Significant Accounting Policies

Basis of Presentation

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

Child Nutrition Cluster

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

Food Donation Program

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

Community Alternative Funding System (CAFS) Settlement Amounts

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

South Euclid-Lyndhurst City School District

Schedule of Findings

OMB Circular A-133 Section .505

For the Year Ended June 30, 2013

1. Summary of Auditor's Results

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under Section .510?	No
(d)(1)(vii)	Major Programs	Special Education Cluster: CFDA # 84.027 and 84.173 ARRA – Race to the Top: CFDA # 84.395
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: All Others
(d)(1)(ix)	Low Risk Auditee?	Yes

South Euclid-Lyndhurst City School District

Schedule of Findings (Continued)
 OMB Circular A-133 Section .505

For the Year Ended June 30, 2013

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

Findings	Findings Summary
2013-1	<p><i>Financial Reporting – Significant Deficiency</i></p> <p>Sound financial reporting is the responsibility of the Treasurer and the Board of Education and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. The lack of controls over the posting of year-end financial transactions and financial reporting can result in errors and irregularities that may go undetected and decreases the reliability of financial data at year-end.</p> <p>The following audit adjustments were made to the financial statements:</p> <ol style="list-style-type: none"> 1. Increase accounts payable in the other governmental funds for payments in fiscal year 2014 for services rendered in fiscal year 2013. 2. Increase capital assets in the governmental activities for the Brush High School Korb Field improvements made in fiscal year 2013. <p>We recommend the District adopts policies and procedures for controls over recording of year-end financial transactions and over financial reporting to help ensure the information accurately reflects the activity of the District and thereby increasing the reliability of the financial data at year-end. Although the District has contracted a third party to perform their GAAP Conversion, the District’s management needs to review the statements to be sure that all items are being properly recorded.</p> <p>Official’s Response: The District has certain policies and procedures in place to make sure that information is being properly reported in the financial statements. During 2013, we searched for unrecorded liabilities through August 2013. In future periods, we will implement controls to search for unrecorded liabilities in additional months extending beyond two months from the balance sheet date. For capital assets there was an oversight in capturing the Korb Field project in 2013. We are currently implementing new policies to ensure all projects are captured in future periods.</p>

3. Findings for Federal Awards

None noted.

Independent Accountant's Report on Applying Agreed-Upon Procedures

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

To the Board of Education:

Ohio Revised Code Section 117.53 states “the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school.”

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

1. We noted the Board amended its anti-harassment policy at its meeting on October 16, 2012 to include prohibiting harassment, intimidation, or bullying of any student “on a school bus” or by an “electronic act.”

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be, and should not be, used by anyone other than these specified parties.

Ciuni & Panichi, Inc.

Cleveland, Ohio
December 27, 2013

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Dave Yost • Auditor of State

SOUTH EUCLID-LYNDBURST CITY SCHOOL DISTRICT

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 25, 2014**