



**Auditor of State  
Betty Montgomery**



**STRONGSVILLE CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

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

We have audited the accompanying general-purpose financial statements of the Strongsville City School District, Cuyahoga County, Ohio (the District) as of and for the fiscal year ended June 30, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Strongsville City School District, Cuyahoga County, Ohio as of June 30, 2002, and the results of its operations and the cash flows of its proprietary funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 4 to the financial statements, the District changed its policy regarding fixed asset capitalization during fiscal year 2002.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2003 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying schedule of federal awards revenues and expenditures is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

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

**Betty Montgomery**  
Auditor of State

January 17, 2003

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STRONGSVILLE CITY SCHOOL DISTRICT  
 COMBINED BALANCE SHEET-  
 ALL FUND TYPES AND ACCOUNT GROUPS  
 JUNE 30, 2002

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>Assets and other debits</b>				
Pooled cash and equivalents	\$ 4,819,787	\$ 664,031	\$ 3,544,818	\$ 1,661,643
Receivables				
Taxes, current	38,726,215	-	2,962,874	1,070,716
Taxes, delinquent	1,660,405	-	127,032	45,907
Accounts and other	-	-	-	-
Interfund receivable	21,335	-	-	-
Inventories and supplies	-	-	-	-
Restricted cash	112,122	-	-	-
Fixed assets	-	-	-	-
Accumulated depreciation	-	-	-	-
Amount available for debt service	-	-	-	-
Amount to be provided for debt service	-	-	-	-
Amount to be provided for benefits	-	-	-	-
<b>Total assets and other debits</b>	<b>\$ 45,339,864</b>	<b>\$ 664,031</b>	<b>\$ 6,634,724</b>	<b>\$ 2,778,266</b>
<b>Liabilities, fund equity and other credits</b>				
<b>Liabilities</b>				
Accounts and contracts payable	\$ 251,880	\$ 59,359	\$ -	\$ 866,550
Claims payable	-	-	-	-
Accrued salaries and benefits	3,803,345	67,238	-	-
Accrued interest payable	-	-	-	4,300
Due to students	-	-	-	-
Due to other governments	989,575	10,663	-	-
Interfund payable	-	20,635	-	-
Due to others	-	-	-	-
Deferred revenue	33,790,861	-	2,585,285	934,263
Notes payable	-	-	-	995,000
Bonds payable	-	-	-	-
Compensated absences	337,101	1,321	-	-
Early retirement incentive	1,442,933	-	-	-
<b>Total liabilities</b>	<b>40,615,695</b>	<b>159,216</b>	<b>2,585,285</b>	<b>2,800,113</b>
<b>Fund equity and other credits</b>				
Investment in general fixed assets	-	-	-	-
Retained earnings				
Unreserved	-	-	-	-
Fund balances				
Reserved for property taxes	6,595,759	-	504,621	182,360
Reserved for capital maintenance	33,427	-	-	-
Reserved for textbooks	78,695	-	-	-
Reserved for debt service	-	-	3,544,818	-
Reserved for encumbrances	1,962,256	26,022	-	427,392
Unreserved	(3,945,968)	478,793	-	(631,599)
<b>Total fund equity and other credits</b>	<b>4,724,169</b>	<b>504,815</b>	<b>4,049,439</b>	<b>(21,847)</b>
<b>Total liabilities, fund equity and other</b>	<b>\$ 45,339,864</b>	<b>\$ 664,031</b>	<b>\$ 6,634,724</b>	<b>\$ 2,778,266</b>

The accompanying notes are an integral part of these financial statements.



Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Agency	General Fixed Assets	General Long-Term Debt	
\$ 317,761	\$ 207,879	\$ 199,294	\$ -	\$ -	\$ 11,415,213
-	-	-	-	-	42,759,805
-	-	-	-	-	1,833,344
-	7,088	-	-	-	7,088
-	-	-	-	-	21,335
30,968	-	-	-	-	30,968
-	-	-	-	-	112,122
764,710	39,647	-	64,300,157	-	65,104,514
(420,801)	(9,501)	-	-	-	(430,302)
-	-	-	-	4,049,439	4,049,439
-	-	-	-	22,625,303	22,625,303
-	-	-	-	7,207,156	7,207,156
<u>\$ 692,638</u>	<u>\$ 245,113</u>	<u>\$ 199,294</u>	<u>\$ 64,300,157</u>	<u>\$ 33,881,898</u>	<u>\$ 154,735,985</u>
\$ 19,942	\$ 1,446	\$ 2,304	\$ -	\$ -	\$ 1,201,481
-	32,518	-	-	-	32,518
82,008	-	-	-	-	3,952,591
-	-	-	-	-	4,300
-	-	195,029	-	-	195,029
49,779	-	-	-	448,744	1,498,761
-	-	700	-	-	21,335
-	-	1,261	-	-	1,261
25,724	-	-	-	-	37,336,133
-	-	-	-	-	995,000
-	-	-	-	26,674,742	26,674,742
46,429	-	-	-	5,199,107	5,583,958
-	-	-	-	1,559,305	3,002,238
<u>223,882</u>	<u>33,964</u>	<u>199,294</u>	<u>-</u>	<u>33,881,898</u>	<u>80,499,347</u>
-	-	-	64,300,157	-	64,300,157
468,756	211,149	-	-	-	679,905
-	-	-	-	-	7,282,740
-	-	-	-	-	33,427
-	-	-	-	-	78,695
-	-	-	-	-	3,544,818
-	-	-	-	-	2,415,670
-	-	-	-	-	(4,098,774)
<u>468,756</u>	<u>211,149</u>	<u>-</u>	<u>64,300,157</u>	<u>-</u>	<u>74,236,638</u>
<u>\$ 692,638</u>	<u>\$ 245,113</u>	<u>\$ 199,294</u>	<u>\$ 64,300,157</u>	<u>\$ 33,881,898</u>	<u>\$ 154,735,985</u>

STRONGSVILLE CITY SCHOOL DISTRICT  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE YEAR ENDED JUNE 30, 2002

	General	Special Revenue	Debt Service	Capital Projects
<b>Revenues</b>				
Taxes	\$ 42,191,136	\$ -	\$ 3,210,975	\$ 1,150,315
Tuition and fees	270,254	4,660	-	-
Interest	461,370	10,474	159,320	33,168
Intergovernmental	13,680,099	1,457,244	345,825	130,822
Extracurricular	-	578,674	-	-
Miscellaneous	57,118	113,896	-	-
<b>Total revenues</b>	<b>56,659,977</b>	<b>2,164,948</b>	<b>3,716,120</b>	<b>1,314,305</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Instruction</b>				
Regular	33,073,368	346,414	-	53,487
Special	2,676,114	181,796	-	-
Vocational education	362,082	-	-	-
Adult continuing	-	28,007	-	-
Other	689,822	-	-	-
<b>Supporting services</b>				
Pupil	2,085,138	380,378	-	-
Instructional	2,390,040	305,945	-	-
Board of education	60,823	-	-	-
Administration	2,681,293	42,827	-	-
Fiscal	3,322,720	-	41,456	14,007
Business	1,113,831	-	-	-
Operation and maintenance	5,146,233	-	-	1,492,271
Pupil transportation	2,717,938	-	-	-
Central services	358,216	-	-	-
<b>Non-instructional services</b>				
Community services	-	443,950	-	-
<b>Extracurricular</b>				
Academic oriented	-	291,804	-	-
Sports oriented	156,496	247,243	-	-
Capital outlay	-	-	-	1,273,726
Debt service				
Principal	-	-	1,615,000	-
Interest	-	-	1,451,205	4,300
<b>Total expenditures</b>	<b>56,834,114</b>	<b>2,268,364</b>	<b>3,107,661</b>	<b>2,837,791</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(174,137)</b>	<b>(103,416)</b>	<b>608,459</b>	<b>(1,523,486)</b>
<b>Other financing sources (uses)</b>				
Gain on sale of fixed assets	2,058	-	-	-
Operating transfers in	-	-	-	389,000
Operating transfers out	(390,597)	-	-	-
<b>Total other financing sources (uses)</b>	<b>(388,539)</b>	<b>-</b>	<b>-</b>	<b>389,000</b>
<b>Excess (deficiency) of revenues over expenditures and other sources (uses)</b>	<b>(562,676)</b>	<b>(103,416)</b>	<b>608,459</b>	<b>(1,134,486)</b>
<b>Fund balances, beginning of year</b>	<b>5,286,845</b>	<b>608,231</b>	<b>3,440,980</b>	<b>1,112,639</b>
<b>Fund balances, end of year</b>	<b>\$ 4,724,169</b>	<b>\$ 504,815</b>	<b>\$ 4,049,439</b>	<b>\$ (21,847)</b>

The accompanying notes are an integral part of these financial statements.

Totals  
(Memorandum  
Only)

\$ 46,552,426  
274,914  
664,332  
15,613,990  
578,674  
171,014  
63,855,350

33,473,269  
2,857,910  
362,082  
28,007  
689,822

2,465,516  
2,695,985  
60,823  
2,724,120  
3,378,183  
1,113,831  
6,638,504  
2,717,938  
358,216

443,950

291,804  
403,739  
1,273,726

-  
1,615,000  
1,455,505

65,047,930

(1,192,580)

2,058  
389,000  
(390,597)  
461

(1,192,119)

10,448,695

\$ 9,256,576

STRONGSVILLE CITY SCHOOL DISTRICT  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) – ALL GOVERNMENTAL FUND TYPES  
 FOR THE YEAR ENDED JUNE 30, 2002

	General		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues			
Taxes	\$ 42,108,573	\$ 38,111,476	\$ (3,997,097)
Tuition and fees	232,000	270,254	38,254
Interest	600,000	461,370	(138,630)
Intergovernmental	14,405,646	13,789,565	(616,081)
Extracurricular	-	-	-
Miscellaneous	67,600	66,063	(1,537)
Total revenues	<u>57,413,819</u>	<u>52,698,728</u>	<u>(4,715,091)</u>
Expenditures			
Current			
Instruction			
Regular	32,461,404	32,295,692	165,712
Special	2,702,695	2,655,586	47,109
Vocational education	369,224	362,021	7,203
Adult continuing	-	-	-
Other	1,382,025	1,355,844	26,181
Supporting services			
Pupil	2,215,213	2,124,873	90,340
Instructional	2,539,839	2,441,208	98,631
Board of education	70,870	61,658	9,212
Administration	2,933,498	2,819,909	113,589
Fiscal	3,466,820	3,415,588	51,232
Business	1,453,059	1,340,252	112,807
Operation and maintenance	5,357,989	5,153,745	204,244
Pupil transportation	2,843,521	2,760,150	83,371
Central services	416,383	370,895	45,488
Operation of non-instructional services			
Community services	-	-	-
Extracurricular activities			
Academic oriented	-	-	-
Sports oriented	185,706	160,476	25,230
Capital outlay	-	-	-
Debt service			
Principal	-	-	-
Interest	-	-	-
Total expenditures	<u>58,398,246</u>	<u>57,317,897</u>	<u>1,080,349</u>
Excess (deficiency) of revenues over expenditures	<u>(984,427)</u>	<u>(4,619,169)</u>	<u>(3,634,742)</u>
Other financing sources (uses)			
Proceeds from sale of notes	-	-	-
Gain (loss) on sale of assets	3,000	2,057	(943)
Operating transfers in	2,597	-	(2,597)
Advances in	925,300	925,300	-
Refund of prior year expenditures	100	50	(50)
Advances out	(943,935)	(943,935)	-
Refund of prior year receipts	(438)	(438)	-
Operating transfers out	(390,685)	(390,596)	89
Total other financing sources (uses)	<u>(404,061)</u>	<u>(407,562)</u>	<u>(3,501)</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	<u>(1,388,488)</u>	<u>(5,026,731)</u>	<u>(3,638,243)</u>
Prior year encumbrances	2,474,903	2,474,903	-
Fund balances, beginning of year	5,269,601	5,269,601	-
Fund balances, end of year	<u>\$ 6,356,016</u>	<u>\$ 2,717,773</u>	<u>\$ (3,638,243)</u>

The accompanying notes are an integral part of these financial statements.

Special Revenue		
Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -
-	4,660	4,660
44,536	10,474	(34,062)
2,055,911	1,457,244	(598,667)
754,408	572,443	(181,965)
480,070	113,896	(366,174)
<u>3,334,925</u>	<u>2,158,717</u>	<u>(1,176,208)</u>
560,791	366,900	193,891
202,204	182,488	19,716
-	-	-
36,626	28,599	8,027
-	-	-
445,557	391,065	54,492
315,894	296,013	19,881
-	-	-
50,457	43,056	7,401
-	-	-
-	-	-
-	-	-
-	-	-
573,889	507,188	66,701
500,425	292,304	208,121
421,527	265,219	156,308
-	-	-
-	-	-
-	-	-
<u>3,107,370</u>	<u>2,372,832</u>	<u>734,538</u>
<u>227,555</u>	<u>(214,115)</u>	<u>(441,670)</u>
-	-	-
-	-	-
17,773	6,231	(11,542)
82,300	165,735	83,435
-	-	-
(160,600)	(147,100)	13,500
(13,980)	(13,810)	170
(1,001)	-	1,001
<u>(75,508)</u>	<u>11,056</u>	<u>86,564</u>
152,047	(203,059)	(355,106)
164,079	164,079	-
617,632	617,632	-
<u>\$ 933,758</u>	<u>\$ 578,652</u>	<u>\$ (355,106)</u>

Debt Service		
Budget	Actual	Variance Favorable (Unfavorable)
\$ 2,904,352	\$ 2,905,197	\$ 845
-	-	-
135,000	159,320	24,320
225,000	345,825	120,825
-	-	-
-	-	-
<u>3,264,352</u>	<u>3,410,342</u>	<u>145,990</u>
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
41,700	41,456	244
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
1,615,000	1,615,000	-
1,451,205	1,451,205	-
<u>3,107,905</u>	<u>3,107,661</u>	<u>244</u>
<u>156,447</u>	<u>302,681</u>	<u>146,234</u>
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
156,447	302,681	146,234
-	-	-
3,242,137	3,242,137	-
<u>\$ 3,398,584</u>	<u>\$ 3,544,818</u>	<u>\$ 146,234</u>

STRONGSVILLE CITY SCHOOL DISTRICT  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) – ALL GOVERNMENTAL FUND TYPES  
 FOR THE YEAR ENDED JUNE 30, 2002

	Capital Projects		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues			
Taxes	\$ 1,161,241	\$ 1,037,540	\$ (123,701)
Tuition and fees	-	-	-
Interest	201,000	33,168	(167,832)
Intergovernmental	1,684,000	130,822	(1,553,178)
Extracurricular	-	-	-
Miscellaneous	-	-	-
Total revenues	<u>3,046,241</u>	<u>1,201,530</u>	<u>(1,844,711)</u>
Expenditures			
Current			
Instruction			
Regular	68,891	57,145	11,746
Special	-	-	-
Vocational education	-	-	-
Adult continuing	-	-	-
Other	-	-	-
Supporting services			
Pupil	-	-	-
Instructional	-	-	-
Board of education	-	-	-
Administration	-	-	-
Fiscal	22,000	14,007	7,993
Business	-	-	-
Operation and maintenance	2,845,592	2,775,738	69,854
Pupil transportation	159,000	-	159,000
Central services	-	-	-
Operation of non-instructional services			
Community services	-	-	-
Extracurricular activities			
Academic oriented	-	-	-
Sports oriented	-	-	-
Capital outlay	631,901	624,977	6,924
Debt service			
Principal	-	-	-
Interest	-	-	-
Total expenditures	<u>3,727,384</u>	<u>3,471,867</u>	<u>255,517</u>
Excess (deficiency) of revenues over expenditures	<u>(681,143)</u>	<u>(2,270,337)</u>	<u>(1,589,194)</u>
Other financing sources (uses)			
Proceeds from sale of notes	995,000	995,000	-
Gain (loss) on sale of assets	-	-	-
Operating transfers in	389,000	389,000	-
Advances in	497,000	497,000	-
Refund of prior year expenditures	-	-	-
Advances out	(497,000)	(497,000)	-
Refund of prior year receipts	(42)	(42)	-
Operating transfers out	-	-	-
Total other financing sources (uses)	<u>1,383,958</u>	<u>1,383,958</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	702,815	(886,379)	(1,589,194)
Prior year encumbrances	502,826	502,826	-
Fund balances, beginning of year	751,253	751,253	-
Fund balances, end of year	<u>\$ 1,956,894</u>	<u>\$ 367,700</u>	<u>\$ (1,589,194)</u>

The accompanying notes are an integral part of these financial statements.

Totals  
(Memorandum Only)

Budget	Actual	Variance Favorable (Unfavorable)
\$ 46,174,166	\$ 42,054,213	\$ (4,119,953)
232,000	274,914	42,914
980,536	664,332	(316,204)
18,370,557	15,723,456	(2,647,101)
754,408	572,443	(181,965)
547,670	179,959	(367,711)
<u>67,059,337</u>	<u>59,469,317</u>	<u>(7,590,020)</u>
33,091,086	32,719,737	371,349
2,904,899	2,838,074	66,825
369,224	362,021	7,203
36,626	28,599	8,027
1,382,025	1,355,844	26,181
2,660,770	2,515,938	144,832
2,855,733	2,737,221	118,512
70,870	61,658	9,212
2,983,955	2,862,965	120,990
3,530,520	3,471,051	59,469
1,453,059	1,340,252	112,807
8,203,581	7,929,483	274,098
3,002,521	2,760,150	242,371
416,383	370,895	45,488
573,889	507,188	66,701
500,425	292,304	208,121
607,233	425,695	181,538
631,901	624,977	6,924
-	-	-
1,615,000	1,615,000	-
1,451,205	1,451,205	-
<u>68,340,905</u>	<u>66,270,257</u>	<u>2,070,648</u>
<u>(1,281,568)</u>	<u>(6,800,940)</u>	<u>(5,519,372)</u>
995,000	995,000	-
3,000	2,057	(943)
409,370	395,231	(14,139)
1,504,600	1,588,035	83,435
100	50	(50)
(1,601,535)	(1,588,035)	13,500
(14,460)	(14,290)	170
(391,686)	(390,596)	1,090
<u>904,389</u>	<u>987,452</u>	<u>83,063</u>
(377,179)	(5,813,488)	(5,436,309)
3,141,808	3,141,808	-
9,880,623	9,880,623	-
<u>\$ 12,645,252</u>	<u>\$ 7,208,943</u>	<u>\$ (5,436,309)</u>

STRONGSVILLE CITY SCHOOL DISTRICT  
 COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS -  
 ALL PROPRIETARY FUND TYPES  
 FOR THE YEAR ENDED JUNE 30, 2002

	Enterprise	Internal Service	Totals (Memorandum Only)
Operating revenues			
Charges for services	\$ 1,425,851	\$ 180,327	\$ 1,606,178
Miscellaneous	309,177	108,962	418,139
Tuition and fees	278,579	-	278,579
Total operating revenues	<u>2,013,607</u>	<u>289,289</u>	<u>2,302,896</u>
Operating expenses			
Salaries and wages	623,464	-	623,464
Fringe benefits	313,122	-	313,122
Contractual services	314,321	138,452	452,773
Materials and supplies	1,090,652	9,018	1,099,670
Depreciation	25,082	7,929	33,011
Total operating expenses	<u>2,366,641</u>	<u>155,399</u>	<u>2,522,040</u>
Operating income (loss)	<u>(353,034)</u>	<u>133,890</u>	<u>(219,144)</u>
Nonoperating revenues			
Interest	10,110	515	10,625
Intergovernmental	238,930	-	238,930
Total nonoperating revenues	<u>249,040</u>	<u>515</u>	<u>249,555</u>
Income (loss) before operating transfers	(103,994)	134,405	30,411
Operating transfers in	<u>1,597</u>	<u>-</u>	<u>1,597</u>
Net income (loss)	(102,397)	134,405	32,008
Retained earnings, beginning of year, as restated	<u>571,153</u>	<u>76,744</u>	<u>647,897</u>
Retained earnings, end of year	<u>\$ 468,756</u>	<u>\$ 211,149</u>	<u>\$ 679,905</u>

The accompanying notes are an integral part of these financial statements.



STRONGSVILLE CITY SCHOOL DISTRICT  
 COMBINED STATEMENT OF CASH FLOWS -  
 ALL PROPRIETARY FUND TYPES  
 FOR THE YEAR ENDED JUNE 30, 2002

	Enterprise	Internal Service	Totals (Memorandum Only)
Cash flows from operating activities:			
Operating income (loss)	\$ (353,034)	\$ 133,890	\$ (219,144)
Adjustments to reconcile operating (loss) to net cash provided by operating activities:			
Donated commodities used	136,435	-	136,435
Depreciation	25,082	7,929	33,011
Changes in net assets (increase) decrease and liabilities increase (decrease):			
Account receivable	17,666	(1,064)	16,602
Inventories and supplies	(2,790)	-	(2,790)
Claims payable	-	32,518	32,518
Accounts and contracts payable	(13,325)	994	(12,331)
Accrued salaries and benefits	8,955	-	8,955
Due to other governments	(2,890)	-	(2,890)
Deferred revenue	1,674	-	1,674
Accrued leave benefits	9,153	-	9,153
Total adjustments	179,960	40,377	220,337
Net cash (used in) operating activities	(173,074)	174,267	1,193
Cash flows from non-capital financing activities:			
Intergovernmental revenue	102,495	-	102,495
Operating transfers-in	1,597	-	1,597
Net cash provided by non-capital financing activities	104,092	-	104,092
Cash flows from capital and related financing activities:			
Acquisition of fixed assets	(34,443)	(33,467)	(67,910)
Net cash (used in) capital and related financing activities	(34,443)	(33,467)	(67,910)
Cash flows provided by investing activities:			
Interest income	10,110	515	10,625
Net cash provided by investing activities	10,110	515	10,625
Net increase (decrease) in cash cash equivalents	(93,315)	141,315	48,000
Equity in pooled cash and equivalents, beginning of year	411,076	66,564	477,640
Equity in pooled cash and equivalents, end of year	\$ 317,761	\$ 207,879	\$ 525,640
Non-cash transactions:			
Disposal of fixed assets, cost	\$ 8,746	\$ -	\$ 8,746
Less accumulated depreciation	(8,746)	-	(8,746)
Net book value of disposed fixed assets	\$ -	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

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STRONGSVILLE CITY SCHOOL DISTRICT  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. DESCRIPTION OF THE ENTITY

The Strongsville City School District is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Strongsville City School District is a city school district as defined by Section 3311.02 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District. Average daily membership (ADM) as of October 1, 2001 was 7,016. The District employed 511 certificated employees and 365 non-certificated employees.

The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the Strongsville City School District, this includes regular, vocational, and special instruction. The District also provides support services for the pupils, instructional staff, general and school administration, business and fiscal services, facilities acquisitions and construction services, operation and maintenance of plant, student transportation, food services, extracurricular activities and nonprogrammed services.

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

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

Polaris Career Center - The Polaris Career Center is a separate body politic and corporate, established by the Ohio Revised Code to provide for the vocational and special needs of the students. The board of education consists of representatives from the board of each participating school district, independent of the Strongsville City School District. The Board is responsible for approving its own budgets, appointing personnel, and accounting and finance related activities. Strongsville City School District students may attend the vocational school. Each School District's control is limited to its representation on the board.

STRONGSVILLE CITY SCHOOL DISTRICT  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. DESCRIPTION OF THE ENTITY (continued)

Lake Erie Educational Computer Association - The Strongsville City School District participates in the Lake Erie Educational Computer Association (LEECA). LEECA provides data services needed by the participating school districts. This is a jointly governed organization. The District's participation is disclosed in Note 19 to these financial statements.

Ohio Schools Council Association - The Ohio Schools Council, which is composed of seventy school districts, was formed to purchase quality products and services at the lowest possible cost to the member districts. This is a jointly governed organization. The District's participation is disclosed in Note 19 to these financial statements

Strongsville Education Foundation - The Strongsville City School Education Foundation was established to support and enhance educational opportunities for the youth of the Strongsville community. This is a jointly governed organization. The District's participation is disclosed in Note 19 to these financial statements.

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

B. FUND ACCOUNTING

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

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

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

Governmental Fund Types:

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

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

STRONGSVILLE CITY SCHOOL DISTRICT  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. FUND ACCOUNTING (continued)

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

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

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

Proprietary Fund Type:

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

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

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

Fiduciary Fund Types:

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

Account Groups:

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

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

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

STRONGSVILLE CITY SCHOOL DISTRICT  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. BASIS OF ACCOUNTING

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

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

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

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

D. BUDGETARY PROCESS

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

STRONGSVILLE CITY SCHOOL DISTRICT  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. BUDGETARY PROCESS (continued)

Tax Budget

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

Estimated Resources

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

Appropriations

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

Encumbrances

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

STRONGSVILLE CITY SCHOOL DISTRICT  
 NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. BUDGETARY PROCESS (continued)

Lapsing of Appropriations

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

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

The "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Non-GAAP basis) - All Governmental Fund Types" is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

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

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

	<u>Excess (deficiency) of revenues over expenditures and other sources (uses) - reconciliation of budget basis to GAAP basis</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Budget basis	\$ (5,026,731 )	\$ (203,059 )	\$ 302,681	\$ (886,379 )
Adjustments, increase (decrease)				
Revenue accruals	3,035,899	(165,735 )	305,778	(1,379,225 )
Expenditure accruals	1,428,156	265,378	-	1,131,118
GAAP basis, as reported	<u>\$ (562,676 )</u>	<u>\$ (103,416 )</u>	<u>\$ 608,459</u>	<u>\$ (1,134,486 )</u>



STRONGSVILLE CITY SCHOOL DISTRICT  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

E. POOLED CASH AND INVESTMENTS

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

F. RESTRICTED CASH

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

G. INTERFUND TRANSACTIONS

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

H. INVENTORIES

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

I. FIXED ASSETS

Fixed assets used in governmental fund types of the District are recorded in the general fixed assets account group at cost or estimated historical cost if purchased or constructed. Donated fixed assets are recorded at their estimated fair value at the date of donation. Assets in the general fixed assets account group are not depreciated. Interest incurred during construction is not capitalized on general fixed assets. The District follows the policy of not capitalizing assets with a cost of less than \$ 1,000.

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

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

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

STRONGSVILLE CITY SCHOOL DISTRICT  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

J. COMPENSATED ABSENCES

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

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

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

K. LONG-TERM OBLIGATIONS

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

L. FUND EQUITY

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

M. TOTALS - MEMORANDUM ONLY COLUMNS

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

N. USE OF ESTIMATES

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

STRONGSVILLE CITY SCHOOL DISTRICT  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 2 – FUND EQUITY DEFICITS

At June 30, 2002, the Adult Basic Education, Title 1, Title VI Fund, Drug Free Schools special revenue funds and the capital projects Building Fund had deficit fund balances of \$7,354, \$24,831, \$6,151, \$1,014, and \$593,188, respectively. The deficits in the special revenue funds resulted from reflecting expenditures in accordance with the modified accrual basis of accounting, which are substantially larger than the amounts recognized on the budget basis. The deficit in the capital projects Building Fund resulted from the issuance of notes during the year.

NOTE 3 – STATUTORY RESERVES

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 2002, the reserve activity (cash basis) was as follows:

	<u>Textbook</u>	<u>Capital Maintenance</u>	<u>Total</u>
Balance, July 1, 2001	\$ -	\$ 150,188	\$ 150,188
Required set aside	858,453	858,453	1,716,906
Offset credits	(53,849 )	-	(53,849 )
Qualifying expenditures	(725,909 )	(975,214 )	(1,701,123 )
Balance June 30, 2002	<u>\$ 78,695</u>	<u>\$ 33,427</u>	<u>\$ 112,122</u>

Expenditures for textbooks and capital maintenance during the year were \$ 725,909 and \$ 975,214, respectively, which exceeded the required set aside and the reserve balance. Textbook expenditures and offsets exceeded statutory requirements by \$ 78,695, which may be used as an offset credit for future years' set aside requirements.

STRONGSVILLE CITY SCHOOL DISTRICT  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 4 PRIOR PERIOD ADJUSTMENT

Retained earnings in the Enterprise Funds and the Internal Service Funds, and Investment in General Fixed Assets, as previously reported have been restated. Fixed assets and accumulated depreciation have been adjusted to reflect a change in the District's capitalization policy. For financial reporting purposes the District increased its capitalization threshold from \$ 500 to \$ 1,000. Balances as of June 30, 2001 have been restated as follows:

	Balance June 30, as previously reported	Adjustment	Balance June 30, as restated
General Fixed Assets Account Group			
Investment in general fixed assets	<u>\$ 63,927,434</u>	<u>\$ (1,663,013 )</u>	<u>\$ 62,264,421</u>
Enterprise Funds, Retained earnings			
Food Service Fund	\$ 472,780	\$ (36,160 )	\$ 436,620
Uniform School Supplies Fund	95,832	-	95,832
Special Enterprise Fund	38,787	(86 )	38,701
Total Enterprise Funds, as restated	<u>\$ 607,399</u>	<u>\$ (36,246 )</u>	<u>\$ 571,153</u>
Internal Service Fund, Retained Earnings			
Rotary Fund	<u>\$ 78,654</u>	<u>\$ (1,910 )</u>	<u>\$ 76,744</u>

NOTE 5 DEPOSITS AND INVESTMENTS

A. LEGAL REQUIREMENTS

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

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

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

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

STRONGSVILLE CITY SCHOOL DISTRICT  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 5 DEPOSITS AND INVESTMENTS (continued)

A. LEGAL REQUIREMENTS (continued)

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

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

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

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

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

STRONGSVILLE CITY SCHOOL DISTRICT  
 NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 5 DEPOSITS AND INVESTMENTS (continued)

B. DEPOSITS

At year-end, the District had \$ 3,550 in undeposited cash on hand which is included as part of "Pooled cash and equivalents." At year-end, the carrying amount of the Strongsville City School District's deposits was \$ 3,461,689 and the bank balance was \$ 4,012,110. Of the bank balance,

1. \$ 202,000 was covered by federal depository insurance; and
2. \$ 3,810,110 was uninsured and uncollateralized. Although State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

C. INVESTMENTS

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

	Category 3	Carrying Value
U.S. Government securities	\$ 5,455,928	\$ 5,455,928
Money Market Investment		8,602
Investment in State Treasurer's Investment Pool		2,597,566
		\$ 8,062,096

STRONGSVILLE CITY SCHOOL DISTRICT  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
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NOTE 6 - PROPERTY TAXES

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

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

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

The District receives property taxes from Cuyahoga and Lorain Counties. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2002 are available to finance fiscal year 2002 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2002. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2002, was \$ 6,595,759 in the General Fund \$ 504,621 in the Debt Service Fund, and \$ 182,360 in the Capital Projects Fund. The assessed values upon which fiscal year 2002 taxes were collected are:

	2001 Second - Half Collections			2002 First - Half Collections	
	Amount	%		Amount	%
Agricultural/Residential and Other Real Estate	\$ 1,109,845,770	88.01 %		\$1,136,867,840	88.10 %
Public Utilities	39,223,510	3.11		31,976,790	2.48
Tangible Personal Property	111,928,222	8.88		121,599,684	9.42
Total Assessed Value	<u>\$ 1,260,997,502</u>	<u>100.00 %</u>		<u>\$1,290,444,314</u>	<u>100.00 %</u>
Tax rate per \$1,000 of assessed valuation	<u>70.60</u>			<u>70.60</u>	

STRONGSVILLE CITY SCHOOL DISTRICT  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 7 - FIXED ASSETS

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

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

	Balance July 1, 2001, as restated	Additions	Disposals	Balance June 30, 2002
Land and buildings	\$ 45,427,037	\$ 1,897,468	\$ -	\$ 47,324,505
Furniture and equipment	10,236,102	400,723	179,374	10,457,451
Vehicles	4,564,161	362,805	445,886	4,481,080
Text and library books	2,037,121	-	-	2,037,121
	<u>\$ 62,264,421</u>	<u>\$ 2,660,996</u>	<u>\$ 625,260</u>	<u>\$ 64,300,157</u>

The following is a summary of proprietary fund type fixed assets at June 30, 2002:

	Enterprise	Internal Service	Total
Machinery and equipment	\$ 764,710	\$ 39,647	\$ 804,357
Less accumulated depreciation	420,801	9,501	430,302
Net fixed assets	<u>\$ 343,909</u>	<u>\$ 30,146</u>	<u>\$ 374,055</u>

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

NOTE 8 - NOTE PAYABLE

	Rate of Interest	Issue Date	Maturity Date	Balance June 30, 2002
Energy Conservation Note	1.75%	4/1/02	4/1/03	<u>\$ 995,000</u>



STRONGSVILLE CITY SCHOOL DISTRICT  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 9 - LONG-TERM DEBT

Long-term obligations of the District as of June 30, 2002 were as follows:

	Outstanding July 1, 2001	Additions	Retired	Outstanding June 30, 2002
Bonds, 6.500%; matures 2010	\$ 2,600,000	\$ -	\$ 260,000	\$ 2,340,000
Bonds, 6.950%; matures 2011	1,430,000	-	130,000	1,300,000
Bonds, 6.200%; matures 2015	2,805,000	-	135,000	2,670,000
Bonds, 3.750%; matures 2012	21,454,742	-	1,090,000	20,364,742
Total bonds	<u>28,289,742</u>	<u>-</u>	<u>1,615,000</u>	<u>26,674,742</u>
Due to other governments	473,033	448,744	473,033	448,744
Compensated absences	4,856,784	1,060,290	717,967	5,199,107
Retirement incentive plan	1,988,831	535,162	964,688	1,559,305
	<u>\$ 35,608,390</u>	<u>\$ 2,044,196</u>	<u>\$ 3,770,688</u>	<u>\$ 33,881,898</u>

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

The annual requirements to amortize general obligation bonds outstanding as of June 30, 2002, are as follows:

Year ending June 30,	Principal	Interest	Total
2003	\$ 1,770,000	\$ 1,364,877	\$ 3,134,877
2004	1,224,742	2,007,555	3,232,297
2005	2,045,000	1,231,591	3,276,591
2006	2,235,000	1,119,068	3,354,068
2007	2,440,000	995,283	3,435,283
2008 - 2012	13,630,000	2,831,517	16,461,517
2013 - 2015	3,330,000	141,794	3,471,794
	<u>\$ 26,674,742</u>	<u>\$ 9,691,685</u>	<u>\$ 36,366,427</u>

STRONGSVILLE CITY SCHOOL DISTRICT  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 10 - INTERFUND TRANSACTIONS

Interfund balances at June 30, 2002, consisted of the following individual fund receivables and payables:

Fund	Receivable	Payable
General Fund	\$ 21,335	\$ -
Special Revenue Funds		
Adult Basic Education	-	7,645
Title I	-	8,060
Title VI	-	3,830
Title IV	-	1,100
Agency Funds		
Outdoor Education	-	700
Total	<u>\$ 21,335</u>	<u>\$ 21,335</u>

NOTE 11 - SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains three enterprise funds which are intended to be self-supporting through user fees charged for services to the students. Financial segment information as of and for the fiscal year ended June 30, 2002 is presented below.

	Food Service	Uniform Supplies	Special Enterprise	Total Enterprise
Operating revenues	<u>\$ 1,425,851</u>	<u>\$ 500,363</u>	<u>\$ 87,393</u>	<u>\$ 2,013,607</u>
Operating expenses				
Salaries and wages	597,428	-	26,036	623,464
Fringe benefits	297,085	-	16,037	313,122
Contractual services	24,372	227,857	62,092	314,321
Materials and supplies	804,027	284,242	2,383	1,090,652
Depreciation	24,849	-	233	25,082
Total operating expenses	<u>1,747,761</u>	<u>512,099</u>	<u>106,781</u>	<u>2,366,641</u>
Operating loss	<u>(321,910)</u>	<u>(11,736)</u>	<u>(19,388)</u>	<u>(353,034)</u>
Nonoperating revenues	<u>249,040</u>	<u>-</u>	<u>-</u>	<u>249,040</u>
Operating transfers in	<u>-</u>	<u>1,597</u>	<u>-</u>	<u>1,597</u>
Net loss	<u>\$ (72,870)</u>	<u>\$ (10,139)</u>	<u>\$ (19,388)</u>	<u>\$ (102,397)</u>
Other information				
Net working capital	<u>\$ 69,071</u>	<u>\$ 85,693</u>	<u>\$ 16,512</u>	<u>\$ 171,276</u>
Fixed asset additions	<u>\$ 34,443</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,443</u>
Fixed asset disposals	<u>\$ (8,746)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (8,746)</u>
Total assets	<u>\$ 563,524</u>	<u>\$ 105,582</u>	<u>\$ 23,532</u>	<u>\$ 692,638</u>
Total equity	<u>\$ 363,750</u>	<u>\$ 85,693</u>	<u>\$ 19,313</u>	<u>\$ 468,756</u>

STRONGSVILLE CITY SCHOOL DISTRICT  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 12- COMPENSATED ABSENCES

Sick Leave

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

Service Retirement

Certified employees are eligible for service retirement pay after the Board of Education accepts the employee's resignation. Service retirement pay is the certified employee's accrued but unused sick leave days at the time of retirement based on their daily rate of pay times the value of the employee's eligible accrued unused sick leave days. Service retirement is payable at 30% not to exceed 115 days for fifteen years of service (ten years with the Strongsville City School District) and 30% not to exceed 135 days for twenty years of service (fifteen years with the Strongsville City School District).

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

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

Severance Pay

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

Certified employees are eligible for severance pay upon the employee's death, resignation or retirement. In the event of retirement or death, severance pay shall be equal to the value of 30% of the teacher's accumulated but unused sick leave not to exceed 115 days. In the event of resignation or death with a minimum of fifteen years (ten years in Strongsville), severance pay shall be equal to the value of 30% of the teacher's accumulated but unused sick leave not to exceed 115 days. In the event of resignation or death with a minimum of twenty years (fifteen years in Strongsville), severance pay shall be equal to the value of 30% of the teacher's accumulated unused sick leave not to exceed 135 days. The value shall be computed at the teacher's per diem rate of pay at the last date of employment. No supplemental pay shall be used in the computation of severance pay.

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

STRONGSVILLE CITY SCHOOL DISTRICT  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 13 PENSION PLANS

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS)

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

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The School district's contributions to SERS for the years ended June 30, 2002, 2001, and 2000 were \$ 1,161,600, \$ 1,134,800, and \$ 1,127,900, respectively. The full amount has been contributed for 2001 and 2000. For 2002, \$ 555,100 (48%) has been contributed with the remainder being reported as a fund liability within the respective funds and the general long-term debt account group.

B. STATE TEACHERS RETIREMENT SYSTEM (STRS)

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent. Contribution rates are established by STRS, upon recommendation of it's consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's contribution to STRS for the years ended June 30, 2002, 2001, and 2000 were \$ 3,672,700, \$ 3,610,300, and \$ 3,516,000, respectively. The full amount has been contributed for 2001 and 2000. For 2002, \$ 2,963,500 (81%) has been contributed with the remainder being reported as a liability within the respective funds.

STRONGSVILLE CITY SCHOOL DISTRICT  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 14 POSTEMPLOYMENT BENEFITS

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM

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

After the allocation for basic benefits, the remainder of the employer's contribution is allocated to providing health care benefits. At June 30, 2001 (the latest information available) the allocation rate is 9.80%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2001, the minimum pay has been established as \$ 12,400. The surcharge rate added to the unallocated portion of the 14% employer contribution rate provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2001 were \$ 161,439,934 and the target level was \$ 242.2 million. At June 30, 2001, the Retirement System's net assets available for payment of health care benefits was \$ 315.7 million.

The number of participants receiving health care benefits is approximately 50,000. The portion of the District's contributions that were used to fund postemployment benefits amounted to \$ 896,300.

B. STATE TEACHERS RETIREMENT SYSTEM

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

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

The Retirement Board allocates employer contributions to the Health Care Reserve Fund from which health care benefits are paid. For the fiscal year ended June 30, 2001 (the latest information available), the board allocated employer contributions equal to 4.5% of covered payroll to the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$ 3.256 billion on June 30, 2001.

For the year ended June 30, 2001, net health care costs paid by STRS were \$ 300,772,000. There were 102,132 eligible benefit recipients.

STRONGSVILLE CITY SCHOOL DISTRICT  
 NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 15 - RETIREMENT INCENTIVE PLAN

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

NOTE 16 - OHIO SCHOOL FUNDING PLAN

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed ". . . the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient. . . .". The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

NOTE 17 - OPERATING LEASE

The District is obligated under a certain lease accounted for as an operating lease. Operating leases do not give rise to property rights or lease obligations, and therefore the results of the lease agreement are not reflected in the District's account groups. During 2002, expenditures for operating leases totaled \$ 32,400. The following is a schedule by years of future minimum rental payments required under the operating lease as of June 30, 2002:

	Year ending June 30,	Amount
	2003	\$ 39,480
	2004	39,480
	2005	39,480
Total minimum lease payments		\$ 118,440

STRONGSVILLE CITY SCHOOL DISTRICT  
 NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 18 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During the fiscal year 2002, the District contracted with the Indiana Insurance Company for property insurance. Travelers Insurance Company covers boiler and machinery at \$ 30,000,000 single occurrence and \$ 1,000 deductible. Crime policy for employee dishonesty, forgery and alteration is covered by Ohio Casualty Insurance Co. with a \$ 250,000 limit and \$ 1,000 deductible. Liability is protected by Nationwide Agribusiness Insurance Company with a \$ 5,000,000 annual aggregate/\$ 2,000,000 single occurrence limit and no deductible. Vehicles are covered by Corecis and hold a \$ 250 deductible for comprehensive and a \$ 500 deductible for collision. Automobile liability has a \$ 2,000,000 combined single limit of liability. The District provides medical and life insurance to employees through commercial insurance coverage. There has not been any significant reductions in insurance coverage from the prior year. Settlements have not exceeded insurance coverage in any of the preceding three years.

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

During the current fiscal year, the District established a dental self-insurance fund for District employees and their covered dependents. This program is administered with the use of an outside third party administrator. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Changes in the balance of claims liability during the years ended June 30, 2002 and 2001 are as follows:

	2002	2001
Unpaid claims, beginning of year	\$ -	\$ -
Incurred claims	129,929	-
Claims payment	(97,411 )	-
Unpaid claims, end of year	<u>\$ 32,518</u>	<u>\$ -</u>

STRONGSVILLE CITY SCHOOL DISTRICT  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS

A. LAKE ERIE EDUCATION COMPUTER ASSOCIATION

The Lake Erie Educational Computer Association (LEECA) is a jointly governed organization comprised of thirty-two school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these districts supports LEECA based upon a per pupil charge dependent upon the software package utilized. The LEECA assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. LEECA is governed by a board of directors chosen from the general membership of the LEECA assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least one assembly member from each county from which participating districts are located. Financial information can be obtained by contacting the Treasurer at the Educational Service Center of Lorain County, which serves as fiscal agent, located at 1885 Lake Avenue, Elyria, Ohio 44035. During the year ended June 30, 2002 the District paid \$ 65,645 to LEECA for basic charges.

B. OHIO SCHOOLS COUNCIL

The Ohio Schools Council (Council) is a jointly governed organization among eighty-three school districts. This jointly governed organization was formed to purchase quality products and services at the lowest possible cost to member districts. The Council sponsors an insurance purchasing plan, the Cooperative Purchasing Program and a natural gas purchasing program in which the District participates. Each school district supports the Council by paying a one time fee of \$ 500 and certain annual participation fees. The Council's Board consists of seven superintendents of the participating school districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. Financial information can be obtained by contacting the Executive Secretary of the Ohio Schools Council at 6133 Rockside Road, Independence, Ohio 44131. During the year ended June 30, 2002 the District paid \$ 305,687 to Ohio Schools Council.

The District participates in the Council's electric purchase program which was implemented during fiscal year 2000. This program allows school districts to purchase electricity at reduced rates, if the school districts will commit to participating for an eight year period. The participants make monthly payments based on estimated usage. Each June these estimated payments are compared to their actual usage for the year and any necessary adjustments are made.

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

The School District also participates in the Council's prepaid natural gas program which was implemented during fiscal year 2002. This program allows school districts to purchase natural gas at reduced rates, if the school districts will commit to participating for a twelve year period. The participants make monthly payments based on estimated usage. Each month these estimated payments are compared to their actual usage and any necessary adjustments are made.



STRONGSVILLE CITY SCHOOL DISTRICT  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS (continued)

B. OHIO SCHOOLS COUNCIL (continued)

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

C. STRONGSVILLE EDUCATION FOUNDATION

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

NOTE 20 - CONTINGENT LIABILITIES

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

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

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**STRONGSVILLE CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY  
SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2002**

<b>Federal Agency</b>		Pass-through				
Pass-through Agency		Agency Awarding			Non-Cash	Non-Cash
<u>Federal Program</u>	<u>CFDA #</u>	<u>Number</u>	<u>Receipts</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Expenditures</u>
<b>United States Department Of Education</b>						
Passed-through Ohio Department of Education						
Special Education Cluster:						
Special Education - Grants to States	84.027	44842 6B-SF	\$ 495,132		\$ 464,460	
Special Education - Pre-School Grants	84.173	44842 PG-S1	<u>29,270</u>		<u>31,980</u>	
Total Special Education Cluster			524,402		496,440	
Adult Basic Education	84.002	44842 AB-S1	18,605		33,791	
Title 1 Grants to Local Educational Agencies	84.010	44842 C1-S1	92,272		123,174	
Innovative Education Program Strategies	84.298	44842 C2-S1	23,499		40,321	
Family/School Partnership	84.276	44842 G2-S8	(69)		69	
School Renovation Idea & Technology Grant	84.352A	44842 AT-S1	179		-	
Class Size Reduction Subsidy	84.340	44842 CR-S1	69,081		69,295	
Eisenhower Professional Development State Grant	84.281	44842 MS-S1	22,477		37,037	
Safe and Drug-Free Schools and Communities-State Grants	84.186	44842 DR-S1	<u>28,049</u>		<u>32,372</u>	
<b>Total United States Department of Education</b>			<b><u>778,495</u></b>		<b><u>832,499</u></b>	
<b>United States Department Of Agriculture</b>						
Passed-through Ohio Department of Education						
Child Nutrition Cluster:						
National School Lunch Program	10.555	44842 LL-P1	8,286		8,286	
National School Lunch Program	10.555	44842 LL-P4	<u>146,258</u>		<u>146,258</u>	
Total National School Lunch Program			<u>154,544</u>		<u>154,544</u>	
Food Distribution Program	10.550	44842 04-PU		\$ 138,108		\$ 136,434
<b>Total Nutrition Cluster/Total United States Department of Agriculture</b>			<b><u>154,544</u></b>	<b><u>138,108</u></b>	<b><u>154,544</u></b>	<b><u>136,434</u></b>
<b>Total Federal Financial Assistance</b>			<b><u>\$ 933,039</u></b>	<b><u>\$ 138,108</u></b>	<b><u>\$ 987,043</u></b>	<b><u>\$ 136,434</u></b>

**STRONGSVILLE CITY SCHOOL DISTRICT**  
**NOTES TO THE SCHEDULE OF FEDERAL AWARDS REVENUES AND EXPENDITURES**  
**JUNE 30, 2002**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (Schedule) includes the federal grant activity of the District and is presented on the basis of cash receipts and disbursements. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the general-purpose financial statements.

**NOTE B - NATIONAL SCHOOL LUNCH PROGRAM**

Federal revenues from the U.S. Department of Agriculture are commingled with State grants and local revenues. It is assumed that federal monies are expended first.

**NOTE C - FOOD DISTRIBUTION**

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. At June 30, 2002, the District had food commodities valued at \$25,724 in inventory.



## **Auditor of State Betty Montgomery**

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

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

We have audited the general-purpose financial statements of the Strongsville City School District, Cuyahoga County, Ohio, (the District) as of and for the year ended June 30, 2002, and have issued our report thereon dated January 17, 2003, wherein we noted the District changed its policy regarding fixed asset capitalization. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **Compliance**

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

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

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

Lausche Building / 615 Superior Ave., NW / Twelfth Floor / Cleveland, OH 44113-1801  
Telephone: (216) 787-3665 (800) 626-2297 Fax: (216) 787-3361  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

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

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

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

**Betty Montgomery**  
Auditor of State

January 17, 2003



## **Auditor of State Betty Montgomery**

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

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

#### **Compliance**

We have audited the compliance of Strongsville City School District, Cuyahoga County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2002. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, Strongsville City School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2002.

#### **Internal Control Over Compliance**

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

Lausche Building / 615 Superior Ave., NW / Twelfth Floor / Cleveland, OH 44113-1801  
Telephone: (216) 787-3665 (800) 626-2297 Fax: (216) 787-3361  
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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

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

**Betty Montgomery**  
Auditor of State

January 17, 2003



**STRONGSVILLE CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505**

June 30, 2002

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

<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unqualified
<i>(d)(1)(ii)</i>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(ii)</i>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iii)</i>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under § .510?</b>	No
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	Nutrition Cluster: Food Distribution Program – CFDA# 10.550 National School Lunch Program – CFDA# 10.555
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A/B Programs</b>	\$ 300,000
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee?</b>	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





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**STRONGSVILLE CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 11, 2003**