



Dave Yost • Auditor of State



**STRONGSVILLE CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report .....	1
Management's Discussion and Analysis.....	5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position .....	19
Statement of Activities.....	20
Fund Financial Statements:	
Balance Sheet - Governmental Funds .....	21
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities.....	22
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds.....	23
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	24
Statement of Revenues, Expenditures and Changes in Fund Balances Budget Basis (Non-GAAP Budgetary Basis) and Actual - General Fund .....	25
Statement of Fund Net Position – Internal Service Fund.....	26
Statement of Revenues, Expenses and Changes in Fund Net Position Internal Service Fund .....	27
Statement of Cash Flows – Internal Service Fund .....	28
Statement of Fiduciary Assets and Liabilities – Agency Funds .....	29
Notes to the Basic Financial Statements.....	31
Required Supplementary Information:	
Schedules of the District's Proportionate Share of the Net Pension Liability:	
School Employees Retirement System .....	66
State Teachers Retirement System .....	67
Schedules of the District Contributions:	
School Employees Retirement System.....	68
State Teachers Retirement System .....	70

**STRONGSVILLE CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**TABLE OF CONTENTS  
(Continued)**

<b>TITLE</b>	<b>PAGE</b>
Federal Awards Receipts and Expenditures Schedule.....	73
Notes to the Federal Awards Receipts and Expenditures Schedule .....	74
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	75
Independent Auditor's Report on Compliance with Requirements Applicable to the Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133 .....	77
Schedule of Findings.....	79



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Strongsville City School District  
Cuyahoga County  
18199 Cook Avenue  
Strongsville, Ohio 44136

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Strongsville City School District, Cuyahoga County, Ohio (the District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Strongsville City School District, Cuyahoga County, Ohio, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 2 to the financial statements, during the year ended June 30, 2015, the District adopted Governmental Accounting Standard No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

### ***Other Matters***

#### *Required Supplementary Information*

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

#### *Supplementary and Other Information*

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

The Federal Awards Receipts and Expenditures Schedule presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2016, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

February 4, 2016

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## **STRONGSVILLE CITY SCHOOL DISTRICT**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015*

(Unaudited)

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The discussion and analysis of Strongsville City School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the financial statements and notes to those respective statements to enhance their understanding of the School District's financial performance.

### **Financial Highlights**

Key financial Highlights for 2015 are as follows:

- In total, net position increased by \$ 5,184,415
- Revenues for governmental activities totaled \$ 77,395,969 in 2015. Of this total, 92.1 percent consisted of general revenues while program revenues accounted for the balance of 7.9 percent.
- Program expenses totaled \$ 72,211,554. Instructional expenses made up 51.2 percent of this total while support services accounted for 38.8 percent. Other expenses rounded out the remaining 10.0 percent.
- Outstanding long-term obligations, excluding net pension liability, had a net decrease of \$ 1,654,038.

### **Reporting the School District as a Whole**

#### *Statement of Net Position and the Statement of Activities*

While this document contains all the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the question, "How did we do financially during 2015?" The *Statement of Net Position* and the *Statement of Activities* answers this question. These statements include all non-fiduciary assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting, similar to the accounting used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

#### *Fund Financial Statements*

The analysis of the School District's major funds begins on page 13. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General fund and the Building fund.

**STRONGSVILLE CITY SCHOOL DISTRICT**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015*

(Unaudited)

*Governmental Funds*

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

**The School District as a Whole**

You may recall that the *Statement of Net Position* provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2015 compared to 2014.

**Table I**  
Net Position  
Governmental Activities

	<u>2015</u>	<u>Restated 2014</u>
Assets		
Current and other assets	\$ 137,426,757	\$ 150,687,216
Total capital assets, net	<u>66,081,671</u>	<u>45,519,151</u>
Total assets	<u>203,508,428</u>	<u>196,206,367</u>
Deferred outflows of resources		
Deferred charge on refunding	86,032	-
Pension	<u>6,343,593</u>	<u>5,965,071</u>
Total deferred outflows of resources	<u>6,429,625</u>	<u>5,965,071</u>
Liabilities		
Current liabilities	11,350,839	8,303,893
Long term liabilities		
Due within one year	2,927,188	3,219,038
Net pension liability	90,444,363	107,416,925
Due in more than one year	<u>93,778,890</u>	<u>95,141,078</u>
Total liabilities	<u>198,501,280</u>	<u>214,080,934</u>
Deferred inflows of resources		
Property taxes levied for next year	48,520,907	43,386,121
Pension	<u>13,027,068</u>	-
Total deferred inflows of resources	<u>61,547,975</u>	<u>43,386,121</u>
Net position		
Net investment in capital assets	34,020,381	29,898,101
Restricted	6,428,992	7,348,059
Unrestricted	<u>(90,560,575)</u>	<u>(92,541,777)</u>
Total net position	<u>\$ (50,111,202)</u>	<u>\$ (55,295,617)</u>

**STRONGSVILLE CITY SCHOOL DISTRICT***Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015*

(Unaudited)

**Details of Table I**  
Net Position  
Governmental Activities

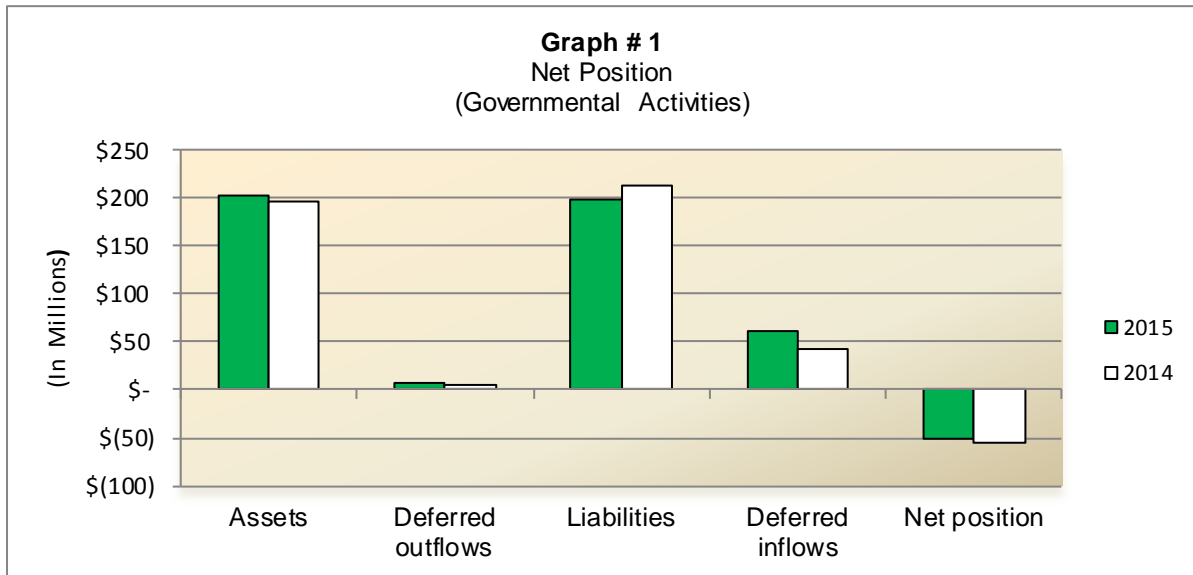
	2015	Restated 2014	Change
<b>Assets</b>			
Equity in pooled cash	\$ 79,837,777	\$ 93,742,467	\$ (13,904,690)
Accounts receivable	17,127	18,156	(1,029)
Due from other governments	221,808	224,221	(2,413)
Taxes receivable	57,350,045	56,702,372	647,673
Capital assets			
Nondepreciable capital assets	30,580,981	8,399,603	22,181,378
Depreciable capital assets	35,500,690	37,119,548	(1,618,858)
Total assets	<u>203,508,428</u>	<u>196,206,367</u>	<u>7,302,061</u>
<b>Deferred outflows of resources</b>			
Deferred charge on refunding	86,032	-	86,032
Pension	6,343,593	5,965,071	378,522
Total deferred outflows of resources	<u>6,429,625</u>	<u>5,965,071</u>	<u>464,554</u>
<b>Liabilities</b>			
Accounts and contracts payable	4,778,094	846,244	3,931,850
Accrued salaries, wages and benefits	3,955,387	4,791,198	(835,811)
Claims payable	986,000	1,105,072	(119,072)
Accrued interest payable	278,300	287,600	(9,300)
Intergovernmental payable	1,353,058	1,273,779	79,279
Long-term liabilities			
Due within one year	2,927,188	3,219,038	(291,850)
Net pension liability	90,444,363	107,416,925	(16,972,562)
Due in more than one year	93,778,890	95,141,078	(1,362,188)
Total liabilities	<u>198,501,280</u>	<u>214,080,934</u>	<u>(15,579,654)</u>
<b>Deferred inflows of resources</b>			
Property taxes levied for next year	48,520,907	43,386,121	5,134,786
Pension	13,027,068	-	13,027,068
Total deferred inflows of resources	<u>61,547,975</u>	<u>43,386,121</u>	<u>18,161,854</u>
<b>Net position</b>			
Net investment in capital assets	34,020,381	29,898,101	4,122,280
Restricted	6,428,992	7,348,059	(919,067)
Unrestricted	(90,560,575)	(92,541,777)	1,981,202
Total net position	<u>\$ (50,111,202)</u>	<u>\$ (55,295,617)</u>	<u>\$ 5,184,415</u>

**STRONGSVILLE CITY SCHOOL DISTRICT**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015*

(Unaudited)

	Net Position (in Millions)	
	2015	Restated 2014
Assets	\$ 203.5	\$ 196.2
Deferred outflows	6.4	6.0
Liabilities	198.5	214.1
Deferred inflows	61.5	43.4
Net position	<u>\$ (50.1)</u>	<u>\$ (55.3)</u>



During 2015, the School District adopted GASB Statement 68, “Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27,” which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District’s actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan’s *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio’s statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

**STRONGSVILLE CITY SCHOOL DISTRICT**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015*

(Unaudited)

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Under the new standards required by GASB 68, the net pension liability equals the School District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
- 2 Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the School District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the School District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$ 46,156,237 to (\$ 55,295,617).

Total assets increased by \$ 7,302,061. This increase is due to a net increase of \$ 20,562,520 in capital assets, which was offset with a decrease of \$ 13,904,690 in equity in pooled cash.

Total liabilities decreased by \$ 15,579,654. This decrease is due to decreases of \$ 1,654,038 in long-term liabilities, \$ 835,811 in accrued salaries, wages and benefits, and \$ 16,972,562 in net pension liability, respectively. These decreases were offset with an increase of \$ 3,931,850 in accounts and contracts payable.

The vast majority of revenue supporting all governmental activities is general revenue. General revenue totaled \$ 71,307,620 or 92.1 percent of total revenue. The most significant portion of the general revenue is local property tax. The remaining amount of revenue received was in the form of program revenues, which equated to \$ 6,088,349 or only 7.9 percent of total revenue.

**STRONGSVILLE CITY SCHOOL DISTRICT**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*

(Unaudited)

Table 2 shows the changes in net position for fiscal years 2015 and 2014.

**Table 2**  
**Changes in Net Position**  
**Governmental Activities**

	2015	2014	Change
Revenues			
Program revenues			
Charges for services and sales	\$ 2,861,457	\$ 2,389,832	\$ 471,625
Operating grants, interest and contributions	<u>3,226,892</u>	<u>3,245,084</u>	<u>(18,192)</u>
Total program revenues	<u>6,088,349</u>	<u>5,634,916</u>	<u>453,433</u>
General revenues			
Property taxes	47,532,437	56,706,888	(9,174,451)
Grants and entitlements not restricted to specific purposes	20,515,068	20,091,670	423,398
Payments in lieu of taxes	2,936,033	2,019,295	916,738
Investment earnings	109,454	97,236	12,218
Miscellaneous	<u>214,628</u>	<u>214,127</u>	<u>501</u>
Total general revenues	<u>71,307,620</u>	<u>79,129,216</u>	<u>(7,821,596)</u>
Total revenues	<u>77,395,969</u>	<u>84,764,132</u>	<u>(7,368,163)</u>
Program expenses			
Instruction			
Regular	26,947,220	30,891,909	(3,944,689)
Special	9,413,173	10,009,311	(596,138)
Vocational	474,334	434,305	40,029
Other instruction	117,156	57,447	59,709
Supporting services			
Pupil	5,070,679	4,967,244	103,435
Instructional staff	2,927,523	2,467,718	459,805
Board of education	30,812	35,585	(4,773)
Administration	4,611,018	4,729,847	(118,829)
Fiscal services	1,602,771	1,956,243	(353,472)
Business	566,078	692,588	(126,510)
Operation and maintenance	7,496,974	8,270,970	(773,996)
Pupil transportation	4,308,928	4,722,938	(414,010)
Central services	1,399,260	1,333,854	65,406
Operation of non-instructional services			
Food service operation	1,655,077	1,798,500	(143,423)
Community services	591,274	544,602	46,672
Other non-instructional services	24,682	552,197	(527,515)
Extracurricular activities	1,616,007	1,365,404	250,603
Interest and fiscal charges	<u>3,358,588</u>	<u>4,204,919</u>	<u>(846,331)</u>
Total program expenses	<u>72,211,554</u>	<u>79,035,581</u>	<u>(6,824,027)</u>
Increase in net position	5,184,415	5,728,551	(544,136)
Net position at beginning of year	<u>(55,295,617)</u>	N/A	
Net position at end of year	<u><u>\$(50,111,202)</u></u>	<u><u>\$(55,295,617)</u></u>	<u><u>\$ 5,184,415</u></u>

**STRONGSVILLE CITY SCHOOL DISTRICT**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015*

(Unaudited)

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$5,965,071 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$ 1,170,914. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68	\$ 72,211,554
Pension expense under GASB 68	(1,170,914)
2015 contractually required contributions	<u>5,494,930</u>
Adjusted 2015 program expenses	76,535,570
Total 2014 program expenses under GASB 27	<u>(79,035,581)</u>
Decrease in program expenses not related to pension	<u>\$ (2,500,011)</u>

**Governmental Activities**

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

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

Approximately 51.2 percent of the School District's budget is used to fund instructional expenses. Additional supporting services for pupils, staff and business operations encompass an additional 38.8 percent. The remaining amount of program expenses, roughly 10.0 percent, is budgeted to facilitate other obligations of the School District such as food services, community services, interest and fiscal charges and numerous extracurricular activities.

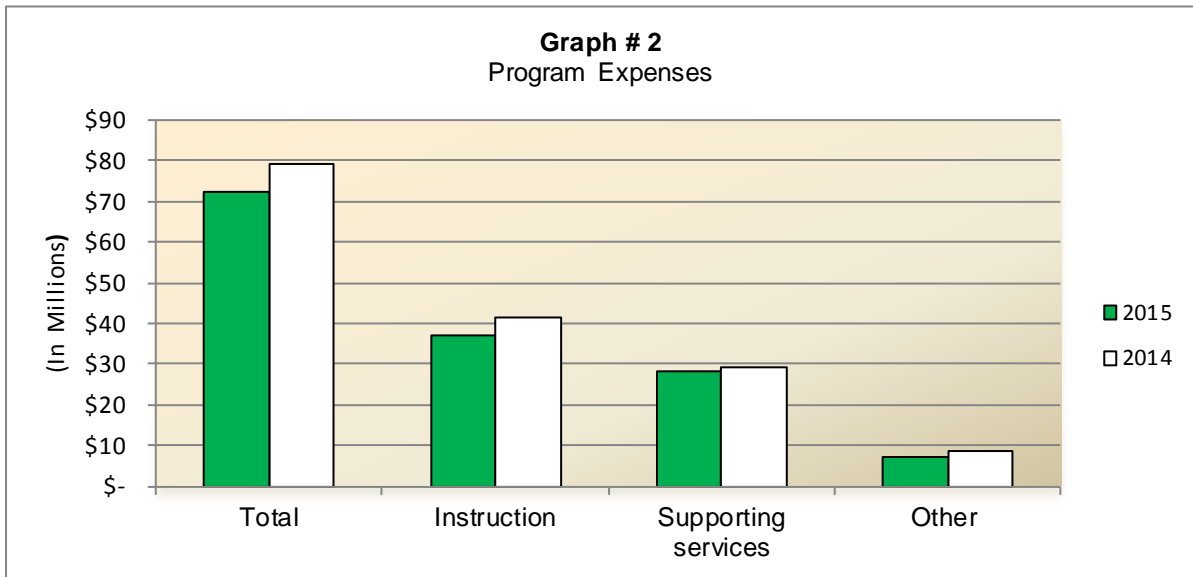
The Statement of Activities shows the total net cost of program services. Table 3 on the following page shows the total cost of services for governmental activities and the net cost of those services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**STRONGSVILLE CITY SCHOOL DISTRICT**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*

(Unaudited)

Program Expenses  
(in millions)

	2015	2014
Instruction	\$ 37.0	\$ 41.4
Supporting services	28.0	29.2
Other	7.2	8.5
<b>Total</b>	<b>\$ 72.2</b>	<b>\$ 79.1</b>





**STRONGSVILLE CITY SCHOOL DISTRICT**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015*

(Unaudited)

**Table 3**  
Governmental Activities

	Total Cost of Services 2015	Net Cost of Services 2015
	<u>2015</u>	<u>2015</u>
Governmental activities:		
Instruction		
Regular	\$ 26,947,220	\$ (25,705,123)
Special	9,413,173	(8,659,330)
Vocational	474,334	(474,334)
Other instruction	117,156	(23,612)
Supporting services		
Pupil	5,070,679	(4,686,632)
Instructional staff	2,927,523	(2,630,817)
Board of education	30,812	(30,812)
Administration	4,611,018	(4,200,946)
Fiscal services	1,602,771	(1,602,771)
Business	566,078	(566,078)
Operation and maintenance	7,496,974	(7,450,018)
Pupil transportation	4,308,928	(4,308,928)
Central services	1,399,260	(1,387,148)
Operation of non-instructional services		
Food service operation	1,655,077	(52,571)
Community services	591,274	(12,499)
Other non-instructional services	24,682	(24,384)
Extracurricular activities	1,616,007	(948,614)
Interest and fiscal charges	3,358,588	(3,358,588)
Total	<u>\$ 72,211,554</u>	<u>\$ (66,123,205)</u>

As one can see, the reliance upon local tax revenues for governmental activities is crucial. Approximately 65.8 percent of expenses are directly supported by local property taxes. Grant and entitlements not restricted to specific programs support 28.4 percent. Program revenues only account for 8.4 percent of all governmental expenses. Investment and other miscellaneous type revenues support the remaining activity costs.

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

**School District's funds**

Information regarding the School District's major funds can be found on page 21. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$ 76,982,669 and expenditures of \$ 100,388,793, exclusive of other financing sources (uses). A two year comparison of revenues, expenditures, other financing sources (uses), and changes in fund balances for the General Fund and the Building Fund are presented on the following pages.

**STRONGSVILLE CITY SCHOOL DISTRICT***Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015*

(Unaudited)

	General Fund		
	2015	2014	Change
Revenue			
Taxes	\$ 42,984,143	\$ 52,127,148	\$ (9,143,005)
Payment in lieu of taxes	2,936,033	2,019,295	916,738
Tuition and fees	996,652	741,024	255,628
Interest	16,558	9,919	6,639
Intergovernmental	20,086,505	19,656,795	429,710
Extracurricular	332,121	318,424	13,697
Other	217,015	247,350	(30,335)
Total revenues	<u>67,569,027</u>	<u>75,119,955</u>	<u>(7,550,928)</u>
Expenditures			
Current			
Instruction	38,547,201	39,071,168	(523,967)
Supporting services	27,280,275	26,037,568	1,242,707
Operation of non-instructional services	24,682	520,758	(496,076)
Extracurricular activities	1,160,536	1,111,788	48,748
Capital outlay	-	145,191	(145,191)
Debt service			
Principal	356,284	516,901	(160,617)
Interest	196,754	216,476	(19,722)
Total expenditures	<u>67,565,732</u>	<u>67,619,850</u>	<u>(54,118)</u>
Excess (deficiency) of revenues over expenditures	<u>3,295</u>	<u>7,500,105</u>	<u>(7,496,810)</u>
Other financing sources (uses)			
Transfers in	-	276	(276)
Transfers out	(210,000)	(250,000)	40,000
Proceeds sale of capital assets	103,657	28,735	74,922
Total other financing sources (uses)	<u>(106,343)</u>	<u>(220,989)</u>	<u>114,646</u>
Net change in fund balances	(103,048)	7,279,116	(7,382,164)
Fund balances, beginning of year	<u>12,247,346</u>	<u>4,968,230</u>	<u>7,279,116</u>
Fund balances, end of year	<u>\$ 12,144,298</u>	<u>\$ 12,247,346</u>	<u>\$ (103,048)</u>

The decrease in the General Fund's fund balance is mainly due to a decrease in property tax revenue received and amount available for advance from the county fiscal officer.

**STRONGSVILLE CITY SCHOOL DISTRICT**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015*

(Unaudited)

	Building Fund		
	2015	2014	Change
Revenue			
Interest	\$ 85,291	\$ 79,948	\$ 5,343
Total revenues	<u>85,291</u>	<u>79,948</u>	<u>5,343</u>
Expenditures			
Current			
Supporting services	1,948,389	307,990	1,640,399
Capital outlay	<u>20,215,019</u>	<u>5,040,380</u>	<u>15,174,639</u>
Total expenditures	<u>22,163,408</u>	<u>5,348,370</u>	<u>16,815,038</u>
Net change in fund balances	(22,078,117)	(5,268,422)	(16,809,695)
Fund balances, beginning of year	<u>75,161,676</u>	<u>80,430,098</u>	<u>(5,268,422)</u>
Fund balances, end of year	<u>\$ 53,083,559</u>	<u>\$ 75,161,676</u>	<u>\$ (22,078,117)</u>

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

**STRONGSVILLE CITY SCHOOL DISTRICT**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015*

(Unaudited)

**General Fund Budgeting Highlights**

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

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

For the General Fund, the original and final budget basis revenue estimate totaled \$ 71,029,005 and \$ 73,010,136, respectively. Actual revenues were \$ 71,851,057 which was \$ 1,159,079 less than the final budgeted amount. The original and final budget basis expenditures estimate totaled \$ 70,367,021 and \$ 71,181,444 respectively. Actual budget basis expenditures were \$ 67,803,437 which was \$ 3,378,007 less than the final budgeted appropriations.

The General Fund unencumbered ending cash balance totaled \$ 11,265,098.

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of Fiscal Year 2015, the School District had \$ 66,081,671 invested in land, construction in progress, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows fiscal 2015 values compared to 2014.

**Table 4**  
Capital Assets  
(Net of Accumulated Depreciation)

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Land	\$ 2,767,186	\$ 2,767,186
Construction in progress	27,813,795	5,632,417
Buildings and improvements	32,214,978	33,856,507
Furniture and equipment	1,621,974	1,661,477
Vehicles	1,663,738	1,601,564
Total net capital assets	<u>\$ 66,081,671</u>	<u>\$ 45,519,151</u>

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

**STRONGSVILLE CITY SCHOOL DISTRICT**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015*

(Unaudited)

*Debt*

At June 30, 2015, the School District had \$ 187,150,441 of long-term obligations outstanding.

**Table 5**  
Outstanding Debt Year-End

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Bonds payable	\$ 85,824,653	\$ 83,785,937
Certificates of participation	-	3,985,000
Unamortized bond premium	3,429,995	3,470,257
Net pension liability	90,444,363	101,451,854
Compensated absences	7,451,430	7,118,922
	<u>\$ 187,150,441</u>	<u>\$ 199,811,970</u>

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

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

**School District Outlook**

The Board of Education and administration closely monitor its revenues and expenditures in accordance with its financial forecast and the School District Continuous Improvement Plan. The School District ranks among the top schools in Ohio for educational excellence. The School District has received ten (10) consecutive "Excellent" ratings through school year (SY) 2012. In SY 2013 and SY 2014 the School District earned 5 "A's" and 5 "B's" on the state report card. The School District is one of eight school districts in the State to improve six (6) or more letter grades between SY 2013 and SY 2014. At the time of this report, the SY 2015 results have not been released.

The financial future of the School District is not without its challenges though. These challenges are internal and external in nature. The internal challenges will continue to exist as the School District must rely heavily on local property taxes to fund its operations. External challenges are mostly centered on state funding. The School District has lost 7.59% or \$ 1,624,000 of its state funding since fiscal year 2009 and 4.0% or \$ 2,989,000 of its total General Fund revenues since fiscal year ended June 30, 2009.

The School District has communicated to the community that the School District relies upon their support for the majority of its operations, and will continue to work diligently to plan expenses, staying carefully within the School District's financial five-year plan.

**STRONGSVILLE CITY SCHOOL DISTRICT**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015*

(Unaudited)

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Due to the enrollment decline, the School District has increased efficiencies by eliminating six (6) buildings and will repurpose one (1) building to save resources and maximize educational offerings. Allen Elementary was closed in fiscal year (FY) 2010, Zellers Elementary was closed in FY 2015 and will be repurposed into administration office in FY 2016, Drake Elementary, OPS and Board office will be closed in FY 2016. In addition Albion and Center Middle Schools will be closed and consolidated into the new Strongsville Middle School in FY 2016. Along with the savings of operational costs due to the closing of buildings the district anticipates reducing positions by: 24 in FY 2016, 21 in FY 2017, 5 in FY 2018 and 9 in FY 2019.

The School District does not anticipate any significant growth from the state due to the economic climate. In June 2006, the State of Ohio enacted legislation, portions of which take effect at various times, that phased out the taxation of tangible personal property used in business (other than certain public utility tangible personal property) over four years from tax year 2007 to tax year 2011. To compensate local government units for the foregone revenue, the enacted legislation provides for State reimbursements from revenue generated by the enacted commercial activities tax. Recently, under the recent changes within H.B 64 and S.B 208, the School District is scheduled to lose State Tangible Personal Property Tax Reimbursements in the amounts of \$ 500,000 in FY 2017 and an additional \$ 3,100,000 in FY 2018 for a total loss of revenue of \$ 3,600,000.

The Strongsville residents approved a 6 mill, 5 year operating renewal levy in the spring of 2012, which will expire in November 2017 if not renewed. With the recent building closures and reduction of positions, the School District has prolonged any future deficits until FY 2019 assuming the renewal levy is approved. The School District will continue to explore efficiencies and revenue options to alleviate future year deficits.

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

In summary, the Strongsville City School District Board of Education has committed to the goals of Student Achievement and Growth, and Financial Prudence.

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

This financial report is designated to provide our citizens, taxpayers and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Treasurer's office, Strongsville City School District, 18199 Cook Avenue, Strongsville, OH 44136.

STRONGSVILLE CITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2015

	Governmental Activities
<b>Assets</b>	
Equity in pooled cash	\$ 79,837,777
Accounts receivable	17,127
Due from other governments	221,808
Taxes receivable	57,350,045
Capital assets	
Nondepreciable capital assets	30,580,981
Depreciable capital assets	35,500,690
<b>Total assets</b>	<b>203,508,428</b>
<b>Deferred outflow s of resources</b>	
Deferred charge on refunding	86,032
Pension	6,343,593
<b>Total deferred outflow s of resources</b>	<b>6,429,625</b>
<b>Liabilities</b>	
Accounts and contracts payable	4,778,094
Accrued salaries, w ages and benefits	3,955,387
Claims payable	986,000
Accrued interest payable	278,300
Intergovernmental payable	1,353,058
Long-term liabilities	
Due w ithin one year	2,927,188
Net pension liability	90,444,363
Due in more than one year	93,778,890
<b>Total liabilities</b>	<b>198,501,280</b>
<b>Deferred inflow s of resources</b>	
Property taxes levied for next year	48,520,907
Pension	13,027,068
<b>Total deferred inflow s of resources</b>	<b>61,547,975</b>
<b>Net position</b>	
Net investment in capital assets	34,020,381
Restricted for:	
Debt service	5,639,036
Capital projects	262,437
Food service	182,128
Extracurricular activities	242,637
State grants	36,269
Federal grants	17,628
Donations	48,857
Unrestricted	(90,560,575)
<b>Total net position</b>	<b>\$ (50,111,202)</b>

See accompanying notes to the basic financial statements.

STRONGSVILLE CITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015

	Expenses	Program Revenues		Net (Expense) Revenues and Changes in Net Position
		Charges for Services and Sales	Operating Grants, Interest and Contributions	
Governmental activities:				
Instruction				
Regular	\$ 26,947,220	\$ 1,194,235	\$ 47,862	\$ (25,705,123)
Special	9,413,173	345	753,498	(8,659,330)
Vocational	474,334	-	-	(474,334)
Other instruction	117,156	-	93,544	(23,612)
Supporting services				
Pupil	5,070,679	-	384,047	(4,686,632)
Instructional staff	2,927,523	-	296,706	(2,630,817)
Board of education	30,812	-	-	(30,812)
Administration	4,611,018	178	409,894	(4,200,946)
Fiscal services	1,602,771	-	-	(1,602,771)
Business	566,078	-	-	(566,078)
Operation and maintenance	7,496,974	46,956	-	(7,450,018)
Pupil transportation	4,308,928	-	-	(4,308,928)
Central services	1,399,260	12,112	-	(1,387,148)
Operation of non-instructional services				
Food service operation	1,655,077	939,940	662,566	(52,571)
Community services	591,274	-	578,775	(12,499)
Other non-instructional services	24,682	298	-	(24,384)
Extracurricular activities	1,616,007	667,393	-	(948,614)
Interest and fiscal charges	3,358,588	-	-	(3,358,588)
<b>Total</b>	<b>\$ 72,211,554</b>	<b>\$ 2,861,457</b>	<b>\$ 3,226,892</b>	<b>(66,123,205)</b>

General revenues	
Property taxes levied for:	
General purposes	43,358,643
Debt service	3,270,323
Capital improvements	903,471
Grants and entitlements not restricted to specific purposes	20,515,068
Payments in lieu of taxes	2,936,033
Investment earnings	109,454
Miscellaneous	214,628
<b>Total general revenues</b>	<b>71,307,620</b>
Change in net position	5,184,415
Net position at beginning of year, restated	(55,295,617)
<b>Net position at end of year</b>	<b>\$ (50,111,202)</b>

See accompanying notes to the basic financial statements.



STRONGSVILLE CITY SCHOOL DISTRICT  
BALANCE SHEET – GOVERNMENTAL FUNDS  
JUNE 30, 2015

	General Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in pooled cash	\$ 14,015,578	\$ 57,107,326	\$ 6,088,516	\$ 77,211,420
Receivables, net of allowance				
Taxes, current	49,115,737	-	4,754,208	53,869,945
Taxes, delinquent	3,172,900	-	307,200	3,480,100
Accounts and other	8,275	-	8,852	17,127
Due from other governments	-	-	221,808	221,808
Interfund receivables	6,678	-	900	7,578
<b>Total assets</b>	<u>\$ 66,319,168</u>	<u>\$ 57,107,326</u>	<u>\$ 11,381,484</u>	<u>\$ 134,807,978</u>
<b>Liabilities</b>				
Accounts and contracts payable	\$ 636,379	\$ 4,023,767	\$ 117,948	\$ 4,778,094
Accrued salaries, wages and benefits	3,788,846	-	166,541	3,955,387
Intergovernmental payable	1,291,561	-	61,497	1,353,058
Interfund payable	900	-	6,678	7,578
Compensated absences	1,025,887	-	19,830	1,045,717
<b>Total liabilities</b>	<u>6,743,573</u>	<u>4,023,767</u>	<u>372,494</u>	<u>11,139,834</u>
<b>Deferred inflows of resources</b>				
Property taxes levied for next year and unavailable resources	47,431,297	-	4,569,710	52,001,007
<b>Total deferred inflows of resources</b>	<u>47,431,297</u>	<u>-</u>	<u>4,569,710</u>	<u>52,001,007</u>
<b>Fund balances (deficits)</b>				
Restricted	-	53,083,559	6,451,061	59,534,620
Committed	816,929	-	-	816,929
Assigned	833,291	-	-	833,291
Unassigned	10,494,078	-	(11,781)	10,482,297
<b>Total fund balances (deficits)</b>	<u>12,144,298</u>	<u>53,083,559</u>	<u>6,439,280</u>	<u>71,667,137</u>
<b>Total liabilities, deferred inflows of resources and fund balances (deficits)</b>	<u>\$ 66,319,168</u>	<u>\$ 57,107,326</u>	<u>\$ 11,381,484</u>	<u>\$ 134,807,978</u>

See accompanying notes to the basic financial statements.

STRONGSVILLE CITY SCHOOL DISTRICT  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2015

Total governmental fund balances	\$ 71,667,137
Amount reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.	66,081,671
Other long-term assets are not available to pay for current period expenditures and therefore are deferred inflow s in the funds. These deferrals are primarily attributed to property taxes.	3,480,100
Unamortized deferred charges on refundings are not recognized in the funds.	86,032
In the statement of activities, interest is accrued on outstanding long-term obligations, w hereas in governmental funds, an interest expenditure is reported w hen due.	(278,300)
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.	1,640,357
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflow s/outflow s are not reported in governmental funds.	
Deferred outflow s - pension	6,343,593
Deferred inflow s - pension	(13,027,068)
Net pension liability	(90,444,363)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Compensated absences payable	(6,405,713)
Bonds payable and certificates of participation	(85,824,653)
Unamortized bond premium	<u>(3,429,995)</u>
Net position of governmental activities	<u><u>\$ (50,111,202)</u></u>

STRONGSVILLE CITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015

	General Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
Revenue				
Taxes	\$ 42,984,143	\$ -	\$ 4,134,994	\$ 47,119,137
Payment in lieu of taxes	2,936,033	-	-	2,936,033
Tuition and fees	996,652	-	-	996,652
Interest	16,558	85,291	7,605	109,454
Intergovernmental	20,086,505	-	3,655,455	23,741,960
Extracurricular	332,121	-	370,701	702,822
Charges for services	-	-	933,528	933,528
Other	217,015	-	226,068	443,083
Total revenues	<u>67,569,027</u>	<u>85,291</u>	<u>9,328,351</u>	<u>76,982,669</u>
Expenditures				
Current				
Instruction				
Regular	28,749,817	-	47,862	28,797,679
Special	9,290,580	-	756,089	10,046,669
Vocational	506,804	-	-	506,804
Other instruction	-	-	93,758	93,758
Supporting services				
Pupil	4,847,092	-	384,848	5,231,940
Instructional staff	2,809,411	-	305,513	3,114,924
Board of education	32,884	-	-	32,884
Administration	4,257,230	-	434,789	4,692,019
Fiscal services	1,529,448	-	67,197	1,596,645
Business	610,949	-	-	610,949
Operation and maintenance	7,111,576	-	795,799	7,907,375
Pupil transportation	4,622,743	1,948,389	-	6,571,132
Central services	1,458,942	-	-	1,458,942
Operation of non-instructional services				
Food service operation	-	-	1,712,036	1,712,036
Community services	-	-	566,286	566,286
Other non-instructional services	24,682	-	-	24,682
Extracurricular activities	1,160,536	-	445,791	1,606,327
Capital outlay	-	20,215,019	15,665	20,230,684
Debt service				
Principal	356,284	-	1,665,000	2,021,284
Interest	196,754	-	3,369,020	3,565,774
Total expenditures	<u>67,565,732</u>	<u>22,163,408</u>	<u>10,659,653</u>	<u>100,388,793</u>
Excess (deficiency) of revenues over expenditures	<u>3,295</u>	<u>(22,078,117)</u>	<u>(1,331,302)</u>	<u>(23,406,124)</u>
Other financing sources (uses)				
Transfers in	-	-	210,000	210,000
Proceeds from debt refunding	-	-	3,940,000	3,940,000
Premium on debt issue	-	-	71,592	71,592
Payment to escrow agent	-	-	(3,865,000)	(3,865,000)
Transfers out	(210,000)	-	(14,120)	(224,120)
Proceeds from sale of capital assets	103,657	-	-	103,657
Total other financing sources (uses)	<u>(106,343)</u>	<u>-</u>	<u>342,472</u>	<u>236,129</u>
Net change in fund balances	(103,048)	(22,078,117)	(988,830)	(23,169,995)
Fund balances, beginning of year	<u>12,247,346</u>	<u>75,161,676</u>	<u>7,428,110</u>	<u>94,837,132</u>
Fund balances, end of year	<u>\$ 12,144,298</u>	<u>\$ 53,083,559</u>	<u>\$ 6,439,280</u>	<u>\$ 71,667,137</u>

See accompanying notes to the basic financial statements.

STRONGSVILLE CITY SCHOOL DISTRICT  
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015

Net change in fund balances - total governmental funds \$ (23,169,995)

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

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

Capital outlay, net	\$ 22,912,688	
Depreciation expense	(2,350,168)	
		20,562,520

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

Property taxes		413,300
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Other financing sources(uses) in the governmental funds that increase long-term liabilities in the statement of net position are not reported as revenues in the statement of activities.

Bond proceeds	(3,940,000)	
Payment to bond escrow agent	3,865,000	
Deferred amounts on refunding	90,334	
Premium on bond issue	(71,592)	
		(56,258)

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

Bond principal	1,901,284	
Certificate of participation principal	120,000	
		2,021,284

Accrued interest in the statement of activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in governmental funds. Bond premium is reported in the governmental fund when bonds are issued, whereas these amounts are amortized in the statement of activities.

Accrued interest	9,300	
Amortization of bond premium	111,854	
Amortization of deferred charges	(4,302)	
		116,852

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows. 5,494,930

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (1,170,914)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated absences		(429,307)
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The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal revenue fund is allocated among the governmental activities. 1,402,003

Change in net position of governmental activities		<u>\$ 5,184,415</u>
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See accompanying notes to the basic financial statements.

STRONGSVILLE CITY SCHOOL DISTRICT  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET BASIS (NON-GAAP) AND ACTUAL – GENERAL FUND  
 FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues and other sources	\$ 71,029,005	\$ 73,010,136	\$ 71,851,057	\$ (1,159,079)
Expenditures and other uses	70,367,021	71,181,444	67,803,437	3,378,007
Net change in fund balance	661,984	1,828,692	4,047,620	2,218,928
Prior year encumbrances	763,796	763,796	763,796	-
Fund balance, at beginning of year	6,453,682	6,453,682	6,453,682	-
Fund balance, at end of year	<u>\$ 7,879,462</u>	<u>\$ 9,046,170</u>	<u>\$ 11,265,098</u>	<u>\$ 2,218,928</u>

See accompanying notes to the basic financial statements.

STRONGSVILLE CITY SCHOOL DISTRICT  
STATEMENT OF FUND NET POSITION  
INTERNAL SERVICE FUND  
JUNE 30, 2015

	<u>Self Insurance</u>
Assets	
Current assets	
Equity in pooled cash	\$ 2,626,357
Liabilities	
Current liabilities	
Claims payable	<u>986,000</u>
Net position	
Unrestricted	<u><u>\$ 1,640,357</u></u>

See accompanying notes to the basic financial statements.

STRONGSVILLE CITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
INTERNAL SERVICE FUND  
FOR THE YEAR ENDED JUNE 30, 2015

	Self Insurance
Operating revenues	
Charges for services	\$ 10,325,634
Operating expenses	
Claims	8,937,751
Operating income	1,387,883
Transfers in	14,120
Change in net position	1,402,003
Net position, beginning of year	238,354
Net position, end of year	\$ 1,640,357

See accompanying notes to the basic financial statements.

STRONGSVILLE CITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUND  
FOR THE YEAR ENDED JUNE 30, 2015

	Self Insurance
Cash flows from operating activities	
Cash received from interfund services	\$ 10,325,634
Cash payments for claims	(9,056,823)
Net cash provided by operating activities	1,268,811
Cash flows from noncapital financing activities	
Transfers from other funds	14,120
Net increase in cash and cash equivalents	1,282,931
Cash and cash equivalents, beginning of year	1,343,426
Cash and cash equivalents, end of year	\$ 2,626,357
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 1,387,883
Adjustments	
Decrease in claims payable	(119,072)
Net cash provided by operating activities	\$ 1,268,811

See accompanying notes to the basic financial statements.



STRONGSVILLE CITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -  
AGENCY FUNDS  
JUNE 30, 2015

	<u>Agency Funds</u>
Assets	
Equity in pooled cash	<u>\$ 148,793</u>
Total assets	<u><u>\$ 148,793</u></u>
Liabilities	
Accounts payable	\$ 75
Due to students	147,397
Due to others	<u>1,321</u>
Total liabilities	<u><u>\$ 148,793</u></u>

See accompanying notes to the basic financial statements.

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STRONGSVILLE CITY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The Strongsville City School District (the School District) was established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District is a city school district as defined by Section 3311.03 of the Ohio Revised Code. The School District operates under an elected Board of Education consisting of five members and is responsible for providing public education to residents of the School District. Average daily membership on, or as of, October 1, 2014 was 5,586. The School District employs 394 certificated and 358 non-certificated employees.

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

Within the School District boundaries, there are various nonpublic schools. Current State legislation provides funding to these nonpublic schools. These monies are received and disbursed by the School District on behalf of the nonpublic schools by the Treasurer of the School District, as directed by the nonpublic schools. These transactions are reported as a governmental activity of the School District.

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

The School District is associated with the Metropolitan Educational Technology Association, the Polaris Career Center, the Strongsville Education Foundation, and the Ohio School Council Association which are considered to be jointly governed organizations. The School District also participates in a public risk pool managed by the Ohio Bureau of Workers' Compensation (BWC) Retrospective Rating Program. These organizations and their relationships with the School District are described in more detail in Notes 11 and 16 to these financial statements.

B. BASIS OF PRESENTATION

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following are the more significant of the School District's accounting policies.

STRONGSVILLE CITY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. BASIS OF PRESENTATION (continued)

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

Government-wide Financial Statements

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

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

Fund Financial Statements

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

STRONGSVILLE CITY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. FUND ACCOUNTING

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

Governmental Funds

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

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

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

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

Proprietary Fund Type

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

Internal Service Fund - The Internal Service Fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost-reimbursement basis. The School District utilizes an internal service fund to account for the operation of the School District's self insurance fund's reserve balance for employee insurance related benefits.

Fiduciary Funds

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

STRONGSVILLE CITY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. MEASUREMENT FOCUS

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

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

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

E. BASIS OF ACCOUNTING

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

Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year end.

STRONGSVILLE CITY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. BASIS OF ACCOUNTING (continued)

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refunding and for pension. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension are explained in Note 12.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2016 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes, intergovernmental grants, and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 12).

Expenditures/Expenses

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

STRONGSVILLE CITY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. BUDGETARY PROCESS

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

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

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

G. CASH AND INVESTMENTS

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "equity in pooled cash" on the financial statements. During the year, the District invested in Federal Home Loan Bank Notes, Federal Farm Credit Bank Notes, and STAR Ohio.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2015.

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

Under existing Ohio statutes, interest earnings are allocated to funds based on average monthly cash balances. Interest revenue credited to the General Fund during fiscal year 2015 amounted to \$ 16,558 of which \$ 2,207 was assigned from other School District Funds.

H. RESTRICTED ASSETS

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. The District has no restricted assets.



STRONGSVILLE CITY SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. CAPITAL ASSETS

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

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

All reported capital assets, other than land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

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

J. INTERFUND BALANCES

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

K. COMPENSATED ABSENCES

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the vesting method. The liability is based on an estimate of the amount of accumulated sick leave that will be paid as a termination benefit. The liability includes employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy.

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

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

STRONGSVILLE CITY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

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

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

M. NET POSITION

Net position is the residual amount when comparing assets and deferred outflows of resources to liabilities and deferred inflows of resources. The investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. The restricted component of net position is reported when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

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

N. FUND BALANCE RESERVES AND DESIGNATIONS

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

Nonspendable - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

STRONGSVILLE CITY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015

N. FUND BALANCE RESERVES AND DESIGNATIONS (continued)

Assigned - Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the School District Board of Education.

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

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

O. INTERFUND TRANSACTIONS

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

P. PENSIONS

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

Q. OPERATING REVENUES AND EXPENSES

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

R. ESTIMATES

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

STRONGSVILLE CITY SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2015

**NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLES**

For fiscal year 2015, the School District implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68." GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position previously reported:

	Governmental Activities
Net position June 30, 2014	\$ 46,156,237
Adjustments	
Net pension liability	(107,416,925)
Deferred outflow - payments subsequent to measurement date	5,965,071
Restated net position July 1, 2014	\$ (55,295,617)

Other than employer contributions subsequent to the measurement date, the School District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

**NOTE 3 – COMPLIANCE AND ACCOUNTABILITY**

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

Special Revenue Funds		
Adult Basic Education	\$	63
Miscellaneous State Grants	\$	933
Alternative Schools	\$	10,785

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

STRONGSVILLE CITY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

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

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

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

Net Change in Fund Balance	
	General Fund
Budget basis	\$ 4,047,620
Adjustments, increase (decrease)	
Revenue accruals	(4,659,346)
Expenditure accruals	(37,928)
Funds budgeted elsewhere **	(545,486)
Encumbrances	1,092,092
GAAP basis, as reported	\$ (103,048)

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

STRONGSVILLE CITY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 5 – FUND BALANCES

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

Fund balances	General Fund	Building Fund	Nonmajor Governmental Funds	Total
<b>Restricted</b>				
Food service operations	\$ -	\$ -	\$ 212,221	\$ 212,221
Athletics	-	-	242,637	242,637
State grants	-	-	36,269	36,269
Federal grants	-	-	38,504	38,504
Local grants	-	-	48,857	48,857
Debt service	-	-	5,676,536	5,676,536
Capital improvements	-	53,083,559	196,037	53,279,596
<b>Total restricted</b>	<b>-</b>	<b>53,083,559</b>	<b>6,451,061</b>	<b>59,534,620</b>
<b>Committed</b>				
Termination benefits	816,929	-	-	816,929
<b>Assigned</b>				
Encumbrances	472,452	-	-	472,452
Public school support	242,537	-	-	242,537
Uniform school supplies	1,570	-	-	1,570
Other purposes	116,732	-	-	116,732
<b>Total assigned</b>	<b>833,291</b>	<b>-</b>	<b>-</b>	<b>833,291</b>
<b>Unassigned (deficit)</b>	<b>10,494,078</b>	<b>-</b>	<b>(11,781)</b>	<b>10,482,297</b>
<b>Total fund balances</b>	<b>\$ 12,144,298</b>	<b>\$ 53,083,559</b>	<b>\$ 6,439,280</b>	<b>\$ 71,667,137</b>

STRONGSVILLE CITY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 6 - DEPOSITS AND INVESTMENTS

A. LEGAL REQUIREMENTS

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

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

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

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

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

Interim monies may be invested in the following securities:

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

STRONGSVILLE CITY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

A. LEGAL REQUIREMENTS (continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

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

At fiscal year end, the School District had \$ 4,450 in cash on hand which is included on the balance sheet of the School District as part of "Equity in Pooled Cash".

B. DEPOSITS

Custodial credit risk is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in possession of an outside party. The School District does not have a deposit policy for custodial credit risk. At fiscal year end, the carrying amount of the School District's deposits was \$ 47,752,113 and the bank balance was \$ 47,783,664. Of the bank balance, \$ 38,858,354 was covered by federal depository insurance and \$ 8,925,310 was uninsured. Of the remaining balance, \$ 8,925,310 was collateralized with securities held by the pledging institution's trust department not in the School District's name.

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

C. INVESTMENTS

As of June 30, 2015, the School District had the following investments:

	Fair Value	Investment Maturities	
		Less than 1 year	1 - 2 years
STAR Ohio	\$ 6,367,806	\$ 6,367,806	\$ -
Federal securities	25,862,201	11,667,659	14,194,542
	\$ 32,230,007	\$ 18,035,465	\$ 14,194,542

As a means of limiting its exposure to fair value losses caused by rising interest rates, the School District's investment policy requires that operating funds be invested primarily in short-term investments maturing within five years from the date of purchase and that the School District's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity.



STRONGSVILLE CITY SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2015

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

C. INVESTMENTS (continued)

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

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

The School District places no limit on the amount that may be invested in any one issuer. The following is the School District's allocation as of June 30, 2015:

	<u>Percentage of Investments</u>
STAR Ohio	19.8%
Federal securities	<u>80.2%</u>
	<u>100.0%</u>

NOTE 7 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real property tax revenue received in calendar year 2015 represents collections of calendar year 2014 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2014, on the assessed value listed as of January 1, 2014, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits earlier or later payment dates to be established.

Public utility property tax revenue received in calendar year 2015 represents collections of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 become a lien December 31, 2013, were levied after April 1, 2014 and are collected in 2015 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

STRONGSVILLE CITY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 7 - PROPERTY TAXES (continued)

The School District receives property taxes from Cuyahoga and Lorain Counties. The County Fiscal Officer/Auditor periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2015, are available to finance fiscal year 2015 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2015 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at June 30, nor were they levied to finance fiscal year 2015 operations. The receivable is therefore offset by a credit to deferred inflows for that portion not intended to finance current year operations. The amount available as an advance was recognized as revenue. The amount available as an advance at June 30, 2015, was \$ 4,857,340 in the General Fund, \$ 382,777 in the Debt Service Fund and \$ 108,921 in the Permanent Improvements Fund.

The assessed values upon which the fiscal year 2015 taxes were collected are:

	2014 Second- Half Collections			2015 First - Half Collections	
	Amount	%		Amount	%
Agricultural/Residential and Other Real Estate	\$ 1,384,766,260	97.77 %		\$ 1,381,464,680	97.65 %
Public Utilities	31,584,330	2.23		33,218,660	2.35
Total Assessed Value	\$ 1,416,350,590	100.00 %		\$ 1,414,683,340	100.00 %
Tax rate per \$1,000 of assessed valuation	\$ 81.68			\$ 81.78	

STRONGSVILLE CITY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 8 – RECEIVABLES

Receivables at June 30, 2015, consisted of property taxes and amounts due from other governments. All receivables are considered substantially collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be collected within one year. A summary of the principal items of due from other government receivables follows:

Fund	Amount
Food Service	\$ 71,912
IDEA Part B	111,191
Title I	30,000
Early Childhood Special Education	733
Title II-A	7,972
Due from other governments	\$ 221,808

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	Balance July 1, 2014	Additions	Disposals	Balance June 30, 2015
Governmental Activities				
Nondepreciable capital assets				
Land	\$ 2,767,186	\$ -	\$ -	\$ 2,767,186
Construction in progress	5,632,417	22,181,378	-	27,813,795
Total capital assets, not being depreciated	8,399,603	22,181,378	-	30,580,981
Depreciable capital assets				
Buildings and improvements	63,868,280	5,321	-	63,873,601
Furniture and equipment	8,371,518	256,288	46,893	8,580,913
Vehicles	5,666,246	469,701	108,403	6,027,544
Total capital assets being depreciated	77,906,044	731,310	155,296	78,482,058
Less accumulated depreciation				
Buildings and improvements	30,011,773	1,646,850	-	31,658,623
Furniture and equipment	6,710,041	295,791	46,893	6,958,939
Vehicles	4,064,682	407,527	108,403	4,363,806
Total accumulated depreciation	40,786,496	2,350,168	155,296	42,981,368
Depreciable capital assets, net of accumulated depreciation	37,119,548	(1,618,858)	-	35,500,690
Governmental activities capital assets, net	\$ 45,519,151	\$ 20,562,520	\$ -	\$ 66,081,671

STRONGSVILLE CITY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 9 - CAPITAL ASSETS (continued)

Depreciation expense was charged to governmental functions as follows:

Instruction		
Regular	\$	1,035,772
Special		116,424
Vocational		9,913
Supporting services		
Pupil		92,521
Instructional staff		113,323
Board of education		466
Administration		141,739
Fiscal		29,491
Business		17,956
Operation and maintenance of plant		156,440
Pupil transportation		467,957
Central services		33,594
Operation of noninstructional services		
Food service operation		39,476
Community services		13,044
Extracurricular activities		82,052
Total depreciation expense	<u>\$</u>	<u>2,350,168</u>

NOTE 10 - INTERFUND BALANCES AND TRANSFERS

A. INTERFUND BALANCES

On the fund financial statements at June 30, 2015, interfund balances consisted of the following:

	Due From:		
	General	Nonmajor Governmental	
Due to:	Fund	Funds	Total
General Fund	\$ -	\$ 6,678	\$ 6,678
Nonmajor Governmental Funds	900	-	900
Total	<u>\$ 900</u>	<u>\$ 6,678</u>	<u>\$ 7,578</u>

\$ 900 due from the General Fund to a Nonmajor governmental fund is the result of an advance from the Athletic/Music Fund to the Uniform School Supplies program in a prior year and is not scheduled to be collected in the subsequent year. General Fund loans made to non-major governmental funds were made to support programs and projects in the Special Revenue Funds and are scheduled to be repaid in the subsequent year.

STRONGSVILLE CITY SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2015

NOTE 10 - INTERFUND BALANCES AND TRANSFERS (continued)

B. TRANSFERS

Transfers for the year consisted of the following:

	Transfer From:		
	General Fund	Nonmajor Governmental Funds	Total
Transfer to:			
Nonmajor Governmental Funds	\$ 210,000	\$ -	\$ 210,000
Internal Service Fund	-	14,120	14,120
Total	\$ 210,000	\$ 14,120	\$ 224,120

Interfund transfers were made to provide for the payment of expenditures in the Internal Service Self Insurance Fund and in nonmajor governmental funds or to close inactive programs.

NOTE 11 - RISK MANAGEMENT

A. PROPERTY AND LIABILITY

The School District is exposed to various risks of loss related to torts, theft, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2015, the School District contracted with Ohio Casualty for property insurance. Travelers Insurance Company covers boiler and machinery at \$ 50,000,000 single occurrence and \$ 1,000 deductible. Crime coverage is under two policies. The first is with Ohio Casualty and has a limit of \$ 50,000, with a \$ 500 deductible, for employee dishonesty, forgery and alteration. General liability is protected by Indiana Insurance Company with a \$ 2,000,000 annual aggregate and \$ 1,000,000 single occurrence limit with no deductible. Vehicles are covered by Ohio Casualty and hold a \$ 1,000 deductible for comprehensive and collision on buses. Automobile liability has a \$ 1,000,000 combined single limit of liability. The School District also has a \$ 6,000,000 (no deductible) umbrella policy with Ohio Casualty which goes over the \$ 1,000,000 general liability and the \$ 1,000,000 automobile liability limits. There has not been any significant reductions in insurance coverage from the prior year. Settlements have not exceeded insurance coverage in any of the preceding three years.

B. WORKERS' COMPENSATION

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

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

STRONGSVILLE CITY SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2015

NOTE 11 - RISK MANAGEMENT (continued)

C. EMPLOYEE MEDICAL BENEFITS

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

The claim liability of \$ 986,000 reported at June 30, 2015 was estimated by Medical Mutual of Ohio and is based on the requirements of Governmental Standards Board Statement No. 10, which requires that a liability for unpaid claims costs, including estimates of costs related to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in the balance of claims liability during the year ended June 30, 2015 is summarized below. Incurred claims and claims payments are not segregated between current and prior years' claims due to the impracticability of obtaining such information.

	2015	2014
Unpaid claims, beginning of year	\$ 1,105,072	\$ -
Incurred claims	8,937,751	4,563,740
Claims payment	(9,056,823)	(3,458,668)
Unpaid claims, end of year	\$ 986,000	\$ 1,105,072

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. NET PENSION LIABILITY

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the School District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the School District's obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School District does receive the benefit of employees' services in exchange for compensation including pension.

STRONGSVILLE CITY SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2015

NOTE 12 - DEFINED BENEFIT PENSION PLANS (continued)

A. NET PENSION LIABILITY (continued)

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

B. PLAN DESCRIPTION - SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS)

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to retire on or before August 1, 2017*	Eligible to retire on or after August 1, 2017
Full benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially reduced benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

\* Members with 25 years of service credit as of August 1, 2017 will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on years of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

STRONGSVILLE CITY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 12 - DEFINED BENEFIT PENSION PLANS (continued)

B. PLAN DESCRIPTION - SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) (continued)

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was \$1,401,923 fiscal year 2015. Of this amount \$ 115,024 is reported as an intergovernmental payable.

C. PLAN DESCRIPTION - STATE TEACHERS RETIREMENT SYSTEM (STRS)

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.



STRONGSVILLE CITY SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2015

NOTE 12 - DEFINED BENEFIT PENSION PLANS (continued)

C. PLAN DESCRIPTION - STATE TEACHERS RETIREMENT SYSTEM (STRS) (continued)

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$ 4,093,007 for fiscal year 2015. Of this amount \$ 796,130 is reported as an intergovernmental payable.

D. PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate share of the net pension liability	\$ 19,766,323	\$ 70,678,040	\$ 90,444,363
Proportion of the net pension liability	0.390566%	0.290576%	
Pension expense	\$ 520,795	\$ 650,119	\$ 1,170,914

STRONGSVILLE CITY SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2015

NOTE 12 - DEFINED BENEFIT PENSION PLANS (continued)

D. PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (continued)

At June 30, 2015, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 168,233	\$ 680,430	\$ 848,663
School District contributions subsequent to the measurement date	<u>1,401,923</u>	<u>4,093,007</u>	<u>5,494,930</u>
Total deferred outflows of resources	<u>\$ 1,570,156</u>	<u>\$ 4,773,437</u>	<u>\$ 6,343,593</u>
Deferred inflows of resources			
Net difference between projected and actual earnings on pension plan investments	<u>\$ 2,566,504</u>	<u>\$ 10,460,564</u>	<u>\$ 13,027,068</u>

\$ 5,494,930 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
June 30:			
2016	\$ 599,568	\$ 2,445,034	\$ 3,044,602
2017	599,567	2,445,034	3,044,601
2018	599,567	2,445,034	3,044,601
2019	<u>599,567</u>	<u>2,445,034</u>	<u>3,044,601</u>
	<u>\$ 2,398,269</u>	<u>\$ 9,780,136</u>	<u>\$ 12,178,405</u>

STRONGSVILLE CITY SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2015

NOTE 12 - DEFINED BENEFIT PENSION PLANS (continued)

E. ACTUARIAL ASSUMPTIONS - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage inflation	3.25 percent
Future salary increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment rate of return	7.75 percent of net of investments expense, including inflation
Actuarial cost method	Early age normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

STRONGSVILLE CITY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 12 - DEFINED BENEFIT PENSION PLANS (continued)

E. ACTUARIAL ASSUMPTIONS – SERS (continued)

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Cash	1.00%	0.00%
U.S. stocks	22.50%	5.00%
Non-U.S. stocks	22.50%	5.50%
Fixed income	19.00%	1.50%
Private equity	10.00%	10.00%
Real assets	10.00%	5.00%
Multi-asset strategies	15.00%	7.50%
	<u>100.00%</u>	

Discount Rate - The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
School District's proportionate share of the net pension liability	<u>\$ 28,200,669</u>	<u>\$ 19,766,323</u>	<u>\$ 12,672,309</u>

STRONGSVILLE CITY SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2015

NOTE 12 - DEFINED BENEFIT PENSION PLANS (continued)

F. ACTUARIAL ASSUMPTIONS - STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment rate of return	7.75 percent, net of investment expenses
Cost-of-living adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013. 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity	31.00%	8.00%
International equity	26.00%	7.85%
Alternatives	14.00%	8.00%
Fixed income	18.00%	3.75%
Real estate	10.00%	6.75%
Liquidity reserves	1.00%	3.00%
	<u>100.00%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

STRONGSVILLE CITY SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2015

NOTE 12 - DEFINED BENEFIT PENSION PLANS (continued)

F. ACTUARIAL ASSUMPTIONS - STRS

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$ 101,183,320	\$ 70,678,040	\$ 44,880,837

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the School District's surcharge obligation was \$ 158,989.

STRONGSVILLE CITY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 13 - POSTEMPLOYMENT BENEFITS (continued)

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM (continued)

The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$ 82,906, \$ 173,252 and \$ 181,047, respectively. For fiscal year 2015, 91.37 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2014 and 2013.

B. STATE TEACHERS RETIREMENT SYSTEM

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$ 0, \$ 302,098, and \$ 272,614 respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

NOTE 14 – PRIOR YEAR DEFEASANCE OF DEBT

In 2015, the School District defeased general obligation certificates of participation by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old debt. Accordingly, the trust account assets and the liability for the defeased certificates of participation are not included in the School District's financial statements. As of June 30, 2015, outstanding general obligation certificates of participation of \$ 3,865,000 are considered to be defeased.

STRONGSVILLE CITY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 15 - LONG-TERM OBLIGATIONS

Changes in the School District's long-term obligations during fiscal year 2015 were as follows:

	Outstanding July 1, 2014	Additions	Retired	Outstanding June 30, 2015	Amounts Due In One Year
Refunding bonds, 4.1% - 4.45%, issued 2004, matures 2014	\$ 265,000	\$ -	\$ 265,000	\$ -	\$ -
Bonds, 2.820% to 5.000% issued 2005, matures 2035	1,140,000	-	75,000	1,065,000	80,000
Bonds, 4.40%; issued 2006, matures 2020	474,883	-	64,424	410,459	67,356
Bonds, 4.79%; issued 2008, matures 2023	2,701,054	-	216,860	2,484,194	227,248
Bonds, 3.0% to 5.0% issued 2013 matures 2045	79,205,000	-	1,280,000	77,925,000	1,320,000
Refunding bonds, 1.0% - 4.0%, issued 2015, matures 2034	-	3,940,000	-	3,940,000	140,000
Total bonds	<u>83,785,937</u>	<u>3,940,000</u>	<u>1,901,284</u>	<u>85,824,653</u>	<u>1,834,604</u>
Certificates of participation, 3.5% - 5.0%, issued 2005, matures 2034	3,985,000	-	3,985,000	-	-
Total certificates of participation	<u>3,985,000</u>	<u>-</u>	<u>3,985,000</u>	<u>-</u>	<u>-</u>
Unamortized bond premium	3,470,257	71,592	111,854	3,429,995	-
Net pension liability					
STRS	84,191,219	-	13,513,179	70,678,040	-
SERS	23,225,706	-	3,459,383	19,766,323	-
Total net pension liability	<u>107,416,925</u>	<u>-</u>	<u>16,972,562</u>	<u>90,444,363</u>	<u>-</u>
Compensated absences	7,118,922	1,805,175	1,197,754	7,726,343	1,186,215
Total	<u>\$ 205,777,041</u>	<u>\$ 5,816,767</u>	<u>\$ 24,168,454</u>	<u>\$ 187,425,354</u>	<u>\$ 3,020,819</u>

Outstanding bonds consist of general obligation bonds for building issues. General obligation bonds are direct obligations of the School District for which its full faith, credit and resources are pledged and are payable from taxes levied on all taxable property of the School District. General obligation bonds will be paid from the General Fund and Debt Service Fund from property taxes. The School District pays obligations related to employee compensation from the fund benefitting from their service.



STRONGSVILLE CITY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 15 - LONG-TERM OBLIGATIONS (continued)

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2015, were as follows:

Year June 30,	Principal	Interest	Total
2016	\$ 1,834,604	\$ 3,294,437	\$ 5,129,041
2017	1,873,554	3,211,730	5,085,284
2018	1,938,164	3,137,631	5,075,795
2019	2,018,468	3,059,887	5,078,355
2019	2,094,497	2,986,275	5,080,772
2021 - 2025	11,140,366	13,469,748	24,610,114
2026 - 2030	12,080,000	11,095,292	23,175,292
2031 - 2035	14,575,000	8,579,828	23,154,828
2036 - 2040	15,555,000	5,920,656	21,475,656
2041- 2045	18,550,000	2,746,200	21,296,200
2046	4,165,000	83,300	4,248,300
	<u>\$ 85,824,653</u>	<u>\$ 57,584,984</u>	<u>\$ 143,409,637</u>

NOTE 16 - JOINTLY GOVERNED ORGANIZATION

A. METROPOLITAN EDUCATIONAL TECHNOLOGY ASSOCIATION

The School District is a participant in Metropolitan Educational Technology Association (META) which is a computer consortium that was the result of a merger between Tri-Rivers Educational Computer Association (TRECA) and the Metropolitan Educational Council (MEC). META develops, implements and supports the technology and instructional needs of schools in a cost-effective manner. META provides instructional, core, technology and purchasing services for its member districts. The Board of Directors consists of the Superintendents from eight of the member districts. During fiscal year 2015, the School District paid META \$ 78,584 for services. Financial information can be obtained from Metropolitan Educational Technology Association, 100 Executive Drive, Marion, Ohio 43302.

B. POLARIS CAREER CENTER

The Polaris Career Center is a separate body politic and corporate, established by the Ohio Revised Code to provide for the vocational and special needs of the students. Its Board of Education consists of representatives from the board of each participating school district. The Board is responsible for approving its own budgets, appointing personnel, and accounting and finance related activities. Strongsville City School District students may attend the vocational school. Each school district's control is limited to its representation on the Board. Financial information can be obtained by contacting the Polaris Career Center, 7285 Old Oak Blvd., Middleburg Heights, Ohio 44130. The School District did not contribute to the Polaris Career Center during fiscal year 2015.

STRONGSVILLE CITY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 16 - JOINTLY GOVERNED ORGANIZATION (continued)

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.

D. OHIO SCHOOLS COUNCIL

The Ohio Schools Council (Council) is a jointly governed organization among one hundred fifty seven school districts. The Council was formed to offer supplies and services at the lowest possible cost to the member districts. Each district supports the Council by paying an annual participation fee for the services provided. The Council's Board consists of nine superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 2015 the School District paid \$ 271,602 to the Council. Financial information can be obtained by contacting David A. Cottrell, the Executive Director/Treasurer of the Ohio Schools Council at 6393 Oak Tree Boulevard, Suite 377, Independence, Ohio 44131.

The School District participates in the natural gas purchase program. This program allows the School District to purchase natural gas at reduced rates. Energy USA served as the natural gas supplier and program manager from October 1, 2008 to September 30, 2010. In June 2010, the Council entered into an agreement with Compass Energy Gas Services LLC to be the natural gas supplier and program manager beginning October 1, 2010 through March 31, 2013. The contract with Compass Energy Gas Services LLC was extended for an additional three years beginning April 1, 2013 through March 31, 2016. There are currently 151 participants in the program. The participants make monthly payments based on estimated usage. Each September, these estimated payments are compared to their actual usage for the year (July to June). School Districts that paid more in estimated billings than their actual billings are issued credits on future billings in September until the credits are exhausted and School Districts that did not pay enough on estimated billings are invoiced for the difference on the September monthly estimated billing.

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

STRONGSVILLE CITY SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2015

NOTE 17 - CONTINGENCIES

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies.

Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2015.

NOTE 18 - SET-ASIDES

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

The following cash basis information identifies the changes in the fund balance reserve for capital improvements during fiscal year 2015.

	Capital Maintenance
Balance June 30, 2014	\$ -
Required set aside	963,902
Offsetting credit	(1,121,197)
Qualifying expenditures	(1,715,142)
Balance June 30, 2015	\$ (1,872,437)

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

NOTE 19 - RETIREMENT INCENTIVE PLAN

The School District has adopted a retirement incentive plan which became effective July 1, 2010 and provides for an early retirement incentive cash benefit to be paid in three equal, consecutive January installments of \$ 13,000 each, beginning with the January following the employee's effective date of retirement. Employees who as of July 1, 2010 were eligible to retire with STRS and who had at least ten years of consecutive service with the School District were eligible to participate. Employees who become eligible to retire with STRS after July 1, 2010, are eligible for the retirement incentive benefit only in the school year the employee first becomes eligible to retire under STRS. However, teachers who are first eligible for the retirement incentive at age fifty-five with twenty five years of service are eligible to participate at any year thereafter or until the teacher accrues thirty years of service under STRS guidelines. As of June 30, 2015 the School District's liability related to this retirement incentive plan was \$ 377,000.

STRONGSVILLE CITY SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2015

NOTE 20 – FOUNDATION FUNDING

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional Districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

NOTE 21 – CONTRACTUAL COMMITMENTS

At June 30, 2015 the School District had the following contractual commitments:

	<u>Contracted Amount</u>	<u>Expended</u>	<u>Remaining Obligation</u>
Building construction and renovations	<u>\$ 74,363,839</u>	<u>\$ 24,080,118</u>	<u>\$ 50,283,721</u>

REQUIRED SUPPLEMENTARY INFORMATION

STRONGSVILLE CITY SCHOOL DISTRICT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 SCHOOL EMPLOYEES RETIREMENT SYSTEM

LAST TWO FISCAL YEARS (1)

	<u>2014</u>	<u>2013</u>
School District's proportion of the net pension liability	0.390566%	0.390566%
School District's proportionate share of the net pension liability	\$ 19,766,323	\$ 23,225,706
School District's covered-employee payroll	\$ 11,413,478	\$ 9,981,113
School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	173.18%	232.70%
Plan fiduciary net position as a percentage of the total pension liability	71.70%	65.52%

(1) Information prior to 2013 is not available

STRONGSVILLE CITY SCHOOL DISTRICT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 STATE TEACHERS RETIREMENT SYSTEM

LAST TWO FISCAL YEARS (1)

	<u>2014</u>	<u>2013</u>
School District's proportion of the net pension liability	0.290576%	0.290576%
School District's proportionate share of the net pension liability	\$ 70,678,040	\$ 84,191,219
School District's covered-employee payroll	\$ 33,716,638	\$ 27,256,769
School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	209.62%	308.88%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	69.30%

(1) Information prior to 2013 is not available

STRONGSVILLE CITY SCHOOL DISTRICT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF THE SCHOOL DISTRICT CONTRIBUTIONS  
 SCHOOL EMPLOYEES RETIREMENT SYSTEM

LAST TEN FISCAL YEARS (1)

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 1,401,923	\$ 1,581,908	\$ 1,381,386	\$ 1,297,821
Contributions in relation to the contractually required contribution	<u>(1,401,923)</u>	<u>(1,581,908)</u>	<u>(1,381,386)</u>	<u>(1,297,821)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District covered-employee payroll	\$ 10,636,745	\$ 11,413,478	\$ 9,981,113	\$ 9,649,227
Contributions as a percentage of covered-employee payroll	13.18%	13.86%	13.84%	13.45%



<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 1,282,793	\$ 1,474,787	\$ 1,058,684	\$ 1,008,833	\$ 1,157,400	\$ 1,142,000
<u>(1,282,793)</u>	<u>(1,474,787)</u>	<u>(1,058,684)</u>	<u>(1,008,833)</u>	<u>(1,157,400)</u>	<u>(1,142,000)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 10,205,195	\$ 10,892,075	\$ 10,758,984	\$ 10,273,248	\$ 10,837,079	\$ 10,793,951
12.57%	13.54%	9.84%	9.82%	10.68%	10.58%

STRONGSVILLE CITY SCHOOL DISTRICT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF THE SCHOOL DISTRICT CONTRIBUTIONS  
 STATE TEACHERS RETIREMENT SYSTEM

LAST TEN FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 4,093,007	\$ 4,383,163	\$ 3,543,380	\$ 3,675,189
Contributions in relation to the contractually required contribution	<u>(4,093,007)</u>	<u>(4,383,163)</u>	<u>(3,543,380)</u>	<u>(3,675,189)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District covered-employee payroll	\$ 29,235,764	\$ 33,716,638	\$ 27,256,769	\$ 28,270,685
Contributions as a percentage of covered-employee payroll	14.00%	13.00%	13.00%	13.00%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 4,075,695	\$ 4,452,952	\$ 4,517,047	\$ 4,176,963	\$ 4,244,300	\$ 4,154,600
<u>(4,075,695)</u>	<u>(4,452,952)</u>	<u>(4,517,047)</u>	<u>(4,176,963)</u>	<u>(4,244,300)</u>	<u>(4,154,600)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 31,351,500	\$ 34,253,477	\$ 34,746,515	\$ 32,130,485	\$ 32,648,462	\$ 31,958,462
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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**STRONGSVILLE CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2015**

<b>Federal Grantor/ Pass Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Expenditures</b>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>			
<i>Passed Through the Ohio Department of Education:</i>			
Special Education Cluster:			
Special Education - Grants to States	84.027	\$80,676	\$94,525
		<u>1,226,094</u>	<u>1,226,285</u>
Total Special Education -Grants to States		1,306,770	1,320,810
Special Education - Preschool Grants	84.173	(2,266)	424
		<u>43,350</u>	<u>41,493</u>
Total Special Education - Preschool Grants		41,084	41,917
Total Special Education Cluster		<u>1,347,854</u>	<u>1,362,727</u>
Title I Grants to Local Educational Agencies	84.010	41,323	57,875
		<u>337,201</u>	<u>335,496</u>
Total Title I Grants to Local Educational Agencies		378,524	393,371
English Language Acquisition State Grants	84.365	(5,777)	(2,661)
		<u>20,202</u>	<u>5,353</u>
Total English Language Acquisition State Grants		14,425	2,692
Improving Teacher Quality State Grants	84.367	20,657	25,447
		<u>118,829</u>	<u>121,801</u>
Total Improving Teacher Quality State Grants		139,486	147,248
Total U.S. Department of Education		1,880,289	1,906,038
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>			
<i>Passed Through the Ohio Department of Education:</i>			
<u>Child Nutrition Cluster:</u>			
National School Lunch Program	10.555	437,217	437,217
Non-Cash Assistance		<u>92,758</u>	<u>92,758</u>
Total National School Lunch Program		529,975	529,975
School Breakfast Program	10.553	50,746	50,746
Total Child Nutrition Cluster		<u>580,721</u>	<u>580,721</u>
Total U.S. Department of Agriculture		580,721	580,721
Totals		<u><u>\$2,461,010</u></u>	<u><u>\$2,486,759</u></u>

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

**STRONGSVILLE CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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

**NOTE D- NEGATIVE EXPENSES**

The District determined certain expenditures charged to the English Language Acquisition Grant for the grant year 2014 were not allowable under the provisions of the grant. Expenditures were moved from the fund accounting for the grant into the General Fund, resulting in negative expenses of \$2,661 reported on the Federal Schedule.

**NOTE E - TRANSFERS BETWEEN PROGRAM YEARS**

Federal regulations require schools to obligate certain federal awards by June 30. However, with the Ohio Department of Education's (ODE) consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. These transfers resulted in the Schedule reporting negative receipts. The District transferred the following amounts from 2014 to 2015 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Transferred From 2014 to 2015</u>
Special Education- Preschool Grants	84.173	\$2,266
English Language Acquisition State Grants	84.365	5,777



# Dave Yost • Auditor of State

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

Strongsville City School District  
Cuyahoga County  
18199 Cook Avenue  
Strongsville, Ohio 44136

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Strongsville City School District, Cuyahoga County, Ohio, (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 4, 2016, wherein we noted the District adopted Governmental Accounting Standard No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

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

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

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

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

***Compliance and Other Matters***

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

***Purpose of this Report***

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

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

February 4, 2016





# Dave Yost • Auditor of State

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

Strongsville City School District  
Cuyahoga County  
18199 Cook Avenue  
Strongsville, Ohio 44136

To the Board of Education:

### ***Report on Compliance for the Major Federal Program***

We have audited the Strongsville City School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Strongsville City School District's major federal program for the year ended June 30, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

### ***Management's Responsibility***

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

### ***Auditor's Responsibility***

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

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

### ***Opinion on the Major Federal Program***

In our opinion, the Strongsville City School District, Cuyahoga County, Ohio complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2015.

***Report on Internal Control Over Compliance***

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

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

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

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



**Dave Yost**  
Auditor of State  
Columbus, Ohio

February 4, 2016

**STRONGSVILLE CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2015**

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

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

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None

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# Dave Yost • Auditor of State

**STRONGSVILLE CITY SCHOOL DISTRICT**

**CUYAHOGA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 23, 2016**