



Dave Yost • Auditor of State

**STRONGSVILLE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Strongsville City School District
Cuyahoga County
13200 Pearl Road
Strongsville, Ohio 44136

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Strongsville City School District, Cuyahoga County, Ohio (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Strongsville City School District, Cuyahoga County, Ohio, as of June 30, 2011, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2, the District implemented Governmental Accounting Standard Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" and restated the June 30, 2010 fund balances of the Governmental Funds due to a change in fund structure.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2012, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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



Dave Yost
Auditor of State

January 24, 2012

STRONGSVILLE CITY SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011*

(Unaudited)

The discussion and analysis of Strongsville 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, 2011. 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 financial statements and notes to those respective statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial Highlights for 2011 are as follows:

- In total, net assets increased by \$ 2,978,085.
- Revenues for governmental activities totaled \$ 83,524,851 in 2011. Of this total, 90.6 percent consisted of general revenues while program revenues accounted for the balance of 9.4 percent.
- Program expenses totaled \$ 80,546,766. Instructional expenses made up 59.0 percent of this total while support services accounted for 35.9 percent. Other expenses rounded out the remaining 5.1 percent.
- Outstanding general obligation bonded debt had a net decrease of \$ 3,193,765.

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains all the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the question, "How did we do financially during 2011?" The *Statement of Net Assets* and the *Statement of Activities* answers this question. These statements include all assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's performance, demographic and socioeconomic factors and willingness of the community to support the School District. On the other hand, financial factors may include the School District's financial position, liquidity and solvency, fiscal capacity and risk and exposure. In the *Statement of Net Assets* and the *Statement of Activities*, the School District is classified into governmental activities. All of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, operation of food service, community services and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 16. 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 Debt Service fund.

STRONGSVILLE CITY SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011*

(Unaudited)

Governmental Funds

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

The School District as a Whole

You may recall that the *Statement of Net Assets* provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2011 compared to 2010.

TABLE 1
Net Assets
Governmental Activities

	<u>2011</u>	<u>2010</u>
Assets		
Current and other assets	\$ 61,998,601	\$ 58,380,998
Capital assets, net	43,426,206	45,308,213
Total assets	<u>\$ 105,424,807</u>	<u>\$ 103,689,211</u>
Liabilities		
Current liabilities	\$ 54,141,604	\$ 53,387,030
Long-term liabilities		
Due in one year	6,046,785	5,045,333
Due in more than one year	20,555,177	23,553,692
Total liabilities	<u>80,743,566</u>	<u>81,986,055</u>
Net assets		
Invested in capital assets, net of related debt	26,987,540	25,286,050
Restricted	6,315,613	6,364,940
Unrestricted	(8,621,912)	(9,947,834)
Total net assets	<u>\$ 24,681,241</u>	<u>\$ 21,703,156</u>

STRONGSVILLE CITY SCHOOL DISTRICT*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011*

(Unaudited)

**Details of Table 1
Net Assets
Governmental Activities**

	<u>2011</u>	<u>2010</u>
Assets		
Equity in pooled cash	\$ 6,337,233	\$ 6,126,042
Accounts receivable	36,440	8,926
Due from other governments	181,459	276,942
Taxes receivable	55,443,469	51,969,088
Capital assets		
Non-depreciable capital assets	2,611,204	2,611,204
Depreciable capital assets, net	40,815,002	42,697,009
Total assets	<u><u>\$ 105,424,807</u></u>	<u><u>\$ 103,689,211</u></u>
Liabilities		
Accounts and contracts payable	\$ 558,048	\$ 878,196
Accrued salaries, wages and benefits	6,593,326	7,420,883
Claims payable	-	124,700
Accrued interest payable	74,800	94,500
Due to other governments	1,746,459	2,372,770
Unearned revenue	45,168,971	42,495,981
Long-term liabilities		
Due within one year	6,046,785	5,045,333
Due in more than one year	20,555,177	23,553,692
Total liabilities	<u><u>80,743,566</u></u>	<u><u>81,986,055</u></u>
Net assets		
Invested in capital assets, net of related debt	26,987,540	25,286,050
Restricted	6,315,613	6,364,940
Unrestricted	(8,621,912)	(9,947,834)
Total net assets	<u><u>\$ 24,681,241</u></u>	<u><u>\$ 21,703,156</u></u>

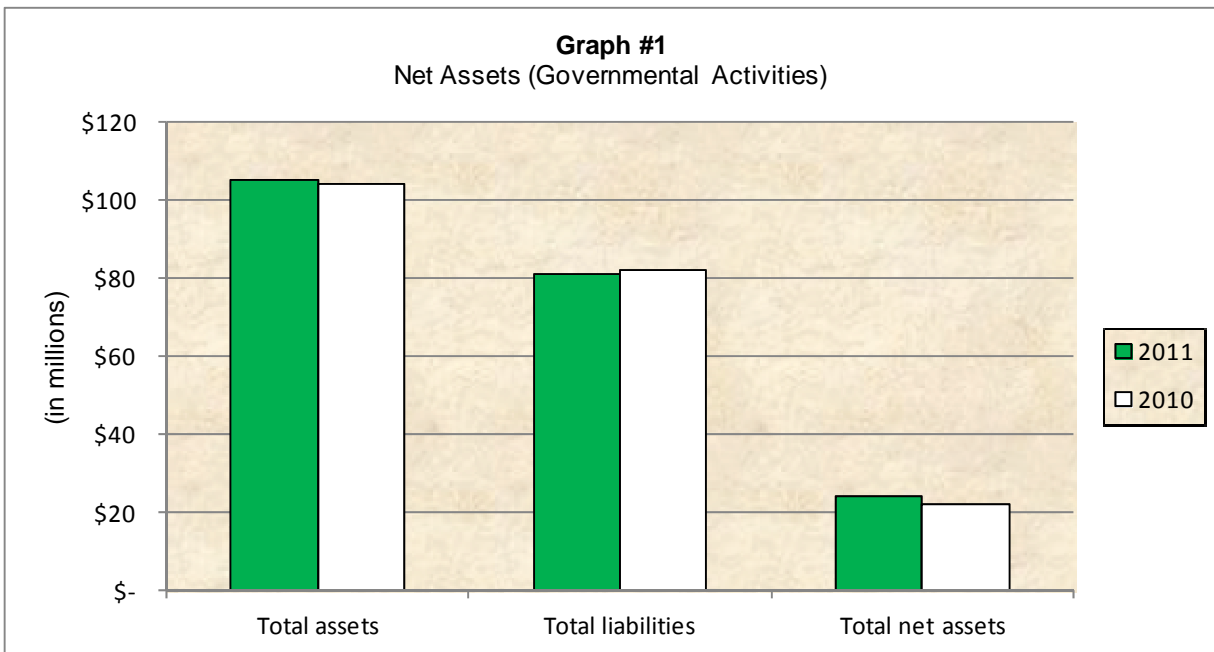
STRONGSVILLE CITY SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011*

(Unaudited)

Net Assets (Governmental Activities)
(in millions)

	2011	2010
Total assets	\$ 105.4	\$ 103.7
Total liabilities	80.7	82.0
Total net assets	<u>\$ 24.7</u>	<u>\$ 21.7</u>



Total assets increased by \$ 1,735,596. Contributing to this net increase was an increase of \$ 3,474,381 in taxes receivable and \$ 211,191 in equity in pooled cash, which were offset with a \$ 1,882,007 decrease in capital assets.

Total liabilities decreased by \$ 1,242,489. The most notable areas were decreases of \$ 1,997,063 in long-term liabilities, \$ 827,557 in accrued salaries, wages and benefits, \$ 626,311 in due to other governments, and \$ 320,148 in accounts and contracts payable. These decreases were offset with an increase of \$ 2,672,990 in unearned revenue. Unearned revenue is primarily the result of taxes receivable and related amount available for advance from the county auditor.

The vast majority of revenue supporting all governmental activities is general revenue. General revenue totaled \$ 75,639,569 or 90.6 percent of the total revenue. The most significant portion of the general revenue is local property tax. The remaining amount of revenue received was in the form of program revenues, which equated to \$ 7,885,282 or only 9.4 percent of total revenue.

STRONGSVILLE CITY SCHOOL DISTRICT*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011*

(Unaudited)

Table 2 shows the changes in net assets for fiscal years 2011 and 2010.

TABLE 2
Governmental Activities

	<u>2011</u>	<u>2010</u>
Revenues		
Program revenues		
Charges for services and sales	\$ 2,971,442	\$ 2,911,158
Operating grants, interest and contributions	4,913,840	4,704,071
Total program revenues	<u>7,885,282</u>	<u>7,615,229</u>
General revenue		
Property tax	51,853,877	54,027,068
Grants and entitlements	23,011,921	23,303,038
Investment earnings	18,215	39,940
Miscellaneous	755,556	558,069
Total general revenues	<u>75,639,569</u>	<u>77,928,115</u>
Total revenues	<u>83,524,851</u>	<u>85,543,344</u>
Program expenses		
Instruction		
Regular	41,340,342	45,356,256
Special	5,770,265	5,879,893
Vocational	361,927	315,403
Adult/continuing	8,969	33,336
Other instruction	62,845	66,627
Supporting services		
Pupil	3,228,434	3,428,104
Instructional staff	3,616,223	3,421,655
Board of education	27,043	41,747
Administration	3,268,009	3,699,060
Fiscal services	5,973,581	6,392,282
Business	571,907	466,978
Operation and maintenance	7,302,400	8,237,541
Pupil transportation	4,157,869	3,916,644
Central services	771,530	789,965
Operation of non-instructional		
Food service operation	2,044,552	2,150,152
Community services	530,844	542,479
Extracurricular activities	600,654	641,519
Interest	909,372	1,062,325
Total program expenses	<u>80,546,766</u>	<u>86,441,966</u>
Increase (decrease) in net assets	2,978,085	(898,622)
Net assets, beginning of year	21,703,156	22,601,778
Net assets, end of year	<u>\$ 24,681,241</u>	<u>\$ 21,703,156</u>

STRONGSVILLE CITY SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011*

(Unaudited)

Governmental Activities

The School District has carefully planned its financial existence by forecasting its revenues and expenditures over the next five years. In August of 2002, the School District successfully passed a five year, six mill incremental levy that is estimated to generate \$ 7.7 million in additional revenue per year. Collections began the second half of Fiscal Year 2003. This levy was renewed in November 2007 at six mills through 2012. On November 6, 2007 the citizens of the School District passed a 6.5 mill continuing operating levy which is estimated to generate approximately \$ 9,054,000 per year.

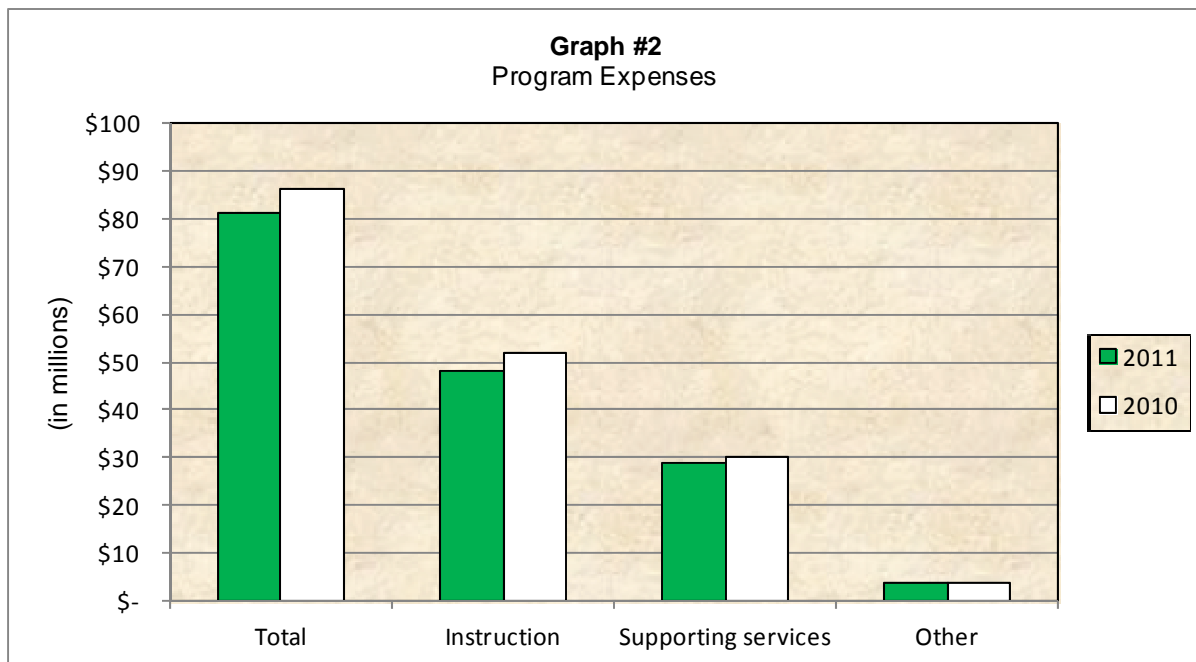
Although the School District relies heavily upon local property taxes to support its operations, the School District does actively solicit and receive additional grant and entitlement funds to help offset some operating costs.

Approximately 59.0 percent of the School District's budget is used to fund instructional expenses. Additional supporting services for pupils, staff and business operations encompass an additional 35.9 percent. The remaining amount of program expenses, roughly 5.1 percent, is budgeted to facilitate other obligations of the School District such as food services, community services, interest and fiscal charges and numerous extracurricular activities.

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

Program Expenses
(in millions)

	2011	2010
Instruction	\$ 47.5	\$ 51.6
Supporting services	28.9	30.4
Other	4.1	4.4
Total	\$ 80.5	\$ 86.4



STRONGSVILLE CITY SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011*

(Unaudited)

Table 3
Governmental Activities

	Total Cost of Services 2011	Net Cost of Services 2011
	<u>2011</u>	<u>2011</u>
Governmental Activities		
Instruction		
Regular	\$ 41,340,342	\$ (39,564,433)
Special	5,770,265	(4,858,644)
Vocational	361,927	(361,927)
Adult/continuing	8,969	(1,126)
Other instruction	62,845	-
Support services		
Pupil	3,228,434	(2,278,393)
Instructional staff	3,616,223	(3,196,184)
Board of education	27,043	(27,043)
Administration	3,268,009	(2,903,951)
Fiscal services	5,973,581	(5,973,581)
Business	571,907	(570,463)
Operation and maintenance	7,302,400	(6,505,149)
Pupil transportation	4,159,814	(4,108,023)
Central services	769,585	(761,551)
Operation of non-instructional		
Food service operation	2,044,552	(208,688)
Community services	530,844	(101,194)
Extracurricular activities	600,654	(331,762)
Interest	909,372	(909,372)
Total	<u>\$ 80,546,766</u>	<u>\$ (72,661,484)</u>

As one can see, the reliance upon local tax revenues for governmental activities is crucial. Approximately 64.4 percent of expenses are directly supported by local property taxes. Grant and entitlements not restricted to specific programs support 28.6 percent, while investment and other miscellaneous type revenues support the remaining activity costs. Program revenues only account for 9.8 percent of all governmental expenses.

Clearly, the Strongsville community is by far the greatest source of financial support for the students of the Strongsville City Schools.

School District's funds

Information regarding the School District's major funds can be found on page 16. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$ 83,892,895 and expenditures of \$ 81,931,705, exclusive of transfers. A two year comparison of revenues, expenditures, other financing sources (used), and changes in fund balances for the General Fund and Debt Service Fund is presented on the following pages.

STRONGSVILLE CITY SCHOOL DISTRICT*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011*

(Unaudited)

	GENERAL FUND		
	2011	Restated 2010	Change
Revenues			
Taxes	\$ 47,893,234	\$ 48,481,299	\$ (588,065)
Tuition and fees	1,104,440	735,486	368,954
Interest	16,397	36,967	(20,570)
Intergovernmental	22,624,850	22,855,638	(230,788)
Extracurricular	270,027	123,105	146,922
Other	651,401	813,921	(162,520)
Total revenues	<u>72,560,349</u>	<u>73,046,416</u>	<u>(486,067)</u>
Expenditures			
Current			
Instruction	44,571,803	49,009,695	(4,437,892)
Supporting services	24,587,425	25,729,119	(1,141,694)
Operation of non-instructional	2,863	130,965	(128,102)
Extracurricular activities	249,565	271,192	(21,627)
Debt service			
Principal	583,497	568,037	15,460
Interest	333,653	325,828	7,825
Total expenditures	<u>70,328,806</u>	<u>76,034,836</u>	<u>(5,706,030)</u>
Excess (deficiency) of revenues over expenditures	<u>2,231,543</u>	<u>(2,988,420)</u>	<u>5,219,963</u>
Other financing sources (uses)			
Transfers-in	-	9,917	(9,917)
Transfers-out	(101,935)	(256,700)	154,765
Proceeds from sale of capital assets	-	35,430	(35,430)
Total other financing sources (uses)	<u>(101,935)</u>	<u>(211,353)</u>	<u>109,418</u>
Net change in fund balances	2,129,608	(3,199,773)	5,329,381
Fund balances (deficit), beginning of year, restated	(5,751,888)	(2,552,115)	(3,199,773)
Fund balances (deficit), end of year	<u>\$ (3,622,280)</u>	<u>\$ (5,751,888)</u>	<u>\$ 2,129,608</u>

STRONGSVILLE CITY SCHOOL DISTRICT*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011*

(Unaudited)

	DEBT SERVICE FUND		
	2011	2010	Change
Revenues			
Taxes	\$ 3,276,728	\$ 3,118,548	\$ 158,180
Intergovernmental	389,328	399,659	(10,331)
Total revenues	<u>3,666,056</u>	<u>3,518,207</u>	<u>147,849</u>
Expenditures			
Current			
Supporting services			
Fiscal services	84,752	27,114	57,638
Debt service			
Principal	2,895,000	2,780,000	115,000
Interest	395,189	547,402	(152,213)
Total expenditures	<u>3,374,941</u>	<u>3,354,516</u>	<u>20,425</u>
Excess (deficiency) of revenues over expenditures	<u>291,115</u>	<u>163,691</u>	<u>127,424</u>
Fund balances, beginning of year	<u>4,199,293</u>	<u>4,035,602</u>	<u>163,691</u>
Fund balances, end of year	<u>\$ 4,490,408</u>	<u>\$ 4,199,293</u>	<u>\$ 291,115</u>

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 fund to be budgeted is the main operating fund of the School District, the General Fund.

The School District uses a site-based style of budgeting and has in place systems that are designed to tightly control expenses but provide flexibility for site-based decision and management.

For the General Fund, the original and final budget basis revenue estimate totaled \$ 74,784,000 and \$ 73,858,700, respectively. Actual revenues were \$ 73,858,651 which was \$ 49 less than the final budgeted amount. The final budget basis expenditures estimate totaled \$ 73,823,569 compared to original estimates of \$ 74,945,700. Actual budget basis expenditures were \$ 73,823,569 which was the same as the final budgeted appropriations.

The General Fund unencumbered ending cash balance totaled \$ 256,759.

STRONGSVILLE CITY SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011*

(Unaudited)

Capital Assets and Debt Administration

Capital Assets

At the end of Fiscal Year 2011, the School District had \$ 43,426,206 invested in land, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows fiscal 2011 values compared to 2010.

Table 4
Capital Assets at June 30
Governmental Activities

	2011	2010
Land	\$ 2,611,204	\$ 2,611,204
Building and improvements	37,800,447	39,303,510
Furniture and equipment	1,001,531	1,315,437
Vehicles	2,013,024	2,078,062
Total capital assets	<u>\$ 43,426,206</u>	<u>\$ 45,308,213</u>

All capital assets, except land is reported net of depreciation. As one can see, the main decrease in capital assets during the fiscal year occurred in the categories of building and improvements. For additional information, see Note 9 of the Notes to the Basic Financial Statements.

Debt

At June 30, 2011, the School District had \$ 26,601,962 of long-term obligations outstanding.

Table 5
Long-term Liabilities

	June 30, 2011	June 30, 2010
Bonds payable	\$ 11,360,763	\$ 14,554,528
Certificates of participation	4,840,000	5,118,334
Capital lease payable	237,903	349,301
Compensated absences	10,163,296	8,576,862
	<u>\$ 26,601,962</u>	<u>\$ 28,599,025</u>

Outstanding bonds consist of general obligation bonds for building issues. General obligation bonds are direct obligations of the School District for which its full faith, credit and resources are pledged and are payable from taxes levied on all taxable property of the School District. General obligation bonds will be paid from the Debt Service Fund with property taxes revenue.

For additional debt obligation information see Notes 14, 15, and 16 of the Notes to the Basic Financial Statements.

STRONGSVILLE CITY SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011*

(Unaudited)

School District Outlook

The Board of Education and administration closely monitor its revenues and expenditures in accordance with its financial forecast and the School District Continuous Improvement Plan. The School District ranks among the top schools in Ohio for educational excellence. The School District recently received its ninth consecutive "Excellent" ranking by the State of Ohio.

The financial future of the School District is not without its challenges though. These challenges are internal and external in nature. The internal challenges will continue to exist as the School District must rely heavily on local property taxes to fund its operations. External challenges are mostly centered on state funding. The School District has lost 15.9% or \$ 1,729,000 of its funding since fiscal year 2007 and 4.9% or \$ 471,000 of its funding since fiscal year ended June 30, 2010. The loss of funds since 2007 represented 2.3% of the School District's total General Fund revenue budget.

The School District has communicated to the community that the School District relies upon their support for the majority of its operations, and will continue to work diligently to plan expenses, staying carefully within the School District's financial five-year plan. The School District may pursue a levy in the future to offset projected deficits. Currently, the School District is seeking to renew its 6 mill, 5 year operating levy in the spring of 2012.

The School District does not anticipate any significant growth from the state due to the economic climate. In June 2006, the State of Ohio enacted legislation, portions of which take effect at various times, that phases out the taxation of tangible personal property used in business (other than certain public utility tangible personal property) over four years from tax year 2007 to tax year 2011. To compensate local government units for the foregone revenue, the enacted legislation provides for State distributions from revenue generated by the enacted commercial activities tax. Recently, under HB 153, the State revised the original reimbursement provisions as called for under HB 66 and HB 1 and accelerated the phase-outs of the tangible reimbursement payments. As a result, the School District lost another \$ 262,000 on top of the \$ 1,137,000 it was scheduled to lose under HB 66 and HB 1.

As a result of the challenges mentioned above, it is imperative the School District's management continue to carefully and prudently plan in order to provide the resources required to meet student needs over the next several years.

In summary, the Strongsville City School District has committed itself to financial and educational excellence for many years to come.

Contacting the School District's Financial Management

This financial report is designated to provide our citizens, taxpayers and 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 financial information, contact William P. Parkinson, Treasurer, Strongsville City School District, 13200 Pearl Road, Strongsville, OH 44136, or email at parkinson@strongnet.org.

STRONGSVILLE CITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

JUNE 30, 2011

	Governmental Activities
Assets	
Equity in pooled cash	\$ 6,337,233
Accounts receivable	36,440
Due from other governments	181,459
Taxes receivable	55,443,469
Capital assets	
Nondepreciable capital assets	2,611,204
Depreciable capital assets, net	40,815,002
Total assets	<u>105,424,807</u>
Liabilities	
Accounts and contracts payable	558,048
Accrued salaries, wages and benefits	6,593,326
Accrued interest payable	74,800
Due to other governments	1,746,459
Unearned revenue	45,168,971
Long term liabilities	
Due within one year	6,046,785
Due in more than one year	20,555,177
Total liabilities	<u>80,743,566</u>
Net assets	
Invested in capital assets, net of related debt	26,987,540
Restricted for:	
Debt service	4,640,408
Capital projects	897,432
Extracurricular activities	155,850
State grants	29,440
Federal grants	23,181
Local grants	28,130
Set-asides	541,172
Unrestricted	(8,621,912)
Total net assets	<u>\$ 24,681,241</u>

See accompanying notes to the basic financial statements.

STRONGSVILLE CITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

		Program Revenues		
	Expenses	Charges for Services and Sales	Operating Grants Interest and Contributions	Net (Expense) Revenue and Changes in Net Assets
Governmental activities				
Instruction				
Regular	\$ 41,340,342	\$ 1,322,685	\$ 453,224	\$ (39,564,433)
Special	5,770,265	-	911,621	(4,858,644)
Vocational	361,927	-	-	(361,927)
Adult/continuing	8,969	7,843	-	(1,126)
Other instruction	62,845	-	62,845	-
Supporting services				
Pupil	3,228,434	-	950,041	(2,278,393)
Instructional staff	3,616,223	-	420,039	(3,196,184)
Board of education	27,043	-	-	(27,043)
Administration	3,268,009	-	364,058	(2,903,951)
Fiscal services	5,973,581	-	-	(5,973,581)
Business	571,907	1,444	-	(570,463)
Operation and maintenance	7,302,400	56,185	741,066	(6,505,149)
Pupil transportation	4,157,869	-	51,791	(4,106,078)
Central services	771,530	7,870	164	(763,496)
Operation of non-instructional				
Food service operation	2,044,552	1,300,254	535,610	(208,688)
Community services	530,844	6,269	423,381	(101,194)
Extracurricular activities	600,654	268,892	-	(331,762)
Interest	909,372	-	-	(909,372)
Total governmental activities	\$ 80,546,766	\$ 2,971,442	\$ 4,913,840	(72,661,484)
General revenues				
Property taxes levied for:				
				47,590,334
				3,223,632
				1,039,911
				23,011,921
				18,215
				755,556
				75,639,569
Change in net assets				
				2,978,085
				21,703,156
				\$ 24,681,241

See accompanying notes to the basic financial statements.

STRONGSVILLE CITY SCHOOL DISTRICT
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2011

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in pooled cash	\$ 474,078	\$ 4,029,969	\$ 1,291,757	\$ 5,795,804
Restricted cash	541,172	-	-	541,172
Receivables, net of allowance				
Taxes, current	47,566,588	2,892,474	986,507	51,445,569
Taxes, delinquent	3,696,400	224,800	76,700	3,997,900
Accounts and other	36,440	-	-	36,440
Due from other governments	-	-	181,459	181,459
Interfund receivable	-	-	900	900
Total assets	\$ 52,314,678	\$ 7,147,243	\$ 2,537,323	\$ 61,999,244
Liabilities and fund balances				
Liabilities				
Accounts and contracts payable	\$ 354,483	\$ -	\$ 203,565	\$ 558,048
Accrued wages and benefits	6,074,875	-	518,451	6,593,326
Due to other governments	1,625,215	-	121,244	1,746,459
Interfund payable	900	-	-	900
Unearned revenue	45,489,197	2,656,835	1,020,839	49,166,871
Compensated absences	2,392,288	-	133,800	2,526,088
Total liabilities	55,936,958	2,656,835	1,997,899	60,591,692
Fund balances				
Restricted	-	4,490,408	1,059,573	5,549,981
Assigned	1,071,167	-	-	1,071,167
Unassigned	(4,693,447)	-	(520,149)	(5,213,596)
Total fund balances	(3,622,280)	4,490,408	539,424	1,407,552
Total liabilities and fund balances	\$ 52,314,678	\$ 7,147,243	\$ 2,537,323	\$ 61,999,244

See accompanying notes to the basic financial statements.

STRONGSVILLE CITY SCHOOL DISTRICT
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES

JUNE 30, 2011

Total governmental funds balances	\$ 1,407,552
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.	43,426,206
Other long term assets are not available to pay for current period expenditures and therefore are deferred in the funds. These deferrals are primarily attributed to property taxes.	3,997,900
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	257
In the statement of activities, interest is accrued on outstanding long-term obligations, whereas in governmental funds, an interest expenditure is reported when due.	(74,800)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Compensated absences	(7,637,208)
Bonds payable and certificates of participation	(16,200,763)
Capital lease payable	(237,903)
	24,681,241
Net assets of governmental activities	\$ 24,681,241

See accompanying notes to the basic financial statements.

STRONGSVILLE CITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 47,893,234	\$ 3,276,728	\$ 1,051,972	\$ 52,221,934
Tuition and fees	1,104,440	-	-	1,104,440
Interest	16,397	-	1,805	18,202
Intergovernmental	22,624,850	389,328	4,911,583	27,925,761
Extracurricular	270,027	-	203,925	473,952
Charges for services	-	-	1,283,050	1,283,050
Other	651,401	-	214,155	865,556
Total revenues	<u>72,560,349</u>	<u>3,666,056</u>	<u>7,666,490</u>	<u>83,892,895</u>
Expenditures				
Current				
Instruction				
Regular	39,933,866	-	490,895	40,424,761
Special	4,328,585	-	949,510	5,278,095
Vocational	301,509	-	-	301,509
Adult/continuing	7,843	-	1,126	8,969
Other instruction	-	-	62,845	62,845
Supporting services				
Pupil	2,110,069	-	975,234	3,085,303
Instructional staff	3,036,852	-	437,449	3,474,301
Board of education	26,569	-	-	26,569
Administration	2,666,827	-	482,214	3,149,041
Fiscal services	5,857,081	84,752	29,400	5,971,233
Business	586,554	-	-	586,554
Operation and maintenance	5,797,806	-	1,427,054	7,224,860
Pupil transportation	3,727,692	-	310,480	4,038,172
Central services	777,975	-	-	777,975
Operation of non-instructional				
Food service operation	-	-	2,006,042	2,006,042
Community services	2,863	-	514,230	517,093
Extracurricular activities	249,565	-	236,249	485,814
Debt service				
Principal	583,497	2,895,000	105,000	3,583,497
Interest	333,653	395,189	200,230	929,072
Total expenditures	<u>70,328,806</u>	<u>3,374,941</u>	<u>8,227,958</u>	<u>81,931,705</u>
Excess (deficiency) of revenues over expenditures	<u>2,231,543</u>	<u>291,115</u>	<u>(561,468)</u>	<u>1,961,190</u>
Other financing sources (uses)				
Transfers-in	-	-	101,935	101,935
Transfers-out	(101,935)	-	-	(101,935)
Total other financing sources (uses)	<u>(101,935)</u>	<u>-</u>	<u>101,935</u>	<u>-</u>
Net change in fund balances	2,129,608	291,115	(459,533)	1,961,190
Fund balances (deficit), beginning of year, restated	(5,751,888)	4,199,293	998,957	(553,638)
Fund balances (deficit), end of year	<u>\$ (3,622,280)</u>	<u>\$ 4,490,408</u>	<u>\$ 539,424</u>	<u>\$ 1,407,552</u>

See accompanying notes to the basic financial statements.

STRONGSVILLE CITY SCHOOL DISTRICT
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

Net change in fund balances - total governmental funds	\$	1,961,190
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay in the current period.		
Capital outlay, net	\$ 547,373	
Depreciation expense	<u>(2,429,380)</u>	(1,882,007)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(368,057)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets		3,583,497
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds, an interest expenditure is reported when due.		19,700
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.		(319,063)
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		<u>(17,175)</u>
Change in net assets of governmental activities	\$	<u><u>2,978,085</u></u>

See accompanying notes to the basic financial statements.

STRONGSVILLE CITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET BASIS (NON-GAAP) AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual	Variance w ith Final Budget Positive (Negative)
	Original	Final		
Revenues and other sources	\$ 74,784,000	\$ 73,858,700	\$ 73,858,651	\$ (49)
Expenditures and other uses	74,945,700	73,823,569	73,823,569	-
Net change in fund balance	(161,700)	35,131	35,082	(49)
Prior year encumbrances	1,209	1,209	1,209	-
Fund balance, at beginning of year	220,468	220,468	220,468	-
Fund balance, at end of year	<u>\$ 59,977</u>	<u>\$ 256,808</u>	<u>\$ 256,759</u>	<u>\$ (49)</u>

See accompanying notes to the basic financial statements.

STRONGSVILLE CITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS -
INTERNAL SERVICE FUND

JUNE 30, 2011

	<u>Self Insurance</u>
Assets	
Equity in pooled cash	<u>\$ 257</u>
Total assets	<u>257</u>
Net assets	
Unrestricted	<u><u>\$ 257</u></u>

See accompanying notes to the basic financial statements.

STRONGSVILLE CITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -
INTERNAL SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Self Insurance
Operating revenues	
Charges for services	\$ 81,859
Total operating revenues	81,859
Operating expenses	
Claims	99,047
Total operating expenses	99,047
Operating loss	(17,188)
Nonoperating income	
Interest income	13
Change in net assets	(17,175)
Net assets, beginning of year	17,432
Net assets, end of year	\$ 257

See accompanying notes to the basic financial statements.

STRONGSVILLE CITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS -
INTERNAL SERVICE FUND

FOR THE YEAR ENDED JUNE 30, 2011

	<u>Self Insurance</u>
Cash flows from operating activities:	
Cash received from interfund services	\$ 81,859
Cash payments for claims	<u>(223,747)</u>
Net cash used in operating activities	<u>(141,888)</u>
Cash flows from investing activities	
Receipt of interest	<u>13</u>
Net cash provided by investing activities	<u>13</u>
Net decrease in cash and cash equivalents	(141,875)
Cash and cash equivalents, beginning of year	<u>142,132</u>
Cash and cash equivalents, end of year	<u>\$ 257</u>
Reconciliation of operating income to net cash used for operating activities:	
Operating loss	\$ (17,188)
Adjustments	
Decrease in claims payable	<u>(124,700)</u>
Total adjustments	<u>(124,700)</u>
Net cash used in operating activities	<u>\$ (141,888)</u>

See accompanying notes to the basic financial statements.

STRONGSVILLE CITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -
AGENCY FUNDS
JUNE 30, 2011

Assets	
Equity in pooled cash	\$ 204,062
Total assets	<u>\$ 204,062</u>
Liabilities	
Accounts payable	\$ 1,317
Due to students	170,473
Due to others	32,272
Total liabilities	<u>\$ 204,062</u>

See accompanying notes to the basic financial statements.

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STRONGSVILLE CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The Strongsville City School District (the School District) was 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 a city school district as defined by Section 3311.03 of the Ohio Revised Code. The School District operates under an elected Board of Education consisting of five members and is responsible for providing public education to residents of the School District. Average daily membership on, or as of, October 1, 2010 was 6,515. The School District employs 442 certificated and 380 non-certificated employees.

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

Within the School District boundaries, there are various nonpublic schools. Current State legislation provides funding to these nonpublic schools. These monies are received and disbursed by the School District on behalf of the nonpublic schools by the Treasurer of the School District, as directed by the nonpublic schools. These transactions are reported as a governmental activity 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 organizations' 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 organizations' resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provide financial support to the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District has no component units.

The School District is associated with the Lake Erie Educational Computer Association, the Polaris Career Center, the Strongsville Education Foundation, and the Ohio School Council Association which are considered to be jointly governed organizations. The School District also participates in a public risk pool managed by the Ohio Schools Boards Association Workers' Compensation Group Rating Program. These organizations and their relationships with the School District are described in more detail in Notes 11 and 17 to these financial statements.

B. BASIS OF PRESENTATION

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the School District's accounting policies.

STRONGSVILLE CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. BASIS OF PRESENTATION (continued)

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

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses.

The statement of net assets presents the financial condition of the governmental activities of the School District at 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 clearly identifiable to a particular function. Program revenues include charges paid by the recipient for the goods or services offered by the program, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function 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 financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented separately as proprietary statements. Fiduciary funds are reported by fund type.

STRONGSVILLE CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. FUND ACCOUNTING

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

Governmental Funds

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

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

Debt Service Fund – the debt service fund receives property taxes for the payment of general obligation bonds for building issues.

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

Proprietary Fund

The proprietary fund focuses on the determination of the changes in net assets, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service; the School District has no enterprise funds.

Internal Service Fund – The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund accounted for revenue received from other funds and the settlement expenses for dental claims of School District employees. This self insured dental program was discontinued during the fiscal year ended June 30, 2011.

Fiduciary Funds

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

STRONGSVILLE CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. MEASUREMENT FOCUS

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

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

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activity.

E. BASIS OF ACCOUNTING

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

Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current fiscal year or 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.

STRONGSVILLE CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. BASIS OF ACCOUNTING (continued)

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. 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 fiscal year end: property taxes available as an advance, grants, investment earnings, tuition, and student fees.

Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 operations, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as unearned revenue.

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

Expenditures/Expenses

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.

STRONGSVILLE CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. BUDGETARY PROCESS

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

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

G. CASH AND INVESTMENTS

To improve cash management, all cash received by the School District is pooled. Monies for all funds, including the proprietary fund, are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "equity in pooled cash" on the financial statements.

The School District has investments in a liquid asset management account and are considered to be non-participating. In accordance with the provisions of GASB 31, carrying value is at amortized cost. Any difference between cost and fair value is considered to be immaterial.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2011.

Investments with an original maturity of three months or less at the time of purchase are considered to be cash equivalents.

Under existing Ohio statutes, interest earnings are allocated to funds based on average monthly cash balances. Interest income earned for the year ended June 30, 2011 totaled \$ 18,202.

STRONGSVILLE CITY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. RESTRICTED ASSETS

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include the amount required by State statute to be set aside to create a reserve for the purchase of textbooks and instructional material and the acquisition and construction of capital improvements (see Note 19). This is eliminated on the financial statement presentation for the Statement of Net Assets.

I. CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five 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 capitalized.

All reported capital assets, other than 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:

Descriptions	Estimated Lives
Land improvements	15 -50 years
Buildings and improvements	20 - 50 years
Furniture and equipment	8 - 20 years
Vehicles	10 years

J. 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 column of the statement of net assets.

K. 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 School District will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the vesting method. The liability is based on an estimate of the amount of accumulated sick leave that will be paid as a termination benefit. The liability includes 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.

STRONGSVILLE CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. COMPENSATED ABSENCES (continued)

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

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported.

L. ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

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

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

M. NET ASSETS

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

The School District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. As of June 30, 2011, net assets restricted by enabling legislation were \$ 5,537,840 in the statement of net assets.

N. FUND BALANCE RESERVES AND DESIGNATIONS

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. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

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

STRONGSVILLE CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. FUND BALANCE RESERVES AND DESIGNATIONS (continued)

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the 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. In the general fund, assigned amounts represent intended uses established by the School District Board of Education.

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

The 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.

O. OPERATING REVENUES AND EXPENSES

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the School District, these revenues are charges for services for the self-insurance program. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of this fund. Revenues and expenses not meeting those definitions are reported as non-operating.

STRONGSVILLE CITY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

P. INTERFUND TRANSACTIONS

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

Q. 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 on the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2011, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions and Governmental Fund Type Definitions", and GASB Statement No. 59, "Financial Instruments Omnibus".

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement resulted in the reclassification of certain funds and restatement of the School District's financial statements.

GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 did not have an effect on the financial statements of the School District.

The implementation of GASB Statement No. 54 had the following effect on fund balances of the major and nonmajor funds as they were previously reported.

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Fund balance, as previously reported	\$ (6,225,136)	\$ 4,199,293	\$ 1,472,205	\$ (553,638)
Change in fund structure	473,248	-	(473,248)	-
Restated fund balance, at June 30, 2010	<u>\$ (5,751,888)</u>	<u>\$ 4,199,293</u>	<u>\$ 998,957</u>	<u>\$ (553,638)</u>

STRONGSVILLE CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 3 – COMPLIANCE AND ACCOUNTABILITY

The General Fund deficit of \$ 3,622,280 is the result of reflecting expenditures in accordance with the modified accrual basis of accounting, which are larger than amounts recognized on the budget basis. The School District, in accordance with its budget basis, will appropriate such expenditures from resources of the subsequent year.

Not apparent in the basic financial statements are the following deficit fund equity balances:

Special Revenue Funds	
Title I	\$ 76,128
Food Service	\$ 232,234
Education Jobs	\$ 37,808
IDEA Part B	\$ 168,827
Title II-A	\$ 5,152

The General Fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. These deficit fund balances resulted from reflecting expenditures in accordance with the modified accrual basis of accounting, which are larger than amounts recognized on the budget basis. The School District, in accordance with its budget basis, will appropriate such expenditures from resources of the subsequent year.

STRONGSVILLE CITY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2011

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Some funds are included in the General Fund (GAAP Basis), but have separate legally adopted budgets (Budget basis)

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

Net Change in Fund Balance	
	General Fund
Budget basis	\$ 35,082
Adjustments, increase (decrease)	
Revenue accruals	(2,022,595)
Expenditure accruals	3,824,887
Funds budgeted elsewhere **	6,571
Encumbrances	285,663
GAAP basis, as reported	\$ 2,129,608

** As part of Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting", certain funds that are legally budgeted in separate special revenue funds are considered part of the General Fund on a GAAP basis. These include the Public School Support Fund, Uniform School Supplies Fund, Special Enterprise Fund, Rotary Fund, and the Underground Storage Tank Fund.

STRONGSVILLE CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 5 – FUND BALANCES

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

Fund balances	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
Restricted for:				
Athletics	\$ -	\$ -	\$ 155,850	\$ 155,850
Other grants	-	-	28,130	28,130
Non-public schools	-	-	21,638	21,638
Preschool	-	-	14,538	14,538
Other purposes	-	-	18,685	18,685
Debt service	-	4,490,408	-	4,490,408
Capital improvements	-	-	820,732	820,732
Total restricted	<u>-</u>	<u>4,490,408</u>	<u>1,059,573</u>	<u>5,549,981</u>
Assigned to:				
Encumbrances	50,176	-	-	50,176
Set asides	541,172	-	-	541,172
Public school support	207,511	-	-	207,511
Uniform school supplies	66,739	-	-	66,739
Underground storage tank	55,000	-	-	55,000
Other purposes	150,569	-	-	150,569
Total assigned	<u>1,071,167</u>	<u>-</u>	<u>-</u>	<u>1,071,167</u>
Unassigned (deficit)	<u>(4,693,447)</u>	<u>-</u>	<u>(520,149)</u>	<u>(5,213,596)</u>
Total fund balances	<u>\$ (3,622,280)</u>	<u>\$ 4,490,408</u>	<u>\$ 539,424</u>	<u>\$ 1,407,552</u>

STRONGSVILLE CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 6 - DEPOSITS AND INVESTMENTS

A. LEGAL REQUIREMENTS

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the 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 the Board of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim 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.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies may be invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Commercial paper and bankers' acceptances (if authorized by the Board of Education), and;
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

STRONGSVILLE CITY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2011

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

A. LEGAL REQUIREMENTS (continued)

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. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At fiscal year end, the School District had \$ 4,650 in cash on hand which is included on the balance sheet of the School District as part of "Equity in Pooled Cash".

B. DEPOSITS

Custodial credit risk is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in possession of an outside party. The School District does not have a deposit policy for custodial credit risk. At fiscal year end, the carrying amount of the School District's deposits was \$ 6,436,511 and the bank balance was \$ 6,509,183. Of the bank balance, \$ 500,000 was covered by federal depository insurance and \$ 6,009,183 was uninsured. Of the remaining balance, \$ 6,009,183 was collateralized with securities held by the pledging institution's trust department not in the School District's name.

The School District has no policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

C. INVESTMENTS

As of June 30, 2011, the School District had the following investments:

	<u>Weighted Average Maturities</u>	<u>Fair Value</u>
STAR Ohio	57.4 days	<u>\$ 100,134</u>

STRONGSVILLE CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

C. INVESTMENTS (continued)

As a means of limiting its exposure to fair value losses caused by rising interest rates, the School District's investment policy requires that operating funds be invested primarily in short-term investments maturing within five years from the date of purchase and that the School District's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity. To date, no investments have been purchased with a life greater than two years.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

STAR Ohio carries a rating of AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that would further limit its investment choices.

NOTE 7 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real property tax revenue received in calendar year 2011 represents collections of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed value listed as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits earlier or later payment dates to be established.

Public utility property tax revenue received in calendar 2011 represents collections of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 become a lien December 31, 2009, were levied after April 1, 2010 and are collected in 2010 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2011 (other than public utility property) represents the collection of 2010 taxes. Tangible personal property taxes received in calendar year 2011 were levied after October 1, 2010, on the value as of December 31, 2010. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

STRONGSVILLE CITY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2011

NOTE 7 - PROPERTY TAXES (continued)

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated in calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the School District by holding the School District harmless in calendar years 2006-2010. In calendar years 2011-2017, the reimbursement was to be phased out. House Bill No. 1 was signed into law in July 2009, which temporarily delayed the original phase out schedule of the tangible personal property tax until fiscal year 2014. House Bill 153 which was signed into law in June, 2010 phased out the tangible personal property tax for fiscal years 2012 and 2013 and then will remain flat with no additional phase out at the 2013 level of reimbursement.

The School District receives property taxes from Cuyahoga and Lorain Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2011 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at June 30, nor were they levied to finance fiscal year 2011 operations. The receivable is therefore offset by a credit to unearned revenue for that portion not intended to finance current year operations. The amount available as an advance was recognized as revenue. The amount available as an advance at June 30, 2011, was \$ 5,773,791 in the General Fund, \$ 460,439 in the Debt Service Fund and \$ 156,503 in the Permanent Improvements Fund.

The assessed values upon which the fiscal year 2011 taxes were collected are:

	2010 Second- Half Collections			2011 First - Half Collections		
	Amount	%		Amount	%	
Agricultural/Residential and Other Real Estate	\$ 1,414,005,864	98.31	%	\$ 1,429,513,463	98.27	%
Public Utilities	24,355,900	1.69		25,230,750	1.73	
Total Assessed Value	<u>\$ 1,438,361,764</u>	<u>100.00</u>	%	<u>\$ 1,454,744,213</u>	<u>100.00</u>	%
Tax rate per \$1,000 of assessed valuation	<u>\$ 77.78</u>			<u>\$ 81.91</u>		

STRONGSVILLE CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 8 – RECEIVABLES

Receivables at June 30, 2011, consisted of property taxes and amounts due from other governments. All receivables are considered substantially collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be collected within one year. A summary of the principal items of due from other government receivables follows:

Fund	Amount
Food service	\$ 64,865
Auxiliary Services	114,135
Parent Mentoring	2,459
Due from other governments	\$ 181,459

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Balance June 30, 2010	Additions	Disposals	Balance June 30, 2011
Governmental Activities				
Nondepreciable capital assets				
Land	\$ 2,611,204	\$ -	\$ -	\$ 2,611,204
Total capital assets, not being depreciated	2,611,204	-	-	2,611,204
Depreciable capital assets				
Buildings and improvements	64,010,479	166,910	-	64,177,389
Furniture and equipment	7,690,188	67,801	80,649	7,677,340
Vehicles	5,859,540	312,662	289,865	5,882,337
Total capital assets being depreciated	77,560,207	547,373	370,514	77,737,066
Less accumulated depreciation				
Buildings and improvements	24,706,969	1,669,973	-	26,376,942
Furniture and equipment	6,374,751	381,707	80,649	6,675,809
Vehicles	3,781,478	377,700	289,865	3,869,313
Total accumulated depreciation	34,863,198	2,429,380	370,514	36,922,064
Depreciable capital assets, net of accumulated depreciation	42,697,009	(1,882,007)	-	40,815,002
Governmental activities capital assets, net	\$ 45,308,213	\$ (1,882,007)	\$ -	\$ 43,426,206

STRONGSVILLE CITY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2011

NOTE 9 - CAPITAL ASSETS (continued)

Depreciation expense was charged to governmental functions as follows:

Instruction	
Regular	\$ 1,042,601
Special	280,451
Vocational	10,074
Supporting services	
Pupil	96,555
Instructional staff	110,594
Board of education	474
Administration	113,208
Fiscal	31,143
Business	15,317
Operation and maintenance of plant	144,070
Pupil transportation	436,028
Central services	11,319
Operation of noninstructional services	
Food service operation	39,567
Community services	12,623
Extracurricular activities	85,356
Total depreciation expense	<u>\$ 2,429,380</u>

NOTE 10 - INTERFUND ACTIVITY

On the fund financial statements at June 30, 2011, interfund balances consisted of \$ 900 due from the General Fund to nonmajor governmental funds. This is the result of an advance from the Athletic/Music Fund to the Uniform School Supplies program in a prior year.

During the year ended June 30, 2011 the General Fund transferred \$ 101,935 to nonmajor governmental funds. Interfund transfers were made to provide for the payment of expenditures in nonmajor governmental funds, to close inactive programs.

STRONGSVILLE CITY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2011

NOTE 11 - RISK MANAGEMENT

A. PROPERTY AND LIABILITY

The School District is exposed to various risks of loss related to torts, theft, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2011, the School District contracted with Ohio Casualty for property insurance. Travelers Insurance Company covers boiler and machinery at \$ 50,000,000 single occurrence and \$ 1,000 deductible. Crime coverage is under two policies. The first is with Ohio Casualty and has a limit of \$ 50,000, with a \$ 500 deductible, for employee dishonesty, forgery and alteration. General liability is protected by Indiana Insurance Company with a \$ 2,000,000 annual aggregate and \$ 1,000,000 single occurrence limit with no deductible. Vehicles are covered by Indiana Insurance Company and hold a \$ 250 deductible for comprehensive and a \$ 500 deductible for collision. Automobile liability has a \$ 1,000,000 combined single limit of liability. The School District also has a \$ 6,000,000 (no deductible) umbrella policy with Ohio Casualty which goes over the \$ 1,000,000 general liability and the \$ 1,000,000 automobile liability limits. The School District provides medical and life insurance to employees through commercial insurance coverage. There has not been any significant reductions in insurance coverage from the prior year. Settlements have not exceeded insurance coverage in any of the preceding three years.

B. WORKERS' COMPENSATION

The District participates in the Bureau of Workers Compensation (BWC) Retrospective Rating Program. In order to qualify the School District must meet stated requirements and maintain a safety program approved by BWC division of Safety and Hygiene. With a retrospective rating plan, an employer initially pays BWC less premium than required. The School District may earn possible premium reduction by assuming a portion of the "risk" and the greater the portion of the assumed risk, the greater potential reduction in premiums.

Claim costs incurred during the policy year are billed to the School District at the end of that policy year. Retrospective premium is the compilation of minimum premium, all medical costs, indemnity, and any remaining reserves (not to exceed the claim limit (\$ 125,000) and maximum premium percentage (150%) limit at the end of a 10-year liability period.

C. EMPLOYEE MEDICAL BENEFITS

The School District previously provided dental benefits for employees and their covered dependents through a self-insurance program administered by an outside third party. The self-insurance program was discontinued during the year ended June 30, 2011. Changes in the balance of claims liability during the years ended June 30, 2011 and 2010 are as follows:

	2011	2010
Unpaid claims, beginning of year	\$ 124,700	\$ 118,773
Incurred claims	99,047	955,317
Claims payment	(223,747)	(949,390)
Unpaid claims, end of year	\$ -	\$ 124,700

STRONGSVILLE CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 100 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Employee/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, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For the fiscal year ending June 30, 2011, the allocation to pension and death benefits is 11.81 percent. The remaining 2.19 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010, and 2009 were \$ 1,282,793, \$ 1,474,787, and \$ 1,058,684, respectively; 53 percent has been contributed for 2011 and 100 percent has been contributed for fiscal years 2010 and 2009.

B. STATE TEACHERS RETIREMENT SYSTEM

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

Plan options - New members have a choice of three retirement plans options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DB plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment choices. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

STRONGSVILLE CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 12 - DEFINED BENEFIT PENSION PLANS (continued)

B. STATE TEACHERS RETIREMENT SYSTEM (continued)

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2 percent multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5 percent. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6 percent for 32 years, 2.7 percent for 33 years and so on) until 100 percent of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5 percent instead of 2.2 percent. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest as specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5 percent are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. 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. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

Combined Plan Benefits – Members contributions are allocated by the members, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying 1 percent of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3 percent of the original base amount for DB plan participants.

STRONGSVILLE CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 12 - DEFINED BENEFIT PENSION PLANS (continued)

B. STATE TEACHERS RETIREMENT SYSTEM (continued)

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. A death benefit of \$ 1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$ 2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent of member and 14 percent for employers. Contribution requirements and contributions actually made for the fiscal year ended June 30, 2011, were 10 percent of covered payroll for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010, and 2009 were \$ 4,075,695, \$ 4,452,952, and \$ 4,517,047, respectively; 84.4 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

C. SOCIAL SECURITY SYSTEM

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2011, three member of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 13 - OTHER POST-EMPLOYMENT BENEFITS (OPEB)

A. SCHOOL EMPLOYEE RETIREMENT SYSTEM

In addition to a cost-sharing multiple-employer defined benefit pension plan the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

Medicare Part B Plan - The Medicare Part B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2011 was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income. SERS' reimbursement to retirees was \$45.50. The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2011, the actuarially required allocation is .76 percent. The School District's contributions for the years ended June 30, 2011, 2010 and 2009 were \$ 82,551, \$ 87,703 and \$ 87,349, respectively; 53 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

STRONGSVILLE CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 13 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

A. SCHOOL EMPLOYEE RETIREMENT SYSTEM (continued)

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

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code § 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the year ended June 30, 2011, the health care allocation is 1.43 percent. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. State law provides that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contributions assigned to health care for the years ended June 30, 2011, 2010, and 2009 were \$ 237,876, \$ 140,786 and \$ 572,852, respectively; 53 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

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

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

B. STATE TEACHERS RETIREMENT SYSTEM

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009, were \$ 313,515, \$ 342,535, and \$ 347,465, respectively; 84.4 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

STRONGSVILLE CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 14 – PRIOR YEAR DEFEASANCE OF DEBT

In 2006, the School District defeased general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the School District's financial statements. As of June 30, 2011, outstanding general obligation bonds of \$ 1,040,000 are considered to be defeased.

NOTE 15 - LONG-TERM OBLIGATIONS

Changes in the School District's long-term obligations during fiscal year 2011 were as follows:

	Outstanding June 30, 2010	Additions	Retired	Outstanding June 30, 2011	Amounts Due In One Year
Bonds, 6.500%; issued 1986, matures 2010	\$ 260,000	\$ -	\$ 260,000	\$ -	\$ -
Bonds, 6.950%; issued 1991, matures 2011	260,000	-	130,000	130,000	130,000
Bonds, 3.750%; issued 1996, matures 2012	7,210,000	-	2,280,000	4,930,000	2,400,000
Refunding bonds, 4.1% - 4.45%, issued 2004, matures 2014	1,220,000	-	225,000	995,000	235,000
Bonds, 2.820% to 5.000% issued 2005, matures 2035	1,425,000	-	65,000	1,360,000	70,000
Bonds, 4.40%; issued 2006, matures 2020	705,733	-	53,919	651,814	56,373
Bonds, 4.79%; issued 2008, matures 2023	3,473,795	-	179,846	3,293,949	188,460
Total bonds	<u>14,554,528</u>	<u>-</u>	<u>3,193,765</u>	<u>11,360,763</u>	<u>3,079,833</u>
Certificates of participation, 3.5% - 5.0%, issued 2005, matures 2034	4,425,000	-	105,000	4,320,000	110,000
4.58%, issued 2008, matures 2013	693,334	-	173,334	520,000	173,333
Total certificates of participation	<u>5,118,334</u>	<u>-</u>	<u>278,334</u>	<u>4,840,000</u>	<u>283,333</u>
Capital lease	349,301	-	111,398	237,903	116,514
Compensated absences	8,576,862	3,048,271	1,461,837	10,163,296	2,567,105
	<u>\$ 28,599,025</u>	<u>\$ 3,048,271</u>	<u>\$ 5,045,334</u>	<u>\$ 26,601,962</u>	<u>\$ 6,046,785</u>

Outstanding bonds consist of general obligation bonds for building issues. General obligation bonds are direct obligations of the School District for which its full faith, credit and resources are pledged and are payable from taxes levied on all taxable property of the School District. General obligation bonds will be paid from the General Fund and Debt Service Fund from property taxes. The capital lease obligation will be paid from the General Fund. Compensated absences will be paid from the fund from which the employee is paid.

STRONGSVILLE CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 15 - LONG-TERM OBLIGATIONS (continued)

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2011, were as follows:

Year ending June 30,	Principal	Interest	Total
2012	\$ 3,079,833	\$ 481,082	\$ 3,560,915
2013	3,101,426	319,800	3,421,226
2014	598,567	225,942	824,509
2015	621,284	198,692	819,976
2016	374,604	176,281	550,885
2017- 2021	1,833,428	630,046	2,463,474
2022 - 2026	1,161,621	229,316	1,390,937
2027 - 2031	260,000	107,371	367,371
2032 - 2036	330,000	40,432	370,432
	\$ 11,360,763	\$ 2,408,962	\$ 13,769,725

Certificates of Participation – In fiscal year 2007, the School District entered into a ground lease to secure the necessary funding for construction and other capital improvements. In June 2008, the School District entered into a ground lease to secure the necessary funding for improvement to school buildings.

The Leasing Corporation entered agreements with a trustee through which it assigned and transferred rights and interest under the leases to Huntington National Bank, as trustee. The Trustee issued Certificates of Participation in the lease agreements enabling holders of the Certificates to receive a portion of the semi-annual lease payments. Proceeds of the issuance are being used for the enlargement and other improvements to Muraski Elementary School and roof improvements to school district buildings.

The obligation of the School District under the leases and any subsequent lease renewals is subject to annual appropriation of the rental payments. The annual interest and semi-annual interest requirements will be provided from the General Fund and the Capital Projects Fund. The Certificates of Participation are not a general obligation of the School District, but are payable only from appropriations by the School District for annual lease payments.

Principal and interest requirements to retire certificates of participation outstanding at June 30, 2011, were as follows:

June 30,	Principal	Interest	Total
2012	\$ 283,333	\$ 218,496	\$ 501,829
2013	283,333	206,278	489,611
2014	288,334	194,082	482,416
2015	120,000	185,469	305,469
2016	125,000	180,669	305,669
2017- 2021	705,000	824,164	1,529,164
2022 - 2026	870,000	664,244	1,534,244
2027 - 2031	1,085,000	438,500	1,523,500
2032 - 2036	1,080,000	131,009	1,211,009
	\$ 4,840,000	\$ 3,042,911	\$ 7,882,911

STRONGSVILLE CITY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2011

NOTE 16 – CAPITAL LEASE

The School District has entered a lease agreement for telephone equipment. This lease obligation meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases." Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis.

Equipment acquired by lease has been capitalized and depreciated as follows:

	Cost	Accumulated Depreciation	Net
Telephone equipment	\$ 793,767	\$ 714,389	\$ 79,378

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2011.

	Year ending June 30,	Amount
	2012	\$ 127,440
	2013	127,440
Total minimum lease payments		254,880
Less amount representing interest		16,977
Net present value of minimum lease payments		\$ 237,903

STRONGSVILLE CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 17 - JOINTLY GOVERNED ORGANIZATION

A. LAKE ERIE EDUCATION COMPUTER ASSOCIATION

The Lake Erie Educational Computer Association (LEECA) is a jointly governed organization comprised of thirty school districts. The jointly governed organization was formed to provide data processing services for accounting, administrative and instructional functions of member districts. Each of the governments of these districts supports LEECA based upon a per pupil charge dependent upon the software packages utilized. The LEECA assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent.

LEECA is governed by a board of directors chosen from the general membership of the LEECA assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least one assembly member from each county from which participating districts are located. Financial information can be obtained by contacting the Treasurer at the Educational Service Center of Lorain County, which serves as fiscal agent, located at 1885 Lake Avenue, Elyria, Ohio 44035. During the year ended June 30, 2011, the School District paid \$ 160,426 to LEECA.

B. POLARIS CAREER CENTER

The Polaris Career Center is a separate body politic and corporate, established by the Ohio Revised Code to provide for the vocational and special needs of the students. Its Board of Education consists of representatives from the board of each participating school district. The Board is responsible for approving its own budgets, appointing personnel, and accounting and finance related activities. Strongsville City School District students may attend the vocational school. Each school district's control is limited to its representation on the Board. Financial information can be obtained by contacting the Polaris Career Center, 7285 Old Oak Blvd., Middleburg Heights, Ohio 44130. The School District did not contribute to the Polaris Career Center during fiscal year 2011.

C. STRONGSVILLE EDUCATION FOUNDATION

The Strongsville City School Foundation (Foundation) is a jointly governed organization established under the Ohio Revised Code to support and enhance educational opportunities for the youth of the Strongsville community. The Foundation Board of Trustees consists of at least three but not more than seventeen trustees. The current Superintendent of the Strongsville City Schools shall be on the Board of Trustees and serve as Executive Director. At least one Trustee shall be a member of the Board of Education of the Strongsville City School District. A majority of the Trustees shall at all times be persons other than "substantial contributors," as defined in Section 507(d)(2) of the Internal Revenue Code. Each Trustee has one vote. The board is responsible for approving its own budgets, appointing personnel, and accounting and finance related activities.

STRONGSVILLE CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS (continued)

D. OHIO SCHOOLS COUNCIL

The Ohio Schools Council (Council) is a jointly governed organization among one hundred fifty seven school districts. The Council was formed to offer supplies and services at the lowest possible cost to the member districts. Each district supports the Council by paying an annual participation fee for the services provided. The Council's Board consists of nine superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 2011 the School District paid \$ 166,256 to the Council.

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 one hundred forth three participants in the program including the Strongsville 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.

The City of Hamilton, a municipal corporation and political subdivision duly organized and existing under the laws of the State of Ohio, issued \$ 89,450,000 in debt to purchase twelve years of natural gas from CMS Energy Corporation for the participants. The participating school districts are not obligated in any manner for this debt. If a participating school district terminates its agreement, the district is entitled to recover that amount, if any, of its contributions to the operating fund which are not encumbered for its share of program administrative costs.

Financial information can be obtained by contacting the Executive Secretary of the Ohio Schools Council at 6133 Rockside Road, Independence, Ohio 44131.

NOTE 18 - CONTINGENCIES

A. 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, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2011.

B. LITIGATION

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

STRONGSVILLE CITY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2011

NOTE 19 - SET-ASIDES

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

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2011.

	Textbook	Capital Maintenance
Balance June 30, 2010	\$ 3,708,256	\$ -
Required set aside	1,050,180	1,050,180
Offsetting credit	-	(1,131,773)
Qualifying expenditures	(108,292)	(1,249,962)
Balance June 30, 2011	<u>\$ 4,650,144</u>	<u>\$ (1,331,555)</u>

The School District is required to present in the General Fund restricted cash equal to the amount of required set-aside reserves. At June 30, 2011, the School District's General Fund does not have a sufficient cash balance equal to the reserve requirements, therefore the restricted amount related to these reserves is limited to the General Fund's pooled cash balance at year-end.

Effective July 1, 2011 the textbook set-aside is no longer required and has been removed from existing law.

NOTE 20 – TAX ANTICIPATION NOTE

The School District's note activity during the year ended June 30, 2011 is as follows:

	Balance June 30, 2010	Additions	Retired	Balance June 30, 2011
Tax anticipation note 11/18/10, 1.93%	<u>\$ -</u>	<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>	<u>\$ -</u>

NOTE 21 –RETIREMENT INCENTIVE PLAN

The School District has adopted a retirement incentive plan which became effective July 1, 2010 and provides for an early retirement incentive cash benefit to be paid in three equal, consecutive January installments of \$ 13,000 each, beginning with the January following the employee's effective date of retirement. Employees who as of July 1, 2010 were eligible to retire with STRS and who had at least ten years of consecutive service with the School District were eligible to participate. Employees who become eligible to retire with STRS after July1, 2010, are eligible for the retirement incentive benefit only in the school year the employee first becomes eligible to retire under STRS. However, teachers who are first eligible for the retirement incentive at age fifty-five with twenty five years of service are eligible to participate at any year thereafter or until the teacher accrues thirty years of service under STRS guidelines. As of June 30, 2011 the School District's liability related to this retirement incentive plan was \$ 2,955,197.

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**STRONGSVILLE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2011**

FEDERAL GRANTOR <i>Passed Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE					
<i>Passed Through Ohio Department of Education</i>					
Child Nutrition Cluster:					
School Breakfast Program	10.553	\$15,711	\$0	\$15,711	\$0
National School Lunch Program	10.555	<u>342,391</u>	<u>103,499</u>	<u>342,391</u>	<u>103,499</u>
Total Child Nutrition Cluster		<u>358,102</u>	<u>103,499</u>	<u>358,102</u>	<u>103,499</u>
Total U.S. Department of Agriculture		<u>358,102</u>	<u>103,499</u>	<u>358,102</u>	<u>103,499</u>
U.S. DEPARTMENT OF EDUCATION					
<i>Passed Through Ohio Department of Education</i>					
Special Education Cluster (IDEA):					
Special Education - Grants to States (IDEA, Part B) - 2010	84.027	32,593	0	89,351	0
Special Education - Grants to States (IDEA, Part B) - 2011	84.027	1,299,916	0	1,191,410	0
ARRA - Special Education - Grants to States (IDEA, Part B) - 2010	84.391	(13,745)	0	71,668	0
ARRA - Special Education - Grants to States (IDEA, Part B) - 2011	84.391	<u>560,003</u>	<u>0</u>	<u>503,525</u>	<u>0</u>
Total Special Education - Grants to States (IDEA, Part B)		<u>1,878,767</u>	<u>0</u>	<u>1,855,954</u>	<u>0</u>
Special Education - Preschool Grants (IDEA Preschool) - 2010	84.173	(1,930)	0	315	0
Special Education - Preschool Grants (IDEA Preschool) - 2011	84.173	23,974	0	21,493	0
ARRA - Special Education - Preschool Grants (IDEA Preschool) - 2010	84.392	(4,699)	0	0	0
ARRA - Special Education - Preschool Grants (IDEA Preschool) - 2011	84.392	<u>46,885</u>	<u>0</u>	<u>33,939</u>	<u>0</u>
Total Special Education - Preschool Grants (IDEA Preschool)		<u>64,230</u>	<u>0</u>	<u>55,747</u>	<u>0</u>
Total Special Education Cluster (IDEA)		<u>1,942,997</u>	<u>0</u>	<u>1,911,701</u>	<u>0</u>
Title I, Part A Cluster:					
Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA) - 2010	84.010	18,445	0	43,126	0
Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA) - 2011	84.010	412,351	0	373,038	0
ARRA - Title I Grants to Local Educational Agencies - 2010	84.389	(8,994)	0	9,991	0
ARRA - Title I Grants to Local Educational Agencies - 2011	84.389	<u>134,389</u>	<u>0</u>	<u>125,149</u>	<u>0</u>
Total Title I, Part A Cluster		<u>556,191</u>	<u>0</u>	<u>551,304</u>	<u>0</u>
Adult Education - Basic Grants to States - 2010	84.002	0	0	1,731	0
Educational Technology State Grants - 2010	84.318	(2,861)	0	(2,039)	0
Educational Technology State Grants - 2011	84.318	<u>3,025</u>	<u>0</u>	<u>94</u>	<u>0</u>
Total Educational Technology State Grants		<u>164</u>	<u>0</u>	<u>(1,945)</u>	<u>0</u>
Improving Teacher Quality State Grants - 2010	84.367	(2,070)	0	1,717	0
Improving Teacher Quality State Grants - 2011	84.367	<u>93,391</u>	<u>0</u>	<u>83,013</u>	<u>0</u>
Total Improving Teacher Quality State Grants		<u>91,321</u>	<u>0</u>	<u>84,730</u>	<u>0</u>
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants	84.394	796,723	0	772,272	0
Education Jobs Fund - 2011	84.410	437,300	0	437,300	0
LEP, Title III - 2010	84.365	626	0	(450)	0
LEP, Title III - 2011	84.365	36,771	0	32,787	0
Immigrant, Title III - 2010	84.365	(1,508)	0	0	0
Immigrant, Title III - 2011	84.365	<u>1,508</u>	<u>0</u>	<u>1,508</u>	<u>0</u>
Total Title III Grant		<u>37,397</u>	<u>0</u>	<u>33,845</u>	<u>0</u>
Title IV-A Drug Free Schools - 2010	84.186	(1,109)	0	0	0
Title IV-A Drug Free Schools - 2011	84.186	<u>1,109</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Title IV-A Drug Free Schools		<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total U.S. Department of Education		<u>3,862,093</u>	<u>0</u>	<u>3,790,938</u>	<u>0</u>
Total		<u><u>\$4,220,195</u></u>	<u><u>\$103,499</u></u>	<u><u>\$4,149,040</u></u>	<u><u>\$103,499</u></u>

The accompanying notes are an integral part of this schedule.

**STRONGSVILLE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2011**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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

NOTE D - TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. These transfers resulted in the Schedule reporting negative receipts. The District transferred the following amounts from 2010 to 2011 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Transferred from 2010 to 2011</u>
ARRA – Special Education – Grants to States (IDEA, Part B)	84.391	\$127,719
Special Education – Preschool Grants (IDEA Preschool)	84.173	3,191
ARRA – Special Education – Preschool Grants (IDEA Preschool)	84.392	4,699
ARRA – Title I Grants to Local Educational Agencies	84.389	21,696
Educational Technology State Grants	84.318	2,861
Improving Teacher Quality State Grants	84.367	2,070
Immigrant, Title III	84.365	1,508
Title IV-A Drug Free Schools	84.186	1,109



Dave Yost • Auditor of State

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

Strongsville City School District
Cuyahoga County
13200 Pearl Road
Strongsville, Ohio 44136

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Strongsville City School District, Cuyahoga County, Ohio, (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 24, 2012, wherein we noted the District implemented Governmental Accounting Standard Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" and restated the June 30, 2010 fund balances of the Governmental Funds due to a change in fund structure. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

Dave Yost
Auditor of State

January 24, 2012



Dave Yost • Auditor of State

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

Strongsville City School District
Cuyahoga County
13200 Pearl Road
Strongsville, Ohio 44136

To the Board of Education:

Compliance

We have audited the compliance of Strongsville City School District, Cuyahoga County, Ohio, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Strongsville City School District's major federal programs for the year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

As described in finding 2011-01 in the accompanying schedule of findings, the District did not comply with requirements regarding reporting applicable to its Education Jobs Fund major federal program. Compliance with this requirement is necessary, in our opinion, for the District to comply with requirements applicable to this program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Strongsville City School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2011-01 to be a material weakness.

The District's response to the finding we identified is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

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



Dave Yost
Auditor of State

January 24, 2012

**STRONGSVILLE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified for all major programs except for Education Jobs Fund, which we qualified compliance over reporting.
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	<p>1. Child Nutrition Cluster: School Breakfast Program, CFDA 10.553; National School Lunch Program, CFDA #10.555.</p> <p>2. Special Education Cluster (IDEA): Special Education – Grants to States (IDEA, Part B), CFDA #84.027; ARRA – Special Education – Grants to States (IDEA, Part B), CFDA #84.391; Special Education – Preschool Grants (IDEA Preschool), CFDA #84.173; ARRA – Special Education – Preschool Grants (IDEA Preschool), CFDA #84.392.</p> <p>3. Title I, Part A Cluster: Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA), CFDA #84.010; ARRA – Title I Grants to Local Educational Agencies, CFDA #84.389.</p> <p>4. ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants, CFDA #84.394.</p> <p>5. Education Jobs Fund, CFDA #84.410.</p>
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**STRONGSVILLE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011
(CONTINUED)**

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

None.

3. FINDINGS FOR FEDERAL AWARDS

Education Job Fund – Final Expenditure Report

Finding Number	2011-01
CFDA Title and Number	Education Jobs Fund – CFDA #84.410
Federal Award Number / Year	2011
Federal Agency	United States Department of Education
Pass-Through Agency	Ohio Department of Education

Material Noncompliance and Material Weakness

34 CFR 80.41(b)(4) states, in part, that annual basis financial status reports and requirements for subrecipients which are specified by the pass-through entity, are due 90 days after the expiration or termination of grant support. Furthermore, Section 101 of the American Recovery and Reinvestment Act of 2009 (ARRA), describes that a State and its LEA must fulfill the reporting requirements under section 1512 of ARRA. Specifically, the Ohio Department of Education's (ODE) CCIP Final Expenditure Report Completion Steps, states all CCIP Final Expenditure Reports (FER's) must be completed online and may be started after June 30th, the end of the fiscal year. In addition, each Funding Application within the CCIP has its own separate FER. Each Local Education Agency (LEA) must ensure each FER is submitted to ODE with Superintendent Approval no later than September 30, including the Education Jobs Fund grant.

In addition, 34 CFR 80.43(A) states that if a grantee or subgrantee materially fails to comply with any term of an award, the awarding agency may temporarily withhold cash payments, disallow all or part of the cost of the activity or action not in compliance, wholly or partly suspend or terminate the current award for the grantee's or subgrantee's program, withhold further awards for the program, or take other remedies that may be legally available.

During testing of the federal single program over the Education Jobs Fund grant, it was noted that the District was not aware of this reporting requirement set forth by the Federal and State Departments of Education. As a result, the District did not compile and submit their fiscal year 2011 FER for the Education Jobs Fund grant to ODE until October 19, 2011, subsequent to the 90 day filing requirement. As an LEA, it is the responsibility of District management to be aware of federal compliance over its grants. This material noncompliance is considered a material weakness and qualification over the reporting compliance requirement of the Education Jobs Fund grant.

We recommend the District's management review the requirements of 34 CFR 80 in order to be aware of all reporting compliance requirements over its grants to prevent such noncompliance in the future. Failure to do so could lead to remedies as listed above. Specifically, the District should submit its FER immediately after all financial obligations have been liquidated for all of its grants in order to comply with the 90 day submission requirement.

**STRONGSVILLE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011
(CONTINUED)**

Officials' Response

The District was under the understanding that the FER had to be completed at the end of the two year grant. Upon learning of the deadline, the District immediately filed the FER and informed ODE. The District updated its procedures to ensure appropriate filings.

STRONGSVILLE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2011

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-1	Material Weakness: Compensated absences was overstated at June 30, 2010, which resulted in an audit adjustment.	Yes	Corrected.



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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

Strongsville City School District
Cuyahoga County
13200 Pearl Road
Strongsville, Ohio 44136

To the Board of Education:

Ohio Rev. 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 the Strongsville City School District (the District) has updated its anti-harassment policy in accordance with Ohio Rev. 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 November 1, 2011 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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.

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

Dave Yost
Auditor of State

January 24, 2012

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STRONGSVILLE CITY SCHOOL DISTRICT

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 21, 2012**