



Dave Yost • Auditor of State

**STRONGSVILLE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Strongsville City School District, Cuyahoga County, Ohio, (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Federal Awards Receipts and Expenditures Schedule presents additional analysis as 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 financial statements.

The schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule 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 schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2015, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

February 3, 2015

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STRONGSVILLE CITY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014

(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, 2014. 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 2014 are as follows:

- In total, net position increased by \$ 5,728,551
- Revenues for governmental activities totaled \$ 84,764,132 in 2014. Of this total, 93.4 percent consisted of general revenues while program revenues accounted for the balance of 6.6 percent.
- Program expenses totaled \$ 79,035,581. Instructional expenses made up 52.4 percent of this total while support services accounted for 36.9 percent. Other expenses rounded out the remaining 10.7 percent.
- Outstanding long-term obligations had a net decrease of \$ 2,909,135.

Reporting the School District as a Whole

Statement of Net Position 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 2014?" The *Statement of Net Position* and the *Statement of Activities* answers this question. These statements include all non-fiduciary 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 position and changes in net position. This change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's 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 Position* 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 11. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General fund and the Building fund.

STRONGSVILLE CITY SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014*

(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 Position 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 Position* provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2014 compared to 2013.

Table I
Net Position
Governmental Activities

	<u>2014</u>	<u>2013</u>
Assets		
Current and other assets	\$ 150,687,216	\$ 149,991,912
Total capital assets, net	<u>45,519,151</u>	<u>41,763,076</u>
	<u>196,206,367</u>	<u>191,754,988</u>
Liabilities		
Current liabilities	8,303,893	6,423,967
Long term liabilities		
Due within one year	3,219,038	4,835,410
Due in more than one year	<u>95,141,078</u>	<u>96,433,841</u>
Total liabilities	<u>106,664,009</u>	<u>107,693,218</u>
Deferred inflows of resources	<u>43,386,121</u>	<u>43,634,084</u>
Net position		
Net investment in capital assets	29,898,101	28,435,630
Restricted	7,348,059	8,949,334
Unrestricted	<u>8,910,077</u>	<u>3,042,722</u>
Total net position	<u>\$ 46,156,237</u>	<u>\$ 40,427,686</u>

STRONGSVILLE CITY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014

(Unaudited)

Details of Table I
Net Position
Governmental Activities

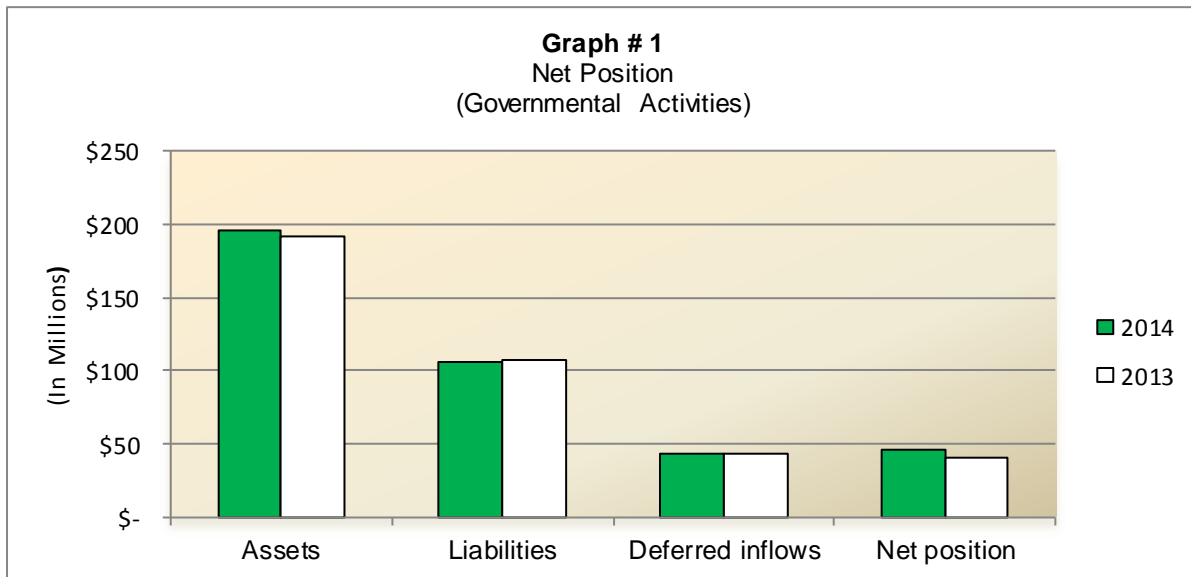
	2014	2013	Change
Assets and deferred outflows of resources			
Assets			
Equity in pooled cash	\$ 93,742,467	\$ 95,424,083	\$ (1,681,616)
Accounts receivable	18,156	9,705	8,451
Due from other governments	224,221	373,710	(149,489)
Taxes receivable	56,702,372	54,184,414	2,517,958
Capital assets			
Nondepreciable capital assets	8,399,603	3,203,241	5,196,362
Depreciable capital assets	37,119,548	38,559,835	(1,440,287)
Total assets	<u>196,206,367</u>	<u>191,754,988</u>	<u>4,451,379</u>
Total assets and deferred outflows of resources	<u>\$ 196,206,367</u>	<u>\$ 191,754,988</u>	<u>\$ 4,451,379</u>
Liabilities, deferred inflows of resources and fund liabilities			
Liabilities			
Accounts and contracts payable	846,244	837,649	8,595
Accrued salaries, wages and benefits	4,791,198	4,096,240	694,958
Claims payable	1,105,072	-	1,105,072
Accrued interest payable	287,600	459,200	(171,600)
Intergovernmental payable	1,273,779	1,030,878	242,901
Long-term liabilities			
Due within one year	3,219,038	4,835,410	(1,616,372)
Due in more than one year	95,141,078	96,433,841	(1,292,763)
Total liabilities	<u>106,664,009</u>	<u>107,693,218</u>	<u>(1,029,209)</u>
Deferred inflows of resources			
Property taxes levied for next year	43,386,121	43,634,084	(247,963)
Total deferred inflows of resources	<u>43,386,121</u>	<u>43,634,084</u>	<u>(247,963)</u>
Net position			
Net investment in capital assets	29,898,101	28,435,630	1,462,471
Restricted	7,348,059	8,949,334	(1,601,275)
Unrestricted	8,910,077	3,042,722	5,867,355
Total net position	<u>\$ 46,156,237</u>	<u>\$ 40,427,686</u>	<u>\$ 5,728,551</u>

STRONGSVILLE CITY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014

(Unaudited)

Net Position
(in Millions)

	2014	2013
Assets	\$ 196.2	\$ 191.8
Liabilities	106.7	107.7
Deferred inflows	43.4	43.6
Net position	\$ 46.1	\$ 40.5



Total assets increased by \$ 4,451,379. This increase is due to an increase of \$ 2,517,958 in taxes receivable and a net increase of \$ 3,756,075 in capital assets. Equity in pooled cash decreased by \$ 1,681,616.

Total liabilities decreased by \$ 1,029,209. This increase is due to a decrease of \$ 2,909,135 in long-term liabilities, which was offset with increases of \$ 694,958 and \$ 1,105,702 in accrued salaries, wages and benefits and claims payable, respectively.

The vast majority of revenue supporting all governmental activities is general revenue. General revenue totaled \$ 79,129,216 or 93.4 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 \$ 5,634,916 or only 6.6 percent of total revenue.

STRONGSVILLE CITY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014

(Unaudited)

Table 2 shows the changes in net position for fiscal years 2014 and 2013.

Table 2
Changes in Net Position
Governmental Activities

	2014	2013	Change
Revenues			
Program revenues			
Charges for services and sales	\$ 2,389,832	\$ 2,726,535	\$ (336,703)
Operating grants, interest and contributions	3,245,084	2,956,465	288,619
Total program revenues	<u>5,634,916</u>	<u>5,683,000</u>	<u>(48,084)</u>
General revenues			
Property taxes	56,706,888	49,780,264	6,926,624
Grants and entitlements not restricted to specific purposes	20,091,670	19,959,675	131,995
Payments in lieu of taxes	2,019,295	2,037,264	(17,969)
Investment earnings	97,236	23,557	73,679
Miscellaneous	214,127	221,177	(7,050)
Total general revenues	<u>79,129,216</u>	<u>72,021,937</u>	<u>7,107,279</u>
Total revenues	<u>84,764,132</u>	<u>77,704,937</u>	<u>7,059,195</u>
Program expenses			
Instruction			
Regular	30,891,909	31,906,820	(1,014,911)
Special	10,009,311	4,961,052	5,048,259
Vocational	434,305	561,456	(127,151)
Other instruction	57,447	32,501	24,946
Supporting services			
Pupil	4,967,244	2,795,803	2,171,441
Instructional staff	2,467,718	3,644,085	(1,176,367)
Board of education	35,585	36,366	(781)
Administration	4,729,847	3,152,006	1,577,841
Fiscal services	1,956,243	4,718,649	(2,762,406)
Business	692,588	1,047,659	(355,071)
Operation and maintenance	8,270,970	9,690,529	(1,419,559)
Pupil transportation	4,722,938	3,627,758	1,095,180
Central services	1,333,854	1,541,043	(207,189)
Operation of non-instructional services			
Food service operation	1,798,500	1,703,814	94,686
Community services	544,602	547,048	(2,446)
Other non-instructional services	552,197	-	552,197
Extracurricular activities	1,365,404	765,989	599,415
Interest and fiscal charges	4,204,919	1,506,414	2,698,505
Total program expenses	<u>79,035,581</u>	<u>72,238,992</u>	<u>6,796,589</u>
Increase in net position	5,728,551	5,465,945	262,606
Net position at beginning of year	40,427,686	34,961,741	5,465,945
Net position at end of year	<u>\$ 46,156,237</u>	<u>\$ 40,427,686</u>	<u>\$ 5,728,551</u>

STRONGSVILLE CITY SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014*

(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 52.4 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 36.9 percent. The remaining amount of program expenses, roughly 10.7 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)

	2014	2013
Instruction	\$ 41.4	\$ 37.5
Supporting services	29.2	30.3
Other	8.5	4.5
Total	<u>\$ 79.1</u>	<u>\$ 72.3</u>

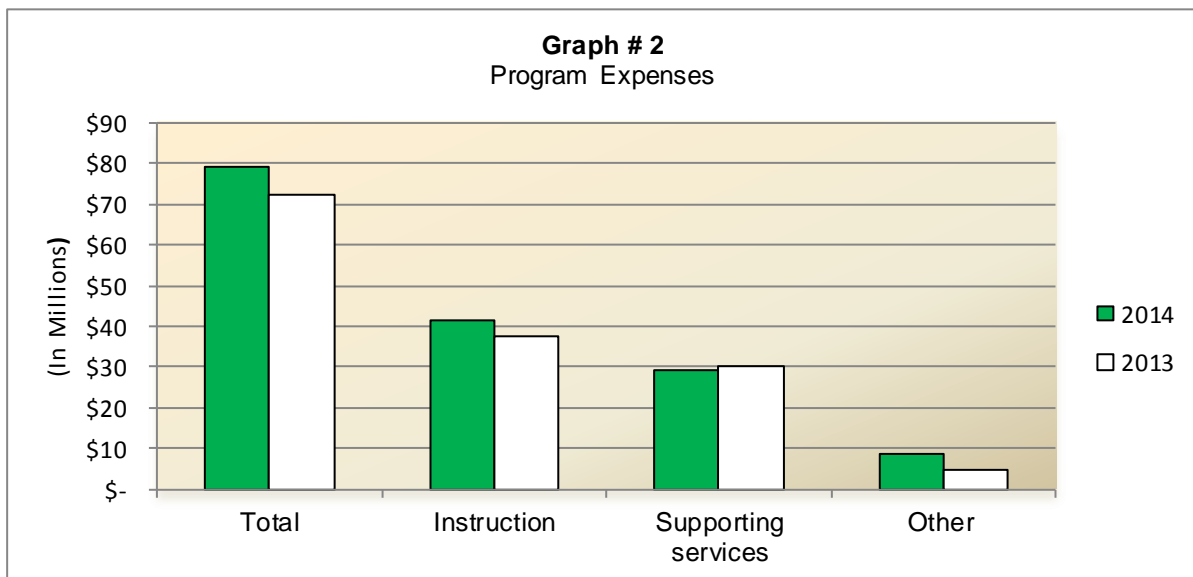


Table 3
Governmental Activities

	Total Cost of Services 2014	Net Cost of Services 2014
Governmental activities:		
Instruction		
Regular	\$ 30,891,909	\$ (29,897,942)
Special	10,009,311	(9,054,714)
Vocational	434,305	(434,305)
Other instruction	57,447	(8,848)
Supporting services		
Pupil	4,967,244	(4,611,679)
Instructional staff	2,467,718	(2,106,268)
Board of education	35,585	(35,585)
Administration	4,729,847	(4,359,197)
Fiscal services	1,956,243	(1,956,243)
Business	692,588	(691,131)
Operation and maintenance	8,270,970	(8,205,552)
Pupil transportation	4,722,938	(4,722,938)
Central services	1,333,854	(1,320,326)
Operation of non-instructional services		
Food service operation	1,798,500	(324,421)
Community services	544,602	(13,676)
Other non-instructional services	552,197	(552,197)
Extracurricular activities	1,365,404	(900,724)
Interest and fiscal charges	4,204,919	(4,204,919)
Total	<u>\$ 79,035,581</u>	<u>\$ (73,400,665)</u>

As one can see, the reliance upon local tax revenues for governmental activities is crucial. Approximately 71.7 percent of expenses are directly supported by local property taxes. Grant and entitlements not restricted to specific programs support 25.4 percent. Program revenues only account for 7.1 percent of all governmental expenses. Investment and other miscellaneous type revenues support the remaining activity costs.

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 fund can be found on page 19. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$ 85,177,432 and expenditures of \$ 85,184,271, exclusive of other financing sources (uses). A two year comparison of revenues, expenditures, other financing sources (uses), and changes in fund balances for the General Fund and the Building Fund are presented on the following pages.

	General Fund		
	2014	2013	Change
Revenue			
Taxes	\$ 52,127,148	\$ 45,993,698	\$ 6,133,450
Payment in lieu of taxes	2,019,295	2,037,264	(17,969)
Tuition and fees	741,024	964,944	(223,920)
Interest	9,919	3,698	6,221
Intergovernmental	19,656,795	19,475,349	181,446
Extracurricular	318,424	450,507	(132,083)
Other	247,350	293,189	(45,839)
Total revenues	<u>75,119,955</u>	<u>69,218,649</u>	<u>5,901,306</u>
Expenditures			
Current			
Instruction	39,071,168	37,849,475	1,221,693
Supporting services	26,037,568	27,210,117	(1,172,549)
Operation of non-instructional services	520,758	-	520,758
Extracurricular activities	1,111,788	472,260	639,528
Capital outlay	145,191	-	145,191
Debt service			
Principal	516,901	626,148	(109,247)
Interest	216,476	246,072	(29,596)
Total expenditures	<u>67,619,850</u>	<u>66,404,072</u>	<u>1,215,778</u>
Excess (deficiency) of revenues over expenditures	<u>7,500,105</u>	<u>2,814,577</u>	<u>4,685,528</u>
Other financing sources (uses)			
Transfers in	276	-	276
Transfers out	(250,000)	(422,250)	172,250
Proceeds sale of capital assets	28,735	23,040	5,695
Total other financing sources (uses)	<u>(220,989)</u>	<u>(399,210)</u>	<u>178,221</u>
Net change in fund balances	7,279,116	2,415,367	4,863,749
Fund balances, beginning of year	<u>4,968,230</u>	<u>2,552,863</u>	<u>2,415,367</u>
Fund balances, end of year	<u>\$ 12,247,346</u>	<u>\$ 4,968,230</u>	<u>\$ 7,279,116</u>

The increase in the General Fund's fund balance is mainly due to increases in property tax revenue received and amount available for advance from the county auditor.

	Building Fund		
	2014	2013	Change
Revenue			
Interest	\$ 79,948	\$ 18,280	\$ 61,668
Total revenues	<u>79,948</u>	<u>18,280</u>	<u>61,668</u>
Expenditures			
Current			
Supporting services	307,990	-	307,990
Capital outlay	5,040,380	592,037	4,448,343
Debt service			
Interest	-	568,745	(568,745)
Total expenditures	<u>5,348,370</u>	<u>1,160,782</u>	<u>4,187,588</u>
Excess (deficiency) of revenues over expenditures	<u>(5,268,422)</u>	<u>(1,142,502)</u>	<u>(4,125,920)</u>
Other financing sources (uses)			
Proceeds from issuance of long-term debt	-	81,000,000	(81,000,000)
Premium on debt issue	-	572,600	(572,600)
Total other financing sources (uses)	<u>-</u>	<u>81,572,600</u>	<u>(81,572,600)</u>
Net change in fund balances	(5,268,422)	80,430,098	(85,698,520)
Fund balances, beginning of year	<u>80,430,098</u>	<u>-</u>	<u>80,430,098</u>
Fund balances, end of year	<u>\$ 75,161,676</u>	<u>\$ 80,430,098</u>	<u>\$ (5,268,422)</u>

The School District has a multi-year building improvement plan, funded by a voter approved \$ 82 million bond issue, which proceeds were received in 2013. The Building Fund will be used to construct a new middle school for grades 6-8, renovate the high school and also make improvements to the elementary schools. As part of these changes the district will demolish the two current 7th and 8th grade middle schools and the Board of Education has also approved closing an elementary school at the end of the 2015 school year and another at the end of the 2016 school year, leaving 5 elementary schools in the district.

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 \$ 69,893,699 and \$ 71,805,128, respectively. Actual revenues were \$ 71,920,730 which was \$ 115,602 more than the final budgeted amount. The original and final budget basis expenditures estimate totaled \$ 65,973,695 and \$ 71,987,509, respectively. Actual budget basis expenditures were \$ 69,226,584 which was \$ 2,760,925 less than the final budgeted appropriations.

The General Fund unencumbered ending cash balance totaled \$ 6,453,682.

Capital Assets and Debt Administration

Capital Assets

At the end of Fiscal Year 2014, the School District had \$ 45,519,151 invested in land, construction in progress, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows fiscal 2014 values compared to 2013.

Table 4
Capital Assets
(Net of Accumulated Depreciation)

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Land	\$ 2,767,186	\$ 2,611,204
Construction in progress	5,632,417	592,037
Buildings and improvements	33,856,507	35,853,525
Furniture and equipment	1,661,477	1,284,379
Vehicles	1,601,564	1,421,931
Total capital assets	<u>\$ 45,519,151</u>	<u>\$ 41,763,076</u>

All capital assets, except land and construction in progress are 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 and furniture and equipment. For additional information, see Note 9 of the Notes to the Basic Financial Statements.

Debt

At June 30, 2014, the School District had \$ 98,360,116 of long-term obligations outstanding.

Table 5
Outstanding Debt Year-End

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Bonds payable	\$ 83,785,937	\$ 86,179,504
Certificates of participation	3,985,000	4,273,334
Unamortized bond premium	3,470,257	3,578,702
Compensated absences	7,118,922	7,237,711
	<u>\$ 98,360,116</u>	<u>\$ 101,269,251</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 and 15 of the Notes to the Basic Financial Statements.

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 district had two committees in 2014 study utilization of elementary schools as enrollment is declining. As this report is being finished the Board of Education is considering recommendations to close two elementary buildings within the next two years. Along with the savings of operational costs due to the closing of buildings the district anticipates reducing staff by: 10 in 2016, 15 in 2017, 5 in 2018 and 9 in 2019.

The School District passed a 6 mill, 5 year operating levy in the spring of 2012. If the savings from staff reductions and building closures do not alleviate a deficit the district may pursue a levy in the future to offset projected deficits and most recently.

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 phased 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 the goals of financial prudence and student achievement 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 the Treasurer's office, Strongsville City School District, 13200 Pearl Road, Strongsville, OH 44136.

STRONGSVILLE CITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2014

	Governmental Activities
Assets and deferred outflow s of resources	
Assets	
Equity in pooled cash	\$ 93,742,467
Accounts receivable	18,156
Due from other governments	224,221
Taxes receivable	56,702,372
Capital assets	
Nondepreciable capital assets	8,399,603
Depreciable capital assets	37,119,548
Total assets	196,206,367
Total assets and deferred outflow s of resources	\$ 196,206,367
Liabilities, deferred inflow s of resources and fund liabilities	
Liabilities	
Accounts and contracts payable	846,244
Accrued salaries, w ages and benefits	4,791,198
Claims payable	1,105,072
Accrued interest payable	287,600
Intergovernmental payable	1,273,779
Long-term liabilities	
Due w ithin one year	3,219,038
Due in more than one year	95,141,078
Total liabilities	106,664,009
Deferred inflow s of resources	
Property taxes levied for next year	43,386,121
Total deferred inflow s of resources	43,386,121
Net position	
Net investment in capital assets	29,898,101
Restricted for:	
Debt service	6,551,773
Capital projects	362,563
Food service	74,397
Extracurricular activities	232,198
State grants	19,674
Federal grants	44,263
Donations	63,191
Unrestricted	8,910,077
Total net position	\$ 46,156,237

See accompanying notes to the basic financial statements.

STRONGSVILLE CITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

	Expenses	Program Revenues		Net (Expense) Revenues and Changes in Net Position
		Charges for Services and Sales	Operating Grants, Interest and Contributions	
Governmental activities:				
Instruction				
Regular	\$ 30,891,909	\$ 916,262	\$ 77,705	\$ (29,897,942)
Special	10,009,311	1,177	953,420	(9,054,714)
Vocational	434,305	-	-	(434,305)
Other instruction	57,447	-	48,599	(8,848)
Supporting services				
Pupil	4,967,244	-	355,565	(4,611,679)
Instructional staff	2,467,718	-	361,450	(2,106,268)
Board of education	35,585	-	-	(35,585)
Administration	4,729,847	1,450	369,200	(4,359,197)
Fiscal services	1,956,243	-	-	(1,956,243)
Business	692,588	1,457	-	(691,131)
Operation and maintenance	8,270,970	65,418	-	(8,205,552)
Pupil transportation	4,722,938	-	-	(4,722,938)
Central services	1,333,854	13,528	-	(1,320,326)
Operation of non-instructional services				
Food service operation	1,798,500	921,889	552,190	(324,421)
Community services	544,602	3,971	526,955	(13,676)
Other non-instructional services	552,197	-	-	(552,197)
Extracurricular activities	1,365,404	464,680	-	(900,724)
Interest and fiscal charges	4,204,919	-	-	(4,204,919)
Total	<u>\$ 79,035,581</u>	<u>\$ 2,389,832</u>	<u>\$ 3,245,084</u>	<u>(73,400,665)</u>

General revenues	
Property taxes levied for:	
General purposes	51,746,848
Debt service	3,865,747
Capital improvements	1,094,293
Grants and entitlements not restricted to specific purposes	20,091,670
Payments in lieu of taxes	2,019,295
Investment earnings	97,236
Miscellaneous	214,127
Total general revenues	<u>79,129,216</u>
Change in net position	5,728,551
Net position at beginning of year	<u>40,427,686</u>
Net position at end of year	<u>\$ 46,156,237</u>

See accompanying notes to the basic financial statements.

STRONGSVILLE CITY SCHOOL DISTRICT
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2014

	General Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
Assets and deferred outflows of resources				
Assets				
Equity in pooled cash	\$ 10,097,259	\$ 75,620,144	\$ 6,681,638	\$ 92,399,041
Receivables, net of allowance				
Taxes, current	48,940,501	-	4,695,071	53,635,572
Taxes, delinquent	2,798,400	-	268,400	3,066,800
Accounts and other	18,156	-	-	18,156
Due from other governments	-	-	224,221	224,221
Interfund receivables	-	-	900	900
Total assets	61,854,316	75,620,144	11,870,230	149,344,690
Total assets and deferred outflows of resources	\$ 61,854,316	\$ 75,620,144	\$ 11,870,230	\$ 149,344,690
Liabilities, deferred inflows of resources and fund liabilities				
Liabilities				
Accounts and contracts payable	\$ 325,129	\$ 458,468	\$ 62,647	\$ 846,244
Accrued salaries, wages and benefits	4,545,217	-	245,981	4,791,198
Due to other governments	1,184,347	-	89,432	1,273,779
Interfund payable	900	-	-	900
Compensated absences	1,142,516	-	-	1,142,516
Total liabilities	7,198,109	458,468	398,060	8,054,637
Deferred inflows of resources				
Property taxes levied for next year and unavailable resources	42,408,861	-	4,044,060	46,452,921
Total deferred inflows of resources	42,408,861	-	4,044,060	46,452,921
Fund balances				
Restricted	-	75,161,676	7,429,919	82,591,595
Committed	1,356,545	-	-	1,356,545
Assigned	836,567	-	-	836,567
Unassigned	10,054,234	-	(1,809)	10,052,425
Total fund balances	12,247,346	75,161,676	7,428,110	94,837,132
Total liabilities, deferred inflows of resources and fund balances	\$ 61,854,316	\$ 75,620,144	\$ 11,870,230	\$ 149,344,690

See accompanying notes to the basic financial statements.

STRONGSVILLE CITY SCHOOL DISTRICT
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2014

Total governmental fund balances	\$ 94,837,132
Amount reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.	45,519,151
Other long-term assets are not available to pay for current period expenditures and therefore are deferred inflows in the funds. These deferrals are primarily attributed to property taxes.	3,066,800
In the statement of activities, interest is accrued on outstanding long-term obligations, whereas in governmental funds, an interest expenditure is reported when due.	(287,600)
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.	238,354
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Compensated absences payable	(5,976,406)
Bonds payable and certificates of participation	(87,770,937)
Unamortized bond premium	(3,470,257)
	(97,217,599)
Net position of governmental activities	\$ 46,156,237

STRONGSVILLE CITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	General Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
Revenue				
Taxes	\$ 52,127,148	\$ -	\$ 4,993,040	\$ 57,120,188
Payment in lieu of taxes	2,019,295	-	-	2,019,295
Tuition and fees	741,024	-	-	741,024
Interest	9,919	79,948	7,369	97,236
Intergovernmental	19,656,795	-	3,679,959	23,336,754
Extracurricular	318,424	-	207,714	526,138
Charges for services	-	-	913,481	913,481
Other	247,350	-	175,966	423,316
Total revenues	<u>75,119,955</u>	<u>79,948</u>	<u>9,977,529</u>	<u>85,177,432</u>
Expenditures				
Current				
Instruction				
Regular	29,748,528	-	57,681	29,806,209
Special	8,908,609	-	975,374	9,883,983
Vocational	414,031	-	-	414,031
Other instruction	-	-	57,447	57,447
Supporting services				
Pupil	4,543,622	-	359,819	4,903,441
Instructional staff	2,176,181	-	348,820	2,525,001
Board of education	35,114	-	-	35,114
Administration	4,065,767	-	430,401	4,496,168
Fiscal services	1,864,784	-	66,908	1,931,692
Business	632,364	-	-	632,364
Operation and maintenance	6,890,013	-	1,004,354	7,894,367
Pupil transportation	4,483,002	307,990	-	4,790,992
Central services	1,346,721	-	-	1,346,721
Operation of non-instructional services				
Food service operation	-	-	1,777,719	1,777,719
Community services	-	-	533,234	533,234
Other non-instructional services	520,758	-	-	520,758
Extracurricular activities	1,111,788	-	160,015	1,271,803
Capital outlay	145,191	5,040,380	10,791	5,196,362
Debt service				
Principal	516,901	-	2,165,000	2,681,901
Interest	216,476	-	4,268,488	4,484,964
Total expenditures	<u>67,619,850</u>	<u>5,348,370</u>	<u>12,216,051</u>	<u>85,184,271</u>
Excess (deficiency) of revenues over expenditures	<u>7,500,105</u>	<u>(5,268,422)</u>	<u>(2,238,522)</u>	<u>(6,839)</u>
Other financing sources (uses)				
Transfers in	276	-	250,000	250,276
Transfers out	(250,000)	-	(276)	(250,276)
Proceeds from sale of capital assets	28,735	-	250	28,985
Total other financing sources (uses)	<u>(220,989)</u>	<u>-</u>	<u>249,974</u>	<u>28,985</u>
Net change in fund balances	7,279,116	(5,268,422)	(1,988,548)	22,146
Fund balances, beginning of year	<u>4,968,230</u>	<u>80,430,098</u>	<u>9,416,658</u>	<u>94,814,986</u>
Fund balances, end of year	<u>\$ 12,247,346</u>	<u>\$ 75,161,676</u>	<u>\$ 7,428,110</u>	<u>\$ 94,837,132</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, 2014

Net change in fund balances - total governmental funds		\$	22,146
Amounts reported for governmental activities in the statement of activities are different because:			
Governmental funds report capital outlay 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 net capital outlay exceeded depreciation expense in the current period.			
	Capital outlay, net	\$ 6,084,167	
	Depreciation expense	<u>(2,328,092)</u>	3,756,075
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
	Property taxes		(413,300)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.			
	Bond principal	2,393,567	
	Certificate of participation principal	<u>288,334</u>	2,681,901
Accrued interest in the statement of activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in governmental funds. Bond premium is reported in the governmental fund when bonds are issued, whereas these amounts are amortized in the statement of activities.			
	Accrued interest	171,600	
	Amortization of bond premium	<u>108,445</u>	280,045
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.			
	Compensated absences		(836,670)
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal revenue fund is allocated among the governmental activities.			
			<u>238,354</u>
Change in net position of governmental activities		\$	<u><u>5,728,551</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, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues and other sources	\$ 69,893,699	\$ 71,805,128	\$ 71,920,730	\$ 115,602
Expenditures and other sources	65,973,695	71,987,509	69,226,584	2,760,925
Net change in fund balance	3,920,004	(182,381)	2,694,146	2,876,527
Prior year encumbrances	503,124	503,124	503,124	-
Fund balance, at beginning of year	3,256,412	3,256,412	3,256,412	-
Fund balance, at end of year	<u>\$ 7,679,540</u>	<u>\$ 3,577,155</u>	<u>\$ 6,453,682</u>	<u>\$ 2,876,527</u>

See accompanying notes to the basic financial statements.

STRONGSVILLE CITY SCHOOL DISTRICT

STATEMENT OF FUND NET POSITION
INTERNAL SERVICE FUND

JUNE 30, 2014

	<u>Self Insurance</u>
Assets	
Current assets	
Equity in pooled cash	<u>\$ 1,343,426</u>
Total assets	<u>1,343,426</u>
Liabilities	
Current liabilities	
Claims payable	<u>1,105,072</u>
Total liabilities	<u>1,105,072</u>
Net position	
Unrestricted	<u>238,354</u>
Total net position	<u><u>\$ 238,354</u></u>

See accompanying notes to the basic financial statements.

STRONGSVILLE CITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Self Insurance
Operating revenues	
Charges for services	\$ 5,142,478
Operating expenses	
Purchased services	340,384
Claims	4,563,740
Total operating expenses	4,904,124
Operating income	238,354
Net position, beginning of year	-
Net position, end of year	\$ 238,354

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, 2014

	Self Insurance
Cash flows from operating activities	
Cash received from interfund services	\$ 5,142,478
Cash payments for claims	(3,458,668)
Cash payments for goods and services	(340,384)
Net cash provided by operating activities	1,343,426
Net increase in cash and cash equivalents	1,343,426
Cash and cash equivalents, beginning of year	-
Cash and cash equivalents, end of year	\$ 1,343,426
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 238,354
Adjustments	
Increase in claims payable	1,105,072
Total adjustments	1,105,072
Net cash provided by operating activities	\$ 1,343,426

See accompanying notes to the basic financial statements.

STRONGSVILLE CITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -
AGENCY FUNDS
JUNE 30, 2014

	Agency Funds
Assets	
Equity in pooled cash	\$ 156,476
Total assets	\$ 156,476
 Liabilities	
Accounts payable	\$ 420
Due to students	156,051
Due to others	5
Total liabilities	\$ 156,476

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, 2014

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, 2013 was 5,878. The School District employs 371 certificated and 339 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 Tri-Rivers 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 16 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. 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, 2014

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 position 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 position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the Internal Service Fund is eliminated to avoid "doubling up" revenues and expenses. Interfund services provided and used are not eliminated in the process of consolidation.

The statement of net position 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 in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

STRONGSVILLE CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

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 and deferred outflows of resources are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities and deferred inflows of resources 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.

Building Fund – the building fund is used to account for bond proceeds to be used for the acquisition, construction, or improvement of major capital facilities.

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

Proprietary Fund Type

Proprietary funds focus on the determination of operating income, changes in net position, financial position, and cash flows and are classified as either enterprise or internal service. The School District only has an Internal Service Fund.

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 utilizes an internal service fund to account for the operation of the School District's self insurance fund's reserve balance for employee insurance related benefits.

Fiduciary Funds

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

STRONGSVILLE CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

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 deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the School District are included on the Statement of Net Position. The Statement of Activities presents increases (revenues) and decreases (expenses) in the total net position.

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include 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 deferred outflows of resources along with all liabilities and deferred inflows of resources associated with the operation of the fund are included on the statement of fund net position. The statement of revenues, expenses, and changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its Internal Service Fund 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 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 unavailable 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, 2014

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.

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes, cafeteria receipts, and unavailable revenues. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance year 2015 operations. Cafeteria receipts represent the positive account balance on student lunch cards as of June 30, 2014, which amounts will be used to purchase lunch in future fiscal years. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes. These amounts are deferred and recognized as inflows of resources in the period the amounts become available.

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, 2014

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 statement reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statement 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 resources. 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 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. During the year, the District invested in Federal Home Loan Bank Notes, Federal Farm Credit Bank Notes, and STAR Ohio.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2014.

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 revenue credited to the General Fund during fiscal year 2014 amounted to \$9,919 none of which was assigned from other School District Funds.

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. The District has no restricted assets.

STRONGSVILLE CITY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 position 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 capital 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 and construction in progress, 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 position.

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.

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.

STRONGSVILLE CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

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

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

Net position is the residual amount when comparing assets and deferred outflows of resources to liabilities and deferred inflows of resources. The investment in capital assets component of net position 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. The restricted component of net position is reported 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. At June 30, 2014 net position restricted by enabling legislation was \$ 6,914,336 in the statement of net position.

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

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.

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.

STRONGSVILLE CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. FUND BALANCE RESERVES AND DESIGNATIONS (continued)

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. 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.

P. 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.

Q. OPERATING REVENUES AND EXPENSES

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are charges for services for health insurance in the Internal Service Fund. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. Revenues and expenses not meeting these definitions are reported as nonoperating.

STRONGSVILLE CITY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2014

NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLES

GASB Statement No.66, “Technical Corrections – 2012; an amendment of GASB Statements No. 10 and No. 62”. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the School District.

GASB Statement No.69, “Government Combinations and Disposals of Government Operations”. The objective of this Statement is to improve financial reporting by addressing accounting and financial reporting for government combinations and disposals of government operations. The term government combinations is used in this Statement to refer to a variety of arrangements including mergers and acquisitions. Government combinations also include transfers of operations that do not constitute entire legally separate entities and in which no significant consideration is exchanged. Transfers of operations may be present in shared service arrangements, reorganizations, redistricting, annexations, and arrangements in which an operation is transferred to a new government created to provide those services. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the School District.

GASB Statement No. 70, “Accounting and Financial Reporting for Nonexchange Financial Guarantees”. The statement provides accounting and financial reporting guidance to state and local governments that offer non-exchange financial guarantees to others and for governments that receive guarantees on their obligations. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the School District.

NOTE 3 – DEFICIT FUND EQUITY

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

Special Revenue Funds		
Adult Basic Education	\$	92
Title III	\$	1,717

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, 2014

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances/net position 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 assigned or committed 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 budgetary basis statement to the GAAP basis statement for the General Fund.

Net Change in Fund Balance	
	General Fund
Budget basis	\$ 2,694,146
Adjustments, increase (decrease)	
Revenue accruals	2,622,834
Expenditure accruals	1,403,149
Funds budgeted elsewhere **	(204,809)
Encumbrances	763,796
GAAP basis, as reported	\$ 7,279,116

** 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 Termination Benefits Fund.

STRONGSVILLE CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

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	Building Fund	Nonmajor Governmental Funds	Total
Restricted				
Food service operations	\$ -	\$ -	\$ 111,751	\$ 111,751
Athletics	-	-	232,198	232,198
State grants	-	-	21,088	21,088
Federal grants	-	-	68,155	68,155
Local grants	-	-	63,191	63,191
Debt service	-	-	6,629,373	6,629,373
Capital improvements	-	75,161,676	304,163	75,465,839
Total restricted	<u>-</u>	<u>75,161,676</u>	<u>7,429,919</u>	<u>82,591,595</u>
Committed				
Termination benefits	<u>1,356,545</u>	<u>-</u>	<u>-</u>	<u>1,356,545</u>
Assigned				
Encumbrances	469,858	-	-	469,858
Public school support	238,095	-	-	238,095
Uniform school supplies	1,521	-	-	1,521
Other purposes	127,093	-	-	127,093
Total assigned	<u>836,567</u>	<u>-</u>	<u>-</u>	<u>836,567</u>
Unassigned (deficit)	<u>10,054,234</u>	<u>-</u>	<u>(1,809)</u>	<u>10,052,425</u>
Total fund balances	<u>\$ 12,247,346</u>	<u>\$ 75,161,676</u>	<u>\$ 7,428,110</u>	<u>\$ 94,837,132</u>

STRONGSVILLE CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

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, 2014

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 \$ 44,618,432 and the bank balance was \$ 44,741,635. Of the bank balance, \$ 18,465,446 was covered by federal depository insurance and \$ 26,276,189 was uninsured. Of the remaining balance, \$ 26,276,189 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, 2014, the School District had the following investments:

	Fair Value	Investment Maturities		
		Less than 1 year	1 - 2 years	3 years and longer
STAR Ohio	\$ 26,968,638	\$ 26,968,638	\$ -	\$ -
Municipal securities	152,961	152,961	-	-
Federal securities	22,154,262	5,079,845	11,397,399	5,677,018
	<u>\$ 49,275,861</u>	<u>\$ 32,201,444</u>	<u>\$ 11,397,399</u>	<u>\$ 5,677,018</u>

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.

STRONGSVILLE CITY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2014

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

C. INVESTMENTS (continued)

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 AA+ by Standard & Poor's. The Municipal Securities and the Federal securities carry a rating of AA and AAA, respectively, by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that would further limit its investment choices.

The School District places no limit on the amount that may be invested in any one issuer. The following is the School District's allocation as of June 30, 2014:

	<u>Percentage of Investments</u>
STAR Ohio	54.7%
Municipal securities	0.3%
Federal securities	45.0%
	<u>100.0%</u>

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 2014 represents collections of calendar year 2013 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2013, on the assessed value listed as of January 1, 2014, the lien date. Assessed values for real property taxes are established by State law at 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 year 2014 represents collections of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 become a lien December 31, 2012, were levied after April 1, 2013 and are collected in 2014 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.

STRONGSVILLE CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 7 - PROPERTY TAXES (continued)

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, 2014, are available to finance fiscal year 2015 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2014 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 2014 operations. The receivable is therefore offset by a credit to deferred inflows 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, 2014, was \$ 9,330,040 in the General Fund, \$ 710,163 in the Debt Service Fund and \$ 209,248 in the Permanent Improvements Fund.

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second- Half Collections			2014 First - Half Collections	
	Amount	%		Amount	%
Agricultural/Residential and Other Real Estate	\$ 1,372,495,660	97.95	%	\$ 1,384,766,260	97.77
Public Utilities	28,723,880	2.05		31,584,330	2.23
Total Assessed Value	<u>\$ 1,401,219,540</u>	<u>100.00</u>	%	<u>\$ 1,416,350,590</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	<u>\$ 81.68</u>			<u>\$ 81.68</u>	

STRONGSVILLE CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 8 – RECEIVABLES

Receivables at June 30, 2014, 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
Miscellaneous State Grants	\$ 2,763
IDEA Part B	130,000
Title I	50,000
Title II-A	41,458
Due from other governments	\$ 224,221

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Balance July 1, 2013	Additions	Disposals	Balance June 30, 2014
Governmental Activities				
Nondepreciable capital assets				
Land	\$ 2,611,204	\$ 155,982	\$ -	\$ 2,767,186
Construction in progress	592,037	5,040,380	-	5,632,417
Total capital assets, not being depreciated	3,203,241	5,196,362	-	8,399,603
Depreciable capital assets				
Buildings and improvements	65,587,533	91,433	1,810,686	63,868,280
Furniture and equipment	7,772,586	667,862	68,930	8,371,518
Vehicles	5,461,324	565,655	360,733	5,666,246
Total capital assets being depreciated	78,821,443	1,324,950	2,240,349	77,906,044
Less accumulated depreciation				
Buildings and improvements	29,734,008	1,663,909	1,386,144	30,011,773
Furniture and equipment	6,488,207	280,101	58,267	6,710,041
Vehicles	4,039,393	384,082	358,793	4,064,682
Total accumulated depreciation	40,261,608	2,328,092	1,803,204	40,786,496
Depreciable capital assets, net of accumulated depreciation	38,559,835	(1,003,142)	437,145	37,119,548
Governmental activities capital assets, net	\$ 41,763,076	\$ 4,193,220	\$ 437,145	\$ 45,519,151

STRONGSVILLE CITY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2014

NOTE 9 - CAPITAL ASSETS (continued)

Depreciation expense was charged to governmental functions as follows:

Instruction		
Regular	\$	1,045,892
Special		118,253
Vocational		10,010
Supporting services		
Pupil		94,182
Instructional staff		106,993
Board of education		471
Administration		142,303
Fiscal		29,778
Business		16,556
Operation and maintenance of plant		160,317
Pupil transportation		443,067
Central services		25,801
Operation of noninstructional services		
Food service operation		39,673
Community services		13,113
Extracurricular activities		81,683
Total depreciation expense	\$	<u><u>2,328,092</u></u>

NOTE 10 - INTERFUND BALANCES AND TRANSFERS

A. INTERFUND BALANCES

On the fund financial statements at June 30, 2014, interfund balances consisted of \$ 900 due from the General Fund to a Nonmajor governmental fund, which is the result of an advance from the Athletic/Music Fund to the Uniform School Supplies program in a prior year.

B. TRANSFERS

Transfers for the year consisted of the following:

	Transfer From:		
	General Fund	Nonmajor Governmental Funds	Total
Transfer to:			
General Fund	\$ -	\$ 276	\$ 276
Nonmajor Governmental Funds	250,000	-	250,000
Total	<u><u>\$ 250,000</u></u>	<u><u>\$ 276</u></u>	<u><u>\$ 250,276</u></u>

Interfund transfers were made to provide for the payment of expenditures in nonmajor governmental funds or to close inactive programs.

STRONGSVILLE CITY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2014

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 2014, 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 altercation. 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 Ohio Casualty and hold a \$ 1,000 deductible for comprehensive and collision on buses. 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. 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

As of January 1, 2013, the School District began to provide employee medical, surgical, and prescription drug coverage through a self-insurance program administered by Medical Mutual of Ohio. Prior to January 1, 2014 the School District provided medical insurance to employees through commercial insurance coverage. The District limits its liability for medical and surgical claims by maintaining a specific stop-loss threshold of \$ 150,000.

The claim liability of \$ 1,105,072 reported at June 30, 2014 was estimated by Medical Mutual of Ohio and is based on the requirements of Governmental Standards Board Statement No. 10, which requires that a liability for unpaid claims costs, including estimates of costs related to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in the balance of claims liability during the year ended June 30, 2014 is summarized below. In future years two year comparative information of changes in the balance of claims liability will be presented. Incurred claims and claims payments are not segregated between current and prior years' claims due to the impracticability of obtaining such information.

	2014
Unpaid claims, beginning of year	\$ -
Incurred claims	4,563,740
Claims payment	(3,458,668)
Unpaid claims, end of year	\$ 1,105,072

STRONGSVILLE CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. SCHOOL EMPLOYEE RETIREMENT SYSTEM

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by 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 can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute 14% 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 fiscal year ending June 30, 2014, the allocation to pension and death benefits is 13.10%. The remaining .90% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The School District's contributions to SERS for the years ended June 30, 2014, 2013, and 2012 were \$ 1,412,563, \$ 1,381,386, and \$ 1,297,821, respectively; \$ 1,322,309 (93.6%) has been contributed for fiscal year 2014, and 100% has been contributed for fiscal years 2013 and 2012.

B. STATE TEACHERS RETIREMENT SYSTEM

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

New members have a choice of three retirement plans. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5 % of earned compensation among various investment choices. The Combined Plan offers features of 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 a 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 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, 2014

NOTE 12 - DEFINED BENEFIT PENSION PLANS (continued)

B. STATE TEACHERS RETIREMENT SYSTEM

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 credit 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% 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 2.5percent. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% 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% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at 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 – DC Plan benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the D Plan, all member contributions and employer contributions at a rate of 10.5% 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 – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying 1% 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.

Eligible faculty of Ohio’s public colleges and university may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offered by their employer. Employees have 120 days from their employment date to select a retirement plan.

A retiree of STRS Ohio or another Ohio public retirement system 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% 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, 2014

NOTE 12 - DEFINED BENEFIT PENSION PLANS (continued)

B. STATE TEACHERS RETIREMENT SYSTEM (continued)

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

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 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 recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 % for members and 14% for employers. Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2013, were 10% of covered payroll for members and 14% for employers. Employer contributions actually

The School District's required contributions for pension obligations to STRS of the fiscal years ended June 30, 2014, 2013, and 2012 were \$ 3,927,274, \$ 3,543,380, and \$ 3,675,189, respectively; \$ 3,373,754 (85.9%) has been contributed for fiscal year 2014 and 100% has been contributed for fiscal years 2013 and 2012.

STRS Ohio issues a stand-alone financial report. Additional information or copies of STRS Ohio's 2012 Comprehensive Annual Financial Report can be requested by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 4321-3771, by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio website at www.strsoh.org

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, 2014, three members of the Board of Education has elected Social Security. The Board's liability is 6.2% of wages.

STRONGSVILLE CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 13 - POSTEMPLOYMENT BENEFITS

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.

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 2014 was \$104.90 for most participants, but could be as high as \$335.70 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 2014, the actuarially required allocation is .74%. The School District's contributions for the years ended June 30, 2014, 2013 and 2012 were \$ 79,793, \$ 78,032, and \$ 76,643, respectively; ; \$ 74,686 (93.6%) has been contributed for fiscal year 2014 and 100% has been contributed for fiscal years 2013, and 2012.

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% contribution to the Health Care Fund. For the year ended June 30, 2014, the health care allocation is .16%. 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. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the minimum compensation level was established at \$ 20,250. The surcharge, added to the unallocated portion of the 14% 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, 2014, 2013, and 2012 were \$ 173,252, \$ 181,047, and \$ 215,113, respectively; \$ 162,164 (93.6%) has been contributed for fiscal year 2014 and 100% has been contributed for fiscal years 2013 and 2012.

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.ohser.org under Employers/Audit Resources.

STRONGSVILLE CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 13 - POSTEMPLOYMENT BENEFITS (continued)

B. STATE TEACHERS RETIREMENT SYSTEM

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

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

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

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

Funding Policy – Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 1% of covered payroll was allocated to post-employment health care for the years ended June 30, 2014, 2013, and 2012. The 14% employer contribution rate is the maximum rate established under Ohio law. The School District's contribution for health care for the fiscal years ended June 30, 2014, 2013 and 2012 were \$ 302,098, \$ 272,614, and \$ 282,707, respectively; \$ 259,502 (85.9%) has been contributed for fiscal year 2014 and 100% for fiscal years 2013 and 2012.

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, 2014, outstanding general obligation bonds of \$ 280,000 are considered to be defeased.

STRONGSVILLE CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 15 - LONG-TERM OBLIGATIONS

Changes in the School District's long-term obligations during fiscal year 2014 were as follows:

	Outstanding July 1, 2013	Additions	Retired	Outstanding June 30, 2014	Amounts Due In One Year
Refunding bonds, 4.1% - 4.45%, issued 2004, matures 2014	\$ 520,000	\$ -	\$ 255,000	\$ 265,000	\$ 265,000
Bonds, 2.820% to 5.000% issued 2005, matures 2035	1,215,000	-	75,000	1,140,000	75,000
Bonds, 4.40%; issued 2006, matures 2020	536,503	-	61,620	474,883	64,424
Bonds, 4.79%; issued 2008, matures 2023	2,908,001	-	206,947	2,701,054	216,860
Bonds, 3.0% to 5.0% issued 2013 matures 2045	81,000,000	-	1,795,000	79,205,000	1,280,000
Total bonds	<u>86,179,504</u>	<u>-</u>	<u>2,393,567</u>	<u>83,785,937</u>	<u>1,901,284</u>
Certificates of participation, 3.5% - 5.0%, issued 2005, matures 2034	4,100,000	-	115,000	3,985,000	120,000
4.58%, issued 2008, matures 2013	173,334	-	173,334	-	-
Total certificates of participation	<u>4,273,334</u>	<u>-</u>	<u>288,334</u>	<u>3,985,000</u>	<u>120,000</u>
Unamortized bond premium	3,578,702	-	108,445	3,470,257	-
Compensated absences	7,237,711	2,034,720	2,153,509	7,118,922	1,197,754
	<u>\$ 101,269,251</u>	<u>\$ 2,034,720</u>	<u>\$ 4,943,855</u>	<u>\$ 98,360,116</u>	<u>\$ 3,219,038</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 and certificates of participation will be paid from the General Fund and Debt Service Fund from property taxes. 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, 2014

NOTE 15 - LONG-TERM OBLIGATIONS (continued)

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2014, were as follows:

Year ending June 30,	Principal	Interest	Total
2015	\$ 1,901,284	\$ 3,232,153	\$ 5,133,437
2016	1,694,604	3,164,161	4,858,765
2017	1,718,554	3,093,910	4,812,464
2018	1,783,164	3,021,747	4,804,911
2019	1,858,468	2,946,566	4,805,034
2020 - 2024	10,229,863	13,456,880	23,686,743
2025 - 2029	10,610,000	11,222,189	21,832,189
2030 - 2034	12,845,000	8,959,137	21,804,137
2035 - 2039	15,120,000	6,440,603	21,560,603
2040 - 2044	17,855,000	3,466,025	21,321,025
2045 - 2046	8,170,000	330,000	8,500,000
	<u>\$ 83,785,937</u>	<u>\$ 59,333,371</u>	<u>\$ 143,119,308</u>

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, 2014, were as follows:

Year ending June 30,	Principal	Interest	Total
2015	\$ 120,000	\$ 183,068	\$ 303,068
2016	125,000	178,168	303,168
2017	130,000	173,068	303,068
2018	135,000	167,768	302,768
2019	140,000	162,268	302,268
2020- 2024	800,000	716,704	1,516,704
2025 - 2029	985,000	514,312	1,499,312
2030 - 2034	1,260,000	235,750	1,495,750
2032	290,000	7,250	297,250
	<u>\$ 3,985,000</u>	<u>\$ 2,338,356</u>	<u>\$ 6,323,356</u>

STRONGSVILLE CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 16 - JOINTLY GOVERNED ORGANIZATION

A. TRI-RIVERS EDUCATIONAL COMPUTER ASSOCIATION

The School District is a participant in the Tri-Rivers Educational Computer Association (TRECA), which is a computer consortium. TRECA is an association of over 30 Ohio School Districts located primarily in Delaware, Knox, Marion, Morrow, Muskingum and Wyandot Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts.

The Governing Board of TRECA consists of one representative from each county elected by majority vote of all charter member districts within each county, one representative from the city districts, and the superintendent from Tri-Rivers Joint Vocational School. Financial information can be obtained from the Tri-Rivers Educational Computer Association, 100 Executive Drive, Marion, Ohio 43302. During the year ended June 30, 2014, the School District paid \$ 67,604 in basic services to TRECA.

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 2014.

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, 2014

NOTE 16 - JOINTLY GOVERNED ORGANIZATION (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 2014 the School District paid \$ 243,235 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 forty 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.

STRONGSVILLE CITY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2014

NOTE 17 - CONTINGENCIES

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, 2014.

NOTE 18 - SET-ASIDES

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year end. 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 2014.

	Capital Maintenance
Balance June 30, 2013	\$ -
Required set aside	1,031,694
Offsetting credit	(1,161,809)
Qualifying expenditures	(2,340,992)
Balance June 30, 2014	\$ (2,471,107)

Although the School District had offsets and/or qualifying disbursements during the year that reduced the capital improvements reserve set-aside amount below zero, this amount cannot be carried forward to reduce the set-aside requirements for future years.

NOTE 19 - 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 July 1, 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, 2014 the School District's liability related to this retirement incentive plan was \$ 880,051.

STRONGSVILLE CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 20 – CONTRACTUAL COMMITMENTS

At June 30, 2014 the School District had the following contractual commitments:

	<u>Contracted Amount</u>	<u>Expended</u>	<u>Remaining Obligation</u>
Building construction and renovations	<u>\$ 52,538,518</u>	<u>\$ 9,729,697</u>	<u>\$ 42,808,821</u>

**STRONGSVILLE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2014**

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Receipts	Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<i>Passed Through the Ohio Department of Education:</i>			
<u>Special Education Cluster:</u>			
Special Education - Grants to States	84.027	\$80,000 <u>1,088,685</u>	\$66,733 <u>1,156,585</u>
Total Special Education -Grants to States		1,168,685	1,223,318
Special Education - Preschool Grants	84.173	<u>27,516</u>	91 <u>28,016</u>
Total Special Education - Preschool Grants		<u>27,516</u>	<u>28,107</u>
Total Special Education Cluster		1,196,201	1,251,425
Title I Grants to Local Educational Agencies	84.010	102,382 <u>501,582</u>	49,505 <u>519,841</u>
Total Title I Grants to Local Educational Agencies		603,964	569,346
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	2,196	2,196
English Language Acquisition State Grants	84.365	5,161 <u>31,421</u>	<u>34,882</u>
Total English Language Acquisition State Grants		36,582	34,882
Improving Teacher Quality State Grants	84.367	10,471 <u>114,975</u>	22,048 <u>114,515</u>
Total Improving Teacher Quality State Grants		<u>125,446</u>	<u>136,563</u>
Total U.S. Department of Education		<u>1,964,389</u>	<u>1,994,412</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<i>Passed Through the Ohio Department of Education:</i>			
<u>Child Nutrition Cluster:</u>			
National School Lunch Program	10.555	365,627	365,627
Non-Cash Assistance		<u>102,184</u>	<u>102,184</u>
Total National School Lunch Program		467,811	467,811
School Breakfast Program	10.553	<u>18,198</u>	<u>18,198</u>
Total Child Nutrition Cluster		486,009	486,009
State Administrative Expense Funds for Child Nutrition	10.560	<u>56,294</u>	<u>56,294</u>
Total U.S. Department of Agriculture		<u>542,303</u>	<u>542,303</u>
Totals		<u><u>\$2,506,692</u></u>	<u><u>\$2,536,715</u></u>

The accompanying notes are an integral part of this schedule.

**STRONGSVILLE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2014**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, 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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 3, 2015.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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, opining 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*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Dave Yost
Auditor of State
Columbus, Ohio

February 3, 2015



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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:

Report on Compliance for Each Major Federal Program

We have audited the Strongsville City School District's (the District) compliance with the applicable 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, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for 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*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Strongsville City School District, Cuyahoga County, Ohio, complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

February 3, 2015

**STRONGSVILLE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2014**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	<ul style="list-style-type: none"> ➤ Title I Grants to Local Educational Agencies, CFDA 84.010; ➤ Improving Teacher Quality, CFDA 84.367; ➤ Child Nutrition Cluster, CFDA 10.555 and 10.553.
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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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
MARCH 24, 2015**