



**STRONGSVILLE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**STRONGSVILLE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

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

We have audited the accompanying general-purpose financial statements of the Strongsville City School District, Cuyahoga County, Ohio, (the District) as of and for the year ended June 30, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Strongsville City School District, Cuyahoga County, Ohio, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2002 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form an opinion on the general-purpose financial statements of the District, taken as a whole. The accompanying schedule of federal awards expenditures is presented for additional analysis as required by 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 general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

Jim Petro
Auditor of State

March 13, 2002

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STRONGSVILLE CITY SCHOOL DISTRICT
 COMBINED BALANCE SHEET –
 ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 2001

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and other debits				
Pooled cash and equivalents	\$ 7,594,316	\$ 781,711	\$ 3,242,137	\$ 1,254,079
Receivables				
Taxes, current	38,441,031	-	3,037,895	1,063,162
Taxes, delinquent	1,603,505	-	126,722	44,347
Accounts and other	8,945	-	-	-
Due from other governments	109,466	-	-	-
Interfund receivable	2,700	-	-	-
Inventories and supplies	-	-	-	-
Restricted cash	150,188	-	-	-
Fixed assets	-	-	-	-
Accumulated depreciation	-	-	-	-
Amount available for debt service	-	-	-	-
Amount to be provided for debt service	-	-	-	-
Amount to be provided for benefits	-	-	-	-
Total assets and other debits	\$ 47,910,151	\$ 781,711	\$ 6,406,754	\$ 2,361,588
Liabilities, fund equity and other credits				
Liabilities				
Accounts and contracts payable	\$ 303,303	\$ 106,641	\$ -	\$ 211,025
Accrued salaries and benefits	3,581,094	52,030	-	-
Due to students	-	-	-	-
Due to other governments	950,337	11,085	-	-
Interfund payable	-	2,000	-	-
Due to others	-	-	-	-
Deferred revenue	37,528,437	-	2,965,774	1,037,924
Bonds payable	-	-	-	-
Compensated absences	260,135	1,724	-	-
Early retirement incentive	-	-	-	-
Total liabilities	42,623,306	173,480	2,965,774	1,248,949
Fund equity and other credits				
Investment in general fixed assets	-	-	-	-
Retained earnings				
Unreserved	-	-	-	-
Fund balances				
Reserved for property tax	2,516,099	-	198,843	69,585
Reserved for capital maintenance	150,188	-	-	-
Reserved for debt service	-	-	3,242,137	-
Reserved for encumbrances	2,171,797	57,441	-	291,801
Unreserved	448,761	550,790	-	751,253
Total fund equity and other credits	5,286,845	608,231	3,440,980	1,112,639
Total liabilities, fund equity and other credits	\$ 47,910,151	\$ 781,711	\$ 6,406,754	\$ 2,361,588

See accompanying notes.

Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt	
\$ 411,076	\$ 66,564	\$ 188,416	\$ -	\$ -	\$ 13,538,299
-	-	-	-	-	42,542,088
-	-	-	-	-	1,774,574
-	6,024	-	-	-	14,969
17,666	-	-	-	-	127,132
-	-	-	-	-	2,700
28,178	-	-	-	-	28,178
-	-	-	-	-	150,188
824,130	9,220	-	63,927,434	-	64,760,784
(453,336)	(2,702)	-	-	-	(456,038)
-	-	-	-	3,440,980	3,440,980
-	-	-	-	24,848,762	24,848,762
-	-	-	-	7,318,648	7,318,648
<u>\$ 827,714</u>	<u>\$ 79,106</u>	<u>\$ 188,416</u>	<u>\$ 63,927,434</u>	<u>\$ 35,608,390</u>	<u>\$ 158,091,264</u>
\$ 33,267	\$ 452	\$ 3,320	\$ -	\$ -	\$ 658,008
73,053	-	-	-	-	3,706,177
-	-	183,485	-	-	183,485
52,669	-	-	-	473,033	1,487,124
-	-	700	-	-	2,700
-	-	911	-	-	911
24,050	-	-	-	-	41,556,185
-	-	-	-	28,289,742	28,289,742
37,276	-	-	-	4,856,784	5,155,919
-	-	-	-	1,988,831	1,988,831
<u>220,315</u>	<u>452</u>	<u>188,416</u>	<u>-</u>	<u>35,608,390</u>	<u>83,029,082</u>
-	-	-	63,927,434	-	63,927,434
607,399	78,654	-	-	-	686,053
-	-	-	-	-	2,784,527
-	-	-	-	-	150,188
-	-	-	-	-	3,242,137
-	-	-	-	-	2,521,039
-	-	-	-	-	1,750,804
<u>607,399</u>	<u>78,654</u>	<u>-</u>	<u>63,927,434</u>	<u>-</u>	<u>75,062,182</u>
<u>\$ 827,714</u>	<u>\$ 79,106</u>	<u>\$ 188,416</u>	<u>\$ 63,927,434</u>	<u>\$ 35,608,390</u>	<u>\$ 158,091,264</u>

STRONGSVILLE CITY SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2001

	General	Special Revenue	Debt Service	Capital Projects
Revenues				
Taxes	\$ 38,025,857	\$ -	\$ 3,006,125	\$ 561,765
Tuition and fees	232,775	-	-	-
Interest	736,589	18,997	185,675	75,363
Intergovernmental	12,613,590	1,510,540	346,741	242,369
Extracurricular	-	504,029	-	-
Miscellaneous	139,311	141,491	-	-
Total revenues	51,748,122	2,175,057	3,538,541	879,497
Expenditures				
Current				
Instruction				
Regular	30,577,676	328,790	-	118,155
Special	2,638,542	172,923	-	-
Vocational education	363,507	-	-	-
Adult continuing	-	29,799	-	-
Other	686,562	-	-	-
Supporting services				
Pupil	2,062,608	434,738	-	-
Instructional	2,426,254	203,684	-	-
Board of education	26,329	-	-	-
Administration	2,650,716	40,459	-	-
Fiscal	4,164,543	-	42,669	6,745
Business	577,405	-	-	-
Operation and maintenance	4,108,585	-	-	5,784
Pupil transportation	2,531,153	-	-	-
Central services	308,327	-	-	-
Non-instructional services				
Community services	-	453,086	-	-
Extracurricular				
Academic oriented	-	241,850	-	-
Sports oriented	160,123	243,412	-	-
Capital outlay	-	-	-	1,310,773
Debt service				
Principal	-	-	1,480,000	-
Interest	-	-	1,529,045	-
Total expenditures	53,282,330	2,148,741	3,051,714	1,441,457
Excess (deficiency) of revenues over expenditures	(1,534,208)	26,316	486,827	(561,960)
Other financing sources (uses)				
Gain on sale of fixed assets	5,955	-	-	-
Operating transfers in	480	20,035	-	-
Operating transfers out	(23,185)	(545)	-	-
Total other financing sources (uses)	(16,750)	19,490	-	-
Excess (deficiency) of revenues over expenditures and other sources (uses)	(1,550,958)	45,806	486,827	(561,960)
Fund balances, beginning of year	6,837,803	562,425	2,954,153	1,674,599
Fund balances, end of year	\$ 5,286,845	\$ 608,231	\$ 3,440,980	\$ 1,112,639

See accompanying notes.

Totals
(Memorandum
Only)

\$ 41,593,747
232,775
1,016,624
14,713,240
504,029
280,802
58,341,217

31,024,621
2,811,465
363,507
29,799
686,562

2,497,346
2,629,938
26,329
2,691,175
4,213,957
577,405
4,114,369
2,531,153
308,327

453,086

241,850
403,535
1,310,773

1,480,000
1,529,045
59,924,242

(1,583,025)

5,955
20,515
(23,730)
2,740

(1,580,285)
12,028,980
\$ 10,448,695

STRONGSVILLE CITY SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) – ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2001

	General		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues			
Taxes	\$ 42,031,909	\$ 37,448,408	\$ (4,583,501)
Tuition and fees	162,700	232,572	69,872
Interest	800,000	747,725	(52,275)
Intergovernmental	11,810,266	12,512,874	702,608
Extracurricular	-	-	-
Miscellaneous	217,750	142,515	(75,235)
Total revenues	<u>55,022,625</u>	<u>51,084,094</u>	<u>(3,938,531)</u>
Expenditures			
Current			
Instruction			
Regular	31,831,942	31,177,815	654,127
Special	2,595,936	2,565,624	30,312
Vocational education	367,866	360,869	6,997
Adult continuing	-	-	-
Other	1,549,751	1,538,831	10,920
Supporting services			
Pupil	2,178,001	2,071,328	106,673
Instructional	2,652,663	2,508,774	143,889
Board of education	57,771	27,329	30,442
Administration	2,989,761	2,877,762	111,999
Fiscal	4,215,905	4,175,326	40,579
Business	895,190	830,880	64,310
Operation and maintenance	4,374,801	4,313,923	60,878
Pupil transportation	2,721,362	2,581,874	139,488
Central services	365,834	352,928	12,906
Non-instructional services			
Community services	-	-	-
Extracurricular			
Academic oriented	-	-	-
Sports oriented	225,384	159,601	65,783
Capital outlay	-	-	-
Debt service			
Principal	-	-	-
Interest	-	-	-
Total expenditures	<u>57,022,167</u>	<u>55,542,864</u>	<u>1,479,303</u>
Excess (deficiency) of revenues over expenditures	<u>(1,999,542)</u>	<u>(4,458,770)</u>	<u>(2,459,228)</u>
Other financing sources (uses)			
Gain on sale of fixed assets	55,000	5,955	(49,045)
Operating transfers-in	403,125	480	(402,645)
Advances in	517,425	483,183	(34,242)
Refund of prior year expenditures	5,000	(833)	(5,833)
Advances out	(515,700)	(485,183)	30,517
Refund of prior year receipts	(2,378)	(2,378)	-
Contingency	(332,643)	-	332,643
Operating transfers-out	(59,894)	(23,844)	36,050
Total other financing sources (uses)	<u>69,935</u>	<u>(22,620)</u>	<u>(92,555)</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	<u>(1,929,607)</u>	<u>(4,481,390)</u>	<u>(2,551,783)</u>
Prior year encumbrances	2,128,410	2,128,410	-
Fund balances, beginning of year	7,622,581	7,622,581	-
Fund balances, end of year	<u>\$ 7,821,384</u>	<u>\$ 5,269,601</u>	<u>\$ (2,551,783)</u>

See accompanying notes.

Special Revenue			Debt Service		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ 2,999,981	\$ 2,962,998	\$ (36,983)
-	-	-	-	-	-
18,072	18,997	925	125,000	188,347	63,347
1,801,774	1,510,540	(291,234)	200,000	346,741	146,741
807,210	504,029	(303,181)	-	-	-
391,470	141,491	(249,979)	-	-	-
<u>3,018,526</u>	<u>2,175,057</u>	<u>(843,469)</u>	<u>3,324,981</u>	<u>3,498,086</u>	<u>173,105</u>
577,380	354,806	222,574	-	-	-
235,401	212,873	22,528	-	-	-
-	-	-	-	-	-
34,899	29,774	5,125	-	-	-
-	-	-	-	-	-
582,272	460,967	121,305	-	-	-
229,318	208,366	20,952	-	-	-
-	-	-	-	-	-
44,608	39,799	4,809	-	-	-
-	-	-	39,669	39,669	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
501,525	472,067	29,458	-	-	-
410,697	262,525	148,172	-	-	-
419,619	256,219	163,400	-	-	-
-	-	-	-	-	-
-	-	-	1,480,000	1,480,000	-
-	-	-	1,529,045	1,529,045	-
<u>3,035,719</u>	<u>2,297,396</u>	<u>738,323</u>	<u>3,048,714</u>	<u>3,048,714</u>	<u>-</u>
<u>(17,193)</u>	<u>(122,339)</u>	<u>(105,146)</u>	<u>276,267</u>	<u>449,372</u>	<u>173,105</u>
-	-	-	-	-	-
21,472	20,035	(1,437)	-	-	-
233,021	114,090	(118,931)	-	-	-
1,000	227	(773)	-	-	-
(123,090)	(112,090)	11,000	-	-	-
(9,442)	(9,442)	-	-	-	-
-	-	-	-	-	-
(22,545)	(545)	22,000	-	-	-
<u>100,416</u>	<u>12,275</u>	<u>(88,141)</u>	<u>-</u>	<u>-</u>	<u>-</u>
83,223	(110,064)	(193,287)	276,267	449,372	173,105
154,254	154,254	-	-	-	-
573,442	573,442	-	2,792,765	2,792,765	-
<u>\$ 810,919</u>	<u>\$ 617,632</u>	<u>\$ (193,287)</u>	<u>\$ 3,069,032</u>	<u>\$ 3,242,137</u>	<u>\$ 173,105</u>

STRONGSVILLE CITY SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) – ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2001

	Capital Projects		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$ 557,963	\$ 492,180	\$ (65,783)
Tuition and fees	-	-	-
Interest	180,000	76,935	(103,065)
Intergovernmental	247,500	242,369	(5,131)
Extracurricular	-	-	-
Miscellaneous	-	-	-
Total revenues	<u>985,463</u>	<u>811,484</u>	<u>(173,979)</u>
Expenditures			
Current			
Instruction			
Regular	154,888	121,955	32,933
Special	-	-	-
Vocational education	-	-	-
Adult continuing	-	-	-
Other	-	-	-
Supporting services			
Pupil	-	-	-
Instructional	-	-	-
Board of education	-	-	-
Administration	-	-	-
Fiscal	6,745	6,745	-
Business	-	-	-
Operation and maintenance	10,830	6,443	4,387
Pupil transportation	-	-	-
Central services	-	-	-
Non-instructional services			
Community services	-	-	-
Extracurricular			
Academic oriented	-	-	-
Sports oriented	-	-	-
Capital outlay	2,869,055	1,725,963	1,143,092
Debt service			
Principal	-	-	-
Interest	-	-	-
Total expenditures	<u>3,041,518</u>	<u>1,861,106</u>	<u>1,180,412</u>
expenditures	<u>(2,056,055)</u>	<u>(1,049,622)</u>	<u>1,006,433</u>
Other financing sources (uses)			
Gain on sale of fixed assets	800	-	(800)
Operating transfers-in	-	-	-
Advances in	561,230	-	(561,230)
Refund of prior year expenditures	-	-	-
Advances out	-	-	-
Refund of prior year receipts	-	-	-
Contingency	-	-	-
Operating transfers-out	-	-	-
Total other financing sources (uses)	<u>562,030</u>	<u>-</u>	<u>(562,030)</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	(1,494,025)	(1,049,622)	444,403
Prior year encumbrances	445,746	445,746	-
Fund balances, beginning of year	1,355,129	1,355,129	-
Fund balances, end of year	<u>\$ 306,850</u>	<u>\$ 751,253</u>	<u>\$ 444,403</u>

See accompanying notes.

Totals
(Memorandum Only)

Budget	Actual	Variance Favorable (Unfavorable)
\$ 45,589,853	\$ 40,903,586	\$ (4,686,267)
162,700	232,572	69,872
1,123,072	1,032,004	(91,068)
14,059,540	14,612,524	552,984
807,210	504,029	(303,181)
609,220	284,006	(325,214)
<u>62,351,595</u>	<u>57,568,721</u>	<u>(4,782,874)</u>
32,564,210	31,654,576	909,634
2,831,337	2,778,497	52,840
367,866	360,869	6,997
34,899	29,774	5,125
1,549,751	1,538,831	10,920
2,760,273	2,532,295	227,978
2,881,981	2,717,140	164,841
57,771	27,329	30,442
3,034,369	2,917,561	116,808
4,262,319	4,221,740	40,579
895,190	830,880	64,310
4,385,631	4,320,366	65,265
2,721,362	2,581,874	139,488
365,834	352,928	12,906
501,525	472,067	29,458
410,697	262,525	148,172
645,003	415,820	229,183
2,869,055	1,725,963	1,143,092
1,480,000	1,480,000	-
1,529,045	1,529,045	-
<u>66,148,118</u>	<u>62,750,080</u>	<u>3,398,038</u>
<u>(3,796,523)</u>	<u>(5,181,359)</u>	<u>(1,384,836)</u>
55,800	5,955	(49,845)
424,597	20,515	(404,082)
1,311,676	597,273	(714,403)
6,000	(606)	(6,606)
(638,790)	(597,273)	41,517
(11,820)	(11,820)	-
(332,643)	-	332,643
(82,439)	(24,389)	58,050
<u>732,381</u>	<u>(10,345)</u>	<u>(742,726)</u>
(3,064,142)	(5,191,704)	(2,127,562)
2,728,410	2,728,410	-
12,343,917	12,343,917	-
<u>\$ 12,008,185</u>	<u>\$ 9,880,623</u>	<u>\$ (2,127,562)</u>

STRONGSVILLE CITY SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS –
 ALL PROPRIETARY FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2001

	Enterprise	Internal Service	Totals (Memorandum Only)
Operating revenues			
Tuition and fees	\$ 525,474	\$ -	\$ 525,474
Extracurricular	-	948	948
Miscellaneous	84,283	45,149	129,432
Charges for services	1,320,046	-	1,320,046
Total operating revenues	<u>1,929,803</u>	<u>46,097</u>	<u>1,975,900</u>
Operating expenses			
Salaries and wages	563,317	-	563,317
Fringe benefits	296,381	-	296,381
Contractual services	301,757	2,756	304,513
Materials and supplies	1,006,641	3,627	1,010,268
Other expenses	27,042	755	27,797
Depreciation	31,104	1,522	32,626
Total operating expenses	<u>2,226,242</u>	<u>8,660</u>	<u>2,234,902</u>
Operating income (loss)	<u>(296,439)</u>	<u>37,437</u>	<u>(259,002)</u>
Nonoperating revenues (expenses)			
Interest	16,589	-	16,589
Loss on disposal of fixed assets	(4,170)	-	(4,170)
Intergovernmental	254,293	-	254,293
Total nonoperating revenues (expenses)	<u>266,712</u>	<u>-</u>	<u>266,712</u>
Income (loss) before operating transfers	<u>(29,727)</u>	<u>37,437</u>	<u>7,710</u>
Operating transfers - in	<u>1,215</u>	<u>2,000</u>	<u>3,215</u>
Net income (loss)	(28,512)	39,437	10,925
Retained earnings, beginning of year	<u>635,911</u>	<u>39,217</u>	<u>675,128</u>
Retained earnings, end of year	<u>\$ 607,399</u>	<u>\$ 78,654</u>	<u>\$ 686,053</u>

See accompanying notes.

STRONGSVILLE CITY SCHOOL DISTRICT
 COMBINED STATEMENT OF CASH FLOWS –
 ALL PROPRIETARY FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2001

	Enterprise	Internal Service	Totals (Memorandum Only)
Cash flows from operating activities:			
Operating income (loss)	\$ (296,439)	\$ 37,437	\$ (259,002)
Adjustments to reconcile operating (loss) to net cash provided by operating activities:			
Donated commodities used	114,298	-	114,298
Depreciation	31,104	1,522	32,626
Changes in net assets (increase) decrease and liabilities increase (decrease):			
Account receivable	-	(6,024)	(6,024)
Due from other governments	958	-	958
Inventories and supplies	(2,983)	-	(2,983)
Accounts and contracts payable	16,658	79	16,737
Accrued salaries and benefits	7,131	-	7,131
Due to other governments	1,650	-	1,650
Deferred revenue	3,348	-	3,348
Accrued leave benefits	3,352	-	3,352
Total adjustments	175,516	(4,423)	171,093
Net cash provided by (used in) operating activities	(120,923)	33,014	(87,909)
Cash flows from non-capital financing activities:			
Intergovernmental revenue	139,995	-	139,995
Operating transfers-in	1,215	2,000	3,215
Net cash provided by non-capital financing activities	141,210	2,000	143,210
Cash flows from capital and related financing activities:			
Acquisition of fixed assets	(20,453)	(4,500)	(24,953)
Net cash (used in) capital and related financing activities	(20,453)	(4,500)	(24,953)
Cash flows provided by investing activities:			
Interest income	16,589	-	16,589
Net cash provided by investing activities	16,589	-	16,589
Net increase in cash and cash equivalents	16,423	30,514	46,937
Equity in pooled cash and equivalents, beginning of year	394,653	36,050	430,703
Equity in pooled cash and equivalents, end of year	\$ 411,076	\$ 66,564	\$ 477,640
Non-cash transactions			
Disposal of fixed assets, net book value	\$ 4,170	-	\$ 4,170

See accompanying notes.

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STRONGSVILLE CITY SCHOOL DISTRICT
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Strongsville City School District (District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. For the fiscal year the District has implemented GASB Statement No. 33 "Accounting and Financial Reporting for Nonexchange Transactions", and GASB Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues." The more significant of the District's accounting policies are described below.

A. DESCRIPTION OF THE ENTITY

The Strongsville City School District is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Strongsville City School District is a city school district as defined by Section 3311.02 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District. Average daily membership (ADM) as of October 1, 2000 was 7,020. The District employed 504 certificated employees and 386 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 District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the Strongsville City School District, this includes regular, vocational, and special instruction. The District also provides support services for the pupils, instructional staff, general and school administration, business and fiscal services, facilities acquisitions and construction services, operation and maintenance of plant, student transportation, food services, extracurricular activities and nonprogrammed services.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and 1) the District is able to significantly influence the programs or services performed or provided by the organization; or 2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. The District has no component units.

The following entities which perform activities within the District's boundaries for the benefit of its residents are excluded from the accompanying financial statements because the District is not financially accountable for the entities nor are they fiscally dependent on the District.

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. The board of education consists of representatives from the board of each participating school district, independent of the Strongsville City 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.

STRONGSVILLE CITY SCHOOL DISTRICT
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. DESCRIPTION OF THE ENTITY (continued)

Lake Erie Educational Computer Association - The Strongsville City School District participates in the Lake Erie Educational Computer Association (LEECA). LEECA provides data services needed by the participating school districts. This is a jointly governed organization. The District's participation is disclosed in Note 16 to these financial statements.

Ohio Schools Council Association - The Ohio Schools Council, which is composed of seventy school districts, was formed to purchase quality products and services at the lowest possible cost to the member districts. This is a jointly governed organization. The District's participation is disclosed in Note 16 to these financial statements.

Strongsville Education Foundation - The Strongsville City School Education Foundation was established to support and enhance educational opportunities for the youth of the Strongsville community. This is a jointly governed organization. The District's participation is disclosed in Note 16 to these financial statements.

Management believes the financial statements included in this report represent all of the funds of the Strongsville City School District over which the Strongsville City School District is financially accountable.

B. FUND ACCOUNTING

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

For financial statement presentation purposes, the various funds of the District are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

Governmental Fund Types:

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related current liabilities (except those accounted for in proprietary or fiduciary funds) are accounted for through governmental funds. The following are the District's governmental fund types:

General Fund - The general fund is the operating fund of the 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 District for any purpose provided it is expended or transferred according to the general laws of Ohio.

STRONGSVILLE CITY SCHOOL DISTRICT
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. FUND ACCOUNTING (continued)

Special Revenue Funds - Special revenue funds are established to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

Capital Projects Funds - The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

Proprietary Fund Type:

Proprietary funds are used to account for the District's ongoing activities which are similar to those found in the private sector. The following are the District's proprietary fund types:

Enterprise Funds - Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the Board of Education is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where the Board of Education had decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Internal Service Funds - Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost-reimbursement basis.

Fiduciary Fund Types:

Fiduciary Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments and other funds. These include expendable trust, nonexpendable trust and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds. Agency funds are purely custodial in nature (assets equal liabilities) and thus do not involve measurement of results of operations. The District has only Agency Funds.

Account Groups:

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the District, other than those accounted for in the proprietary or trust funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the District except those accounted for in proprietary or trust funds.

STRONGSVILLE CITY SCHOOL DISTRICT
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financial uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity is segregated into contributed capital and retained earnings components, as applicable. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The modified accrual basis of accounting is used by all governmental and agency funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which is considered to be sixty days. Generally, property taxes, although measurable, are not available soon enough after the current period to finance current period obligations, and accordingly, property taxes receivable are reflected as deferred revenue until available, except for what is on hand with the county treasurer on the last day of the fiscal year. Such amount is recognized as revenue in the current period and as a reservation of fund balance. Other revenues susceptible to accrual are interest revenue and charges for services. Expenditures are recorded when the related fund liability is incurred.

The proprietary fund types are accounted for using the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period in which they are incurred. As permitted, the board of education has elected to apply only applicable FASB Statements and Interpretations issued before November 30, 1989 in its accounting and reporting practices for its proprietary operations.

D. BUDGETARY PROCESS

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are required to be budgeted and appropriated. The primary level of budgetary control is at the object code function level within the General fund and at the object level for all other funds. Budgetary modifications may only be made by resolution of the Board of Education.

STRONGSVILLE CITY SCHOOL DISTRICT
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. BUDGETARY PROCESS (continued)

Tax Budget

A budget of estimated revenue and expenditures is submitted to the County Auditor, as Secretary of the County Budget Commission, by January 20 of each year, for the period July 1 to June 30 of the following year.

Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the District by March 1. As part of this certification, the District receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during the year.

Appropriations

A temporary appropriation resolution to control expenditures may be passed on or about July 1 of each year for the period of July 1 to September 30. An annual appropriation resolution must be passed by October 1 of each year for the period July 1 to June 30. The appropriation resolution fixes spending authority at the fund, function, object level within the General fund and at fund, object level for all other funds. The appropriation resolution may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The allocation of appropriations among functions and objects within the General fund and within objects for all other funds may be modified during the year by a resolution of the Board of Education. Several supplemental appropriation resolutions were legally enacted by the Board of Education during the year. The budget figures which appear in the statement of budgetary comparisons represent the final appropriation amounts including all amendments and modifications.

Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are encumbered and recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year end are reported as reservations of fund balances for subsequent year expenditures in Governmental Funds.

STRONGSVILLE CITY SCHOOL DISTRICT
 NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. BUDGETARY PROCESS (continued)

Lapsing of Appropriations

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

While reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law and described above is based upon accounting for transactions on a basis of cash receipts, disbursements, and encumbrances.

The "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Non-GAAP basis) - All Governmental Fund Types" 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 the GAAP basis are that:

- (a) Revenues are recorded when received (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- (b) Expenditures are recorded when paid or encumbered (budget basis) rather than when the liability is incurred (GAAP basis).
- (c) Outstanding year end encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP).

Adjustments necessary to convert the results of operations at the end of the year on the budget basis to the GAAP basis are as follows:

	Excess (deficiency) of revenues over expenditures and other sources (uses) - reconciliation of budget basis to GAAP basis			
	General	Special Revenue	Debt Service	Capital Projects
Budget basis	\$ (4,481,390)	\$ (110,064)	\$ 449,372	\$ (1,049,622)
Adjustments, increase (decrease)				
Revenue accruals	(119,155)	(114,317)	40,455	68,013
Expenditure accruals	3,049,587	270,187	(3,000)	419,649
GAAP basis, as reported	\$ (1,550,958)	\$ 45,806	\$ 486,827	\$ (561,960)

STRONGSVILLE CITY SCHOOL DISTRICT
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

E. POOLED CASH AND INVESTMENTS

For the purposes of the statement of cash flows, the District considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents. The District pools its cash for investment and administration purposes. Deposit and investment procedures are restricted by the provisions of the Ohio Revised Code. Purchased investments and other cash equivalents are neither charged when purchased nor credited at the time of redemption to their respective fund balances.

F. RESTRICTED CASH

Restricted cash in the general fund represents cash and cash equivalents set aside to establish a capital maintenance reserve. This reserve is required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction.

G. INTERFUND TRANSACTIONS

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as interfund receivables or interfund payables on the balance sheet.

H. INVENTORIES

Inventories are stated at the lower of cost (first in, first out) or market and consist of purchased food and commodities for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Inventories of proprietary fund types are expensed when used.

I. FIXED ASSETS

Fixed assets used in governmental fund types of the District are recorded in the general fixed assets account group at cost or estimated historical cost if purchased or constructed. Donated fixed assets are recorded at their estimated fair value at the date of donation. Assets in the general fixed assets account group are not depreciated. Interest incurred during construction is not capitalized on general fixed assets. The District follows the policy of not capitalizing assets with a cost of less than \$ 500.

Depreciation of fixed assets in the proprietary fund types is computed using the straight line method over the estimated useful life.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Public domain ("infrastructure") general fixed assets consisting of curbs, gutters, side walks, drainage systems and lighting systems are not capitalized, as these assets are immovable and of value only to the government.

STRONGSVILLE CITY SCHOOL DISTRICT
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

J. COMPENSATED ABSENCES

Compensated absences are absences for which employees will be paid, such as vacation, severance, and sick leave. A liability for compensated absences that is attributable to services already rendered and that is not contingent on a specific event that is outside the control of the District and its employees is accrued as employees earn the rights to the benefits. The liability is calculated using the vesting method. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the District and its employees are accounted for in the period in which such services are rendered or such events take place.

In the governmental funds compensated absences that are expected to be liquidated with expendable available resources are reported as an expenditure and fund liability in the fund that will pay for them. The remainder of the compensated absences liability is reported in the General Long-term Debt Account Group.

In proprietary funds compensated absences are recorded as an expense and liability of the fund that will pay for them.

K. LONG-TERM OBLIGATIONS

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

L. FUND EQUITY

The District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriations for expenditures. Undesignated fund balance indicates that portion of fund equity which is available for appropriation in future periods.

M. TOTALS - MEMORANDUM ONLY COLUMNS

Total columns on the general purpose financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in cash flows in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

N. USE OF ESTIMATES

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

STRONGSVILLE CITY SCHOOL DISTRICT
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 2 – STATUTORY RESERVES

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 2001, the reserve activity (cash basis) was as follows:

	<u>Textbook</u>	<u>Capital Maintenance</u>	<u>Budget Stabilization</u>	<u>Total</u>
Balance, July 1, 2000	\$ (45,491)	\$ -	\$ 954,071	\$ 908,580
Required set aside	1,104,886	1,104,886	-	2,209,772
Offset credits	-	-	-	-
Qualifying expenditures	<u>(1,113,244)</u>	<u>(954,698)</u>	<u>(954,071)</u>	<u>(3,022,013)</u>
Balance June 30, 2001	<u>\$ (53,849)</u>	<u>\$ 150,188</u>	<u>\$ -</u>	<u>\$ 96,339</u>

Expenditures for textbooks during the year were \$ 1,113,244, which exceeded the required set aside and the reserve balance. Textbook expenditures exceeded statutory requirements by \$ 8,358, which may be used as an offset credit for future years' set aside requirements.

NOTE 3 DEPOSITS AND INVESTMENTS

A. LEGAL REQUIREMENTS

State statute classify monies held by the District into three categories.

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

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

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

STRONGSVILLE CITY SCHOOL DISTRICT
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 3 DEPOSITS AND INVESTMENTS (continued)

A. LEGAL REQUIREMENTS (continued)

- 1) United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- 2) Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- 3) Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that 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) of this section 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) Certain bankers' acceptance and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; 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.

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 of debt of the District, and must be purchased with the expectation that it will be held until maturity.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, 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.

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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The Strongsville City School District maintains a cash and investment pool used by various funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Pooled cash and equivalents."

STRONGSVILLE CITY SCHOOL DISTRICT
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 3 DEPOSITS AND INVESTMENTS (continued)

B. DEPOSITS

At year-end, the District had \$ 3,550 in undeposited cash on hand which is included as part of "Pooled cash and equivalents." At year-end, the carrying amount of the Strongsville City School District's deposits was \$ (12,577) and the bank balance was \$ 686,894. Of the bank balance,

1. \$ 202,001 was covered by federal depository insurance; and
2. \$ 484,893 was uninsured and uncollateralized. Although State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

C. INVESTMENTS

The District's investments are categorized below to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the District. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer or by its trust department but not in the District's name. The District's investments are in a liquid asset management account and are considered to be non-participating. In accordance with the provisions of GASB 31, carrying value is at amortized cost. Any difference between cost and fair value is considered to be immaterial. Investment in STAR Ohio, the State Treasurer's Investment Pool, is not classified by degree of credit risk since it is not evidenced by securities that exist in physical or book entry form. Open-end mutual funds are not securities and therefore are not classified in categories of risk.

	Category			Carrying Value
	1	2	3	
U.S. Government securities	\$	-	\$	7,674,060
Money Market Investment				338,458
Mutual Funds				734,829
Investment in State Treasurer's Investment Pool				4,950,167
				\$ 13,697,514

STRONGSVILLE CITY SCHOOL DISTRICT
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 4 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal business property located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true 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 alternate payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The District receives property taxes from Cuyahoga and Lorain Counties. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2001 are available to finance fiscal year 2001 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2001. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2001, was \$ 2,516,099 in the General Fund \$ 198,843 in the Debt Service Fund, and \$ 69,585 in the Capital Projects Fund. The assessed values upon which fiscal year 2001 taxes were collected are:

	2000 Second - Half Collections			2001 First - Half Collections	
	Amount	%		Amount	%
Agricultural/Residential and Other Real Estate	\$ 991,787,840	87.23	%	\$1,109,845,770	88.01
Public Utilities	40,334,100	3.55		39,223,510	3.11
Tangible Personal Property	104,853,283	9.22		111,928,222	8.88
Total Assessed Value	<u>\$ 1,136,975,223</u>	<u>100.00</u>	<u>%</u>	<u>\$1,260,997,502</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	<u>70.60</u>			<u>70.60</u>	

STRONGSVILLE CITY SCHOOL DISTRICT
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 5 - FIXED ASSETS

The District's general and proprietary fixed assets were adjusted to reflect the estimated original historical cost based upon an estimated year of purchase.

The following is a summary of changes in the general fixed assets account group during the fiscal year:

	Balance July 1, 2000	Additions	Disposals	Balance June 30, 2001
Land and buildings	\$ 45,519,549	\$ 43,935	\$ 15,578	\$ 45,547,906
Furniture and equipment	10,991,236	1,032,102	186,757	11,836,581
Vehicles	4,355,167	342,453	191,794	4,505,826
Text and library books	2,037,121	-	-	2,037,121
	<u>\$ 62,903,073</u>	<u>\$ 1,418,490</u>	<u>\$ 394,129</u>	<u>\$ 63,927,434</u>

The following is a summary of proprietary fund type fixed assets at June 30, 2001:

	Enterprise	Internal Service	Total
Machinery and equipment	\$ 824,130	\$ 9,220	\$ 833,350
Less accumulated depreciation	453,336	2,702	456,038
Net fixed assets	<u>\$ 370,794</u>	<u>\$ 6,518</u>	<u>\$ 377,312</u>

Machinery and equipment in the proprietary funds have estimated useful lives of 5 - 40 years.

NOTE 6 - LONG-TERM DEBT

Long-term obligations of the District as of June 30, 2001 were as follows:

	Outstanding July 1, 2000	Additions	Retired	Outstanding June 30, 2001
Bonds, 6.500%; matures 2010	\$ 2,860,000	\$ -	\$ 260,000	\$ 2,600,000
Bonds, 6.950%; matures 2011	1,560,000	-	130,000	1,430,000
Bonds, 6.200%; matures 2015	2,935,000	-	130,000	2,805,000
Bonds, 3.750%; matures 2012	22,414,742	-	960,000	21,454,742
Total bonds	29,769,742	-	1,480,000	28,289,742
Due to other governments	483,769	473,033	483,769	473,033
Compensated absences	4,985,538	442,207	570,961	4,856,784
Retirement incentive plan	2,128,581	767,992	907,742	1,988,831
	<u>\$ 37,367,630</u>	<u>\$ 1,683,232</u>	<u>\$ 3,442,472</u>	<u>\$ 35,608,390</u>

STRONGSVILLE CITY SCHOOL DISTRICT
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 6 - LONG-TERM DEBT (continued)

Outstanding bonds consist of general obligation bonds for building issues. General obligation bonds are direct obligations of the District for which its full faith, credit and resources are pledged and are payable from taxes levied on all taxable property in the District. General obligation bonds will be paid from the Debt Service Fund from property taxes. Due to other governments represents contractually required pension contributions and will be paid from the fund from which the employee is paid. Compensated absences will be paid from the fund from which the employee is paid. Retirement incentive will be paid from the general fund.

The annual requirements to amortize general obligation bonds outstanding as of June 30, 2001, are as follows:

Year ending June 30,	Principal	Interest	Total
2002	\$ 1,615,000	\$ 1,451,205	\$ 3,066,205
2003	1,770,000	1,364,877	3,134,877
2004	1,224,742	2,007,555	3,232,297
2005	2,045,000	1,231,591	3,276,591
2006	2,235,000	1,119,068	3,354,068
2007 - 2011	13,300,000	3,566,765	16,866,765
2011 - 2015	6,100,000	401,829	6,501,829
	<u>\$ 28,289,742</u>	<u>\$ 11,142,890</u>	<u>\$ 39,432,632</u>

NOTE 7 - INTERFUND TRANSACTIONS

Interfund balances at June 30, 2001, consisted of the following individual fund receivables and payables:

Fund	Receivable	Payable
General Fund	\$ 2,700	\$ -
Special Revenue		
Athletic / Music Fund	-	2,000
Agency Funds		
Outdoor Education	-	700
Total	<u>\$ 2,700</u>	<u>\$ 2,700</u>

STRONGSVILLE CITY SCHOOL DISTRICT
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 8 - SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains three enterprise funds which are intended to be self-supporting through user fees charged for services to the students. Financial segment information as of and for the fiscal year ended June 30, 2001 is presented below.

	<u>Food Service</u>	<u>Uniform Supplies</u>	<u>Special Enterprise</u>	<u>Total Enterprise</u>
Operating revenues	\$ 1,320,046	\$ 532,196	\$ 77,561	\$ 1,929,803
Operating expenses				
Salaries and wages	539,174	-	24,143	563,317
Fringe benefits	284,070	-	12,311	296,381
Contractual services	18,461	234,881	48,415	301,757
Materials and supplies	715,706	289,032	1,903	1,006,641
Other	-	25,034	2,008	27,042
Depreciation	30,132	120	852	31,104
Total operating expenses	<u>1,587,543</u>	<u>549,067</u>	<u>89,632</u>	<u>2,226,242</u>
Operating loss	<u>(267,497)</u>	<u>(16,871)</u>	<u>(12,071)</u>	<u>(296,439)</u>
Nonoperating revenues	<u>266,712</u>	<u>-</u>	<u>-</u>	<u>266,712</u>
Operating transfers-in	<u>-</u>	<u>1,215</u>	<u>-</u>	<u>1,215</u>
Net loss	<u>\$ (785)</u>	<u>\$ (15,656)</u>	<u>\$ (12,071)</u>	<u>\$ (28,512)</u>
Other information				
Net working capital	<u>\$ 166,432</u>	<u>\$ 95,832</u>	<u>\$ 35,667</u>	<u>\$ 297,931</u>
Fixed asset additions	<u>\$ 18,953</u>	<u>\$ -</u>	<u>\$ 1,500</u>	<u>\$ 20,453</u>
Fixed asset disposals	<u>\$ (6,837)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (6,837)</u>
Total assets	<u>\$ 658,091</u>	<u>\$ 126,594</u>	<u>\$ 43,029</u>	<u>\$ 827,714</u>
Total equity	<u>\$ 472,780</u>	<u>\$ 95,832</u>	<u>\$ 38,787</u>	<u>\$ 607,399</u>

STRONGSVILLE CITY SCHOOL DISTRICT
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 9 - COMPENSATED ABSENCES

Sick Leave

Each full time professional staff member is entitled to fifteen days sick leave with pay for each year under contract and accrues sick leave at the rate of one and one-fourth days for each calendar month under contract. Sick leave is cumulative for members of the Strongsville Educators Association (SEA) up to 365 days. Sick leave is cumulative for members of the local chapter of the Ohio Association of Public School Employees (OAPSE) up to 280 days.

Service Retirement

Certified employees are eligible for service retirement pay after the Board of Education accepts the employee's resignation. Service retirement pay is the certified employee's accrued but unused sick leave days at the time of retirement based on their daily rate of pay times the value of the employee's eligible accrued unused sick leave days. Service retirement is payable at 30% not to exceed 115 days for fifteen years of service (ten years with the Strongsville City School District) and 30% not to exceed 130 days for twenty years of service (fifteen years with the Strongsville City School District).

Non-certified employees are eligible for service retirement pay after the Board of Education accepts the employee's resignation. Service retirement is 30% of the employee's accumulated unused sick leave computed at the employee's per diem rate of pay at the last date of employment.

Administration employees are eligible for service retirement pay after the Board of Education accepts the employee's resignation. All members of the Leadership Team who have no less than three years service in the Strongsville City School District will be paid a lump sum equal to 30% of the value of accrued unused sick leave, to a maximum of 133 days for a 215 day contract employee and 142 days for a 260 day contract employee. Such payment shall be based on the employee's daily rate of pay at the time of resignation from the Strongsville City School District.

Severance Pay

Non-certified employees are eligible for severance pay after the Board of Education accepts the employee's retirement. Severance pay is based on 30% of the employee's accumulated unused sick leave times their per diem rate of pay at the last date of employment. No supplemental pay shall be used in the computation of severance pay.

Certified employees are eligible for severance pay upon the employee's death, resignation or retirement. In the event of retirement or death, severance pay shall be equal to the value of 30% of the teacher's accumulated but unused sick leave not to exceed 115 days. In the event of resignation or death with a minimum of fifteen years (ten years in Strongsville), severance pay shall be equal to the value of 30% of the teacher's accumulated but unused sick leave not to exceed 115 days. In the event of resignation or death with a minimum of twenty years (fifteen years in Strongsville), severance pay shall be equal to the value of 30% of the teacher's accumulated unused sick leave not to exceed 130 days. The value shall be computed at the teacher's per diem rate of pay at the last date of employment. No supplemental pay shall be used in the computation of severance pay.

Administration employees are eligible for severance pay after the Board of Education accepts the employee's resignation. Administration employees who have a minimum of three years service in the Strongsville City School District will be paid a lump sum equal to 30% of the value of accrued unused sick leave, to a maximum of 133 days for a 215 day contract employee and 142 days for a 260 day contract employee. Such payment shall be based on the employee's daily rate of pay at the time of severance from the Strongsville City School District.

STRONGSVILLE CITY SCHOOL DISTRICT
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 10 PENSION PLANS

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS)

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 and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. The School Employees Retirement System issues a publicly available, stand alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SERS, 45 N. Fourth Street, Columbus, Ohio 43215-3634 or by calling (614)222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The School district's contributions to SERS for the years ended June 30, 2001, 2000, and 1999 were \$ 1,134,800, \$ 1,127,900, and \$ 1,035,000, respectively. The full amount has been contributed for 2000 and 1999. For 2001, 45% has been contributed with the remainder being reported as a fund liability within the respective funds and the general long-term debt account group.

B. STATE TEACHERS RETIREMENT SYSTEM (STRS)

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent. Contribution rates are established by STRS, upon recommendation of it's consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's contribution to STRS for the years ended June 30, 2001, 2000, and 1999 were \$ 3,610,300, \$ 3,516,000, and \$ 3,191,700, respectively. The full amount has been contributed for 2000 and 1999. For 2001, 82% has been contributed with the remainder being reported as a liability within the respective funds.

STRONGSVILLE CITY SCHOOL DISTRICT
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 11 POSTEMPLOYMENT BENEFITS

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM

The Ohio Revised Code gives the School Employees Retirement System (SERS) the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989 with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service, up to a maximum of 75% of the premium.

After the allocation for basic benefits, the remainder of the employer's contribution is allocated to providing health care benefits. At June 30, 2001 (the latest information available) the allocation rate is 9.8%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2001, the minimum pay has been established as \$ 12,400. The surcharge rate added to the unallocated portion of the 14% employer contribution rate provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2000 (the latest information available) were \$ 140,696,340 and the target level was \$ 211.0 million. At June 30, 2000, the Retirement System's net assets available for payment of health care benefits was \$ 252.3 million.

The number of participants receiving health care benefits is approximately 50,000. The portion of the District's contributions that were used to fund postemployment benefits amounted to \$ 780,700.

B. STATE TEACHERS RETIREMENT SYSTEM

State Teachers Retirement System of Ohio (STRS Ohio) provides comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to Revised Code (R.C.), the State Teachers Retirement Board (the board) has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most recipients pay a portion of the health care cost in the form of a monthly premium.

The R.C. grants authority to STRS Ohio to provide health care coverage to benefit recipients, spouses, and dependents. By Ohio law, the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14% of covered payroll.

For the fiscal year ended June 30, 2001, the Retirement Board allocated employer contributions equal to 4.5% of covered payroll to the Health Care Reserve Fund from which health care benefits are paid. The balance in the Health Care Reserve Fund was \$ 3.419 billion on June 30, 2000 (the latest information available). The Health Care Reserve Fund allocation for the year ended June 30, 2001, and after, is 4.5% of covered payroll.

For the year ended June 30, 2001, net health care costs paid by STRS were \$ 283,137,000. There were 99,011 eligible benefit recipients.

STRONGSVILLE CITY SCHOOL DISTRICT
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 12 - RETIREMENT INCENTIVE PLAN

The Strongsville Board of Education adopted an Early Retirement Incentive Plan for all certificated staff who are members of the State Teachers Retirement System. This plan is in effect beginning August 1, 1997 and will continue through July 31, 2002. Participation is open to all eligible certificated personnel. The Board shall pay the cost of a maximum of three years of eligible service credit or one-fifth of each member's total eligible service credit, whichever is less. Participants in this plan are eligible to receive the total number of years of service credit allowable and not just the minimal number needed to qualify for retirement. Each teacher who elects to participate in this Early Retirement Incentive Plan shall receive their severance pay in three equal installments beginning in January of the year following the teacher's retirement.

NOTE 13 - OHIO SCHOOL FUNDING PLAN

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State Funding for most Ohio school districts. However, as of March 13, 2002, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

STRONGSVILLE CITY SCHOOL DISTRICT
 NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 14 - OPERATING LEASE

The District is obligated under a certain lease accounted for as an operating lease. Operating leases do not give rise to property rights or lease obligations, and therefore the results of the lease agreement are not reflected in the District's account groups. During 2001, expenditures for operating leases totaled \$ 32,400. The following is a schedule by years of future minimum rental payments required under the operating lease as of June 30, 2001:

Year ending June 30,	Amount
2002	\$ 39,480
2003	39,480
2004	39,480
2005	39,480
Total minimum lease payments	<u>\$ 157,920</u>

NOTE 15 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During the fiscal year 2001, the District contracted with the Indiana Insurance Company for property insurance. Travelers Insurance Company covers boiler and machinery at \$ 30,000,000 single occurrence and \$ 1,000 deductible. Crime policy for employee dishonesty, forgery and alteration is covered by Ohio Casualty Insurance Co. with a \$ 250,000 limit and \$ 1,000 deductible. Liability is protected by Nationwide Agribusiness Insurance Company with a \$ 5,000,000 annual aggregate/\$ 2,000,000 single occurrence limit and no deductible. Vehicles are covered by Corecis and hold a \$ 250 deductible for comprehensive and a \$ 500 deductible for collision. Automobile liability has a \$ 2,000,000 combined single limit of liability. The District provides medical, dental and life insurance to employees through commercial insurance coverage. There have 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.

The District participates in the Ohio School Board Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participants' individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "equity pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

STRONGSVILLE CITY SCHOOL DISTRICT
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS

A. LAKE ERIE EDUCATION COMPUTER ASSOCIATION

The Lake Erie Educational Computer Association (LEECA) is a jointly governed organization comprised of thirty-two school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these districts supports LEECA based upon a per pupil charge dependent upon the software package utilized. The LEECA assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. LEECA is governed by a board of directors chosen from the general membership of the LEECA assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least one assembly member from each county from which participating districts are located. Financial information can be obtained by contacting the Treasurer at the Educational Service Center of Lorain County, which serves as fiscal agent, located at 1885 Lake Avenue, Elyria, Ohio 44035. During the year ended June 30, 2001 the District paid \$ 54,381 to LEECA for basic charges.

B. OHIO SCHOOLS COUNCIL

The Ohio Schools Council (Council) is a jointly governed organization among eighty-three school districts. This jointly governed organization was formed to purchase quality products and services at the lowest possible cost to member districts. The Council sponsors an insurance purchasing plan, the Cooperative Purchasing Program and a natural gas purchasing program in which the District participates. Each school district supports the Council by paying a one time fee of \$ 500 and certain annual participation fees. The Council's Board consists of seven superintendents of the participating school districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. Financial information can be obtained by contacting the Executive Secretary of the Ohio Schools Council at 6133 Rockside Road, Independence, Ohio 44131

The District participates in the Council's electric purchase program which was implemented during fiscal year 1999. This program allows school districts to purchase electricity at reduced rates, if the school districts will commit to participating for an eight year period. The participants make monthly payments based on estimated usage. Each June these estimated payments are compared to their actual usage for the year and any necessary adjustments are made.

Energy Acquisition Corp., a non-profit corporation with a self-appointing board, issued \$ 119,140,000 in debt to prepurchase eight years of electricity from Cleveland Electric Illuminating (CEI) for the participants. The participating school districts are not obligated in any manner for this debt. If a participating school district terminates their agreement, they are required to repay the savings to CEI and CEI will refund the remaining prepayment related to that participant to Energy Acquisition Corp.

The School District also participates in the Council's prepaid natural gas program which was implemented during fiscal year 2001. This program allows school districts to purchase natural gas at reduced rates, if the school districts will commit to participating for a twelve year period. The participants make monthly payments based on estimated usage. Each month these estimated payments are compared to their actual usage and any necessary adjustments are made.

STRONGSVILLE CITY SCHOOL DISTRICT
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS (continued)

B. OHIO SCHOOLS COUNCIL (continued)

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.

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.

NOTE 17 - CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although management expects such amounts, if any, to be immaterial.

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

**STRONGSVILLE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

Schedule of Federal Awards Expenditures
For Fiscal Year Ended June 30, 2001 (A)

Federal Grantor Pass-Through Grantor / Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. Department of Agriculture</u>						
<i>Passed Through the Ohio Department of Education</i>						
Child Nutrition Cluster:						
Food Distribution (B)	N/A	10.550	\$0	\$117,647	\$0	\$114,299
National School Lunch Program (C)	044842 LL-P1-00	10.555	15,924	0	15,924	0
	044842 LL-P4-00	10.555	19,189	0	19,189	0
	044842 LL-P1-01	10.555	41,216	0	41,216	0
	044842 LL-P4-01	10.555	47,558	0	47,558	0
Total U.S. Department of Agriculture - Child Nutrition Cluster			<u>123,887</u>	<u>117,647</u>	<u>123,887</u>	<u>114,299</u>
<u>U.S. Department of Education</u>						
<i>Passed Through the Ohio Department of Education</i>						
Special Education Cluster:						
Special Education- Title VIB	044842-6B-SF-99P	84.027	0	0	1,279	0
Special Education- Title VIB	044842-6B-SF-00P	84.027	0	0	38,290	0
Special Education- Title VIB	044842-6B-SF-01P	84.027	425,958	0	385,277	0
Subtotal			<u>425,958</u>	<u>0</u>	<u>424,846</u>	<u>0</u>
Special Education-Pre-School	044842-PG-S1-99P	84.173	2,617	0	5,828	0
Special Education-Pre-School	044842-PG-S1-00P	84.173	24,508	0	21,689	0
Subtotal			<u>27,125</u>	<u>0</u>	<u>27,517</u>	<u>0</u>
Total Special Education Cluster			<u>453,083</u>	<u>0</u>	<u>452,363</u>	<u>0</u>
Grants to Local Educational Agencies						
Title I	044842-C1-S1-00	84.010	0	0	14,453	0
Title I	044842-C1-S1-00C	84.010	0	0	16,586	0
Title I	044842-C1-S1-01	84.010	114,387	0	91,545	0
Subtotal			<u>114,387</u>	<u>0</u>	<u>122,584</u>	<u>0</u>
Eisenhower Professional Development						
Title II	044842-MS-S1-99	84.281	0	0	28	0
Title II	044842-MS-S1-99C	84.281	0	0	3,612	0
Title II	044842-MS-S1-00	84.281	0	0	12,162	0
Title II	044842-MS-S1-01	84.281	18,078	0	6,185	0
Subtotal			<u>18,078</u>	<u>0</u>	<u>21,987</u>	<u>0</u>
Adult Education (C)						
Adult Basic Education	044842-AB-S1-99C	84.002	0	0	23	0
Adult Basic Education	044842-AB-S1-00	84.002	0	0	3,859	0
Adult Basic Education	0044842-AB-S1-00C	84.002	0	0	5,563	0
Adult Basic Education	044842-AB-S1-01	84.002	29,806	0	21,438	0
Subtotal			<u>29,806</u>	<u>0</u>	<u>30,883</u>	<u>0</u>
Innovative Educational Program						
Title VI Innovative Education	044842-C2-S1-99C	84.298	0	0	666	0
Title VI Innovative Education	044842-C2-S1-00	84.298	0	0	9,215	0
Title VI Innovative Education	044842-C2-S1-01	84.298	37,566	0	25,126	0
Subtotal			<u>37,566</u>	<u>0</u>	<u>35,007</u>	<u>0</u>
Emergency Immigrant Education						
Subtotal	0044842-E1-S1-00	84.162	<u>0</u>	<u>0</u>	<u>113</u>	<u>0</u>
			0	0	113	0
Drug Free Schools						
Drug Free Schools	044842-DR-S1-00	84.186	0	0	7,337	0
Drug Free Schools	044842-DR-S1-01	84.186	25,514	0	22,235	0
Subtotal			<u>25,514</u>	<u>0</u>	<u>29,572</u>	<u>0</u>

**STRONGSVILLE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

Schedule of Federal Awards Expenditures
For Fiscal Year Ended June 30, 2001 (A)

Federal Grantor Pass-Through Grantor / Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
Goals 2000						
Family & School Partnership Grant	044842-G2-S4-99P	84.276	0	0	16,656	0
Family & School Partnership Grant	0044842-G2-S2-99	84.276	0	0	9,002	0
Family & School Partnership Grant	0044842-G2-S8-00	84.276	0	0	1,012	0
Subtotal			0	0	26,670	0
Title VI-R Class Size Reduction						
Title VI-R Class Size Reduction	0044842-CR-S1-00	84.340	0	0	4,896	0
Title VI-R Class Size Reduction	0044842-CR-S1-01	84.340	56,958	0	56,951	0
Subtotal			56,958	0	61,847	0
Total U. S. Department of Education			735,392	0	781,026	0
Total Federal Assistance			\$859,279	\$117,647	\$904,913	\$114,299

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards expenditures is a summary of the activity of the District's federal awards programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities received and disbursed. At June 30, 2001, the District had no significant food commodities in inventory.

NOTE C - NATIONAL SCHOOL LUNCH, SPECIAL MILK AND ADULT AND COMMUNITY EDUCATION PROGRAMS

Federal monies received by the District for these programs are commingled with State grants and local revenues. It is assumed that federal monies are expended first.

N/A - Not Applicable

CFDA - Catalog of Federal Domestic Assistance



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

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

We have audited the financial statements of the Strongsville City School District, Cuyahoga County, Ohio, (the District) as of and for the year ended June 30, 2001, and have issued our report thereon dated March 13, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the District in a separate letter dated March 13, 2002.

Strongsville City School District
Cuyahoga County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page -2-

This report is intended for the information and use of the audit committee, Board of Education, management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

March 13, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of the Strongsville City School District, Cuyahoga County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2001. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to the major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2001.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated March 13, 2002.

This report is intended for the information and use of the audit committee, Board of Education, management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

March 13, 2002

**STRONGSVILLE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505
JUNE 30, 2001**

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unqualified
(d)(1)(ii)	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(ii)	<i>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any reported non-compliance at the financial statement level (GAGAS)?</i>	No
(d)(1)(iv)	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
(d)(1)(iv)	<i>Were there any other reportable internal control weakness conditions reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
(d)(1)(vi)	<i>Are there any reportable findings under § .510?</i>	No
(d)(1)(vii)	<i>Major Programs (list)</i>	Special Education Cluster: Title VI-B (CFDA # 84.027) & Title VI-B Preschool (CFDA # 84.173)
(d)(1)(viii)	<i>Dollar Threshold: Type A/B Programs</i>	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	<i>Low Risk Auditee?</i>	Yes

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

None

3. FINDINGS 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
MAY 9, 2002**