

Strongsville City School District

**Basic Financial Statements
June 30, 2008**



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Strongsville City School District, Cuyahoga County, prepared by Ciuni & Panichi, Inc., for the audit period July 1, 2007 through June 30, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Strongsville City School District is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

February 12, 2009

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Strongsville City School District

For The Year Ended June 30, 2008

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Strongsville City School District

For The Year Ended June 30, 2008

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Independent Auditors' Report

Board of Education
Strongsville City School District
Strongsville, Ohio

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Strongsville City School District (the "District"), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 the 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Strongsville City School District, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3 to the financial statements, during the year ended June 30, 2008, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (OPEB)"; GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues"; and GASB Statement No. 50, "Pension Disclosures."

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2008, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Board of Education
Strongsville City School District

The management's discussion and analysis on pages 3 through 12 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Cini & Paricki, Inc.

Cleveland, Ohio
December 30, 2008

STRONGSVILLE CITY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

The discussion and analysis of Strongsville City School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the financial statements and notes to those respective statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial Highlights for 2008 are as follows:

- In total, net assets increased by \$ 5,848,299.
- Revenues for governmental activities totaled \$ 82,903,167 in 2008. Of this total, 93.0 percent consisted of general revenues while program revenues accounted for the balance of 7.0 percent.
- Program expenses totaled \$ 77,054,868. Instructional expenses made up 59.5 percent of this total while support services accounted for 34.3 percent. Other expenses rounded out the remaining 6.2 percent.
- Outstanding general obligation bonded debt decreased by \$ 2,652,181.

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains all the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the question, "How did we do financially during 2008?" The *Statement of Net Assets* and the *Statement of Activities* answers this question. These statements include all assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 15. Fund financial reports provided detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General fund and Debt Service fund.

STRONGSVILLE CITY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Governmental Funds

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

The School District as a Whole

You may recall that the *Statement of Net Assets* provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2008 compared to 2007.

TABLE 1
Net Assets
Governmental Activities

	2008	2007
Assets		
Current and other assets	\$ 62,277,574	\$ 54,283,055
Capital assets, net	45,267,188	46,530,076
Total assets	\$ 107,544,762	\$ 100,813,131
 Liabilities		
Current liabilities	\$ 52,822,414	\$ 49,311,122
Long-term liabilities		
Due in one year	3,020,018	2,939,537
Due in more than one year	25,326,981	28,035,422
Total liabilities	81,169,413	80,286,081
 Net assets		
Invested in capital assets, net of related debt	23,432,917	21,946,264
Restricted	10,041,644	8,800,688
Unrestricted	(7,099,212)	(10,219,902)
Total net assets	\$ 26,375,349	\$ 20,527,050

STRONGSVILLE CITY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

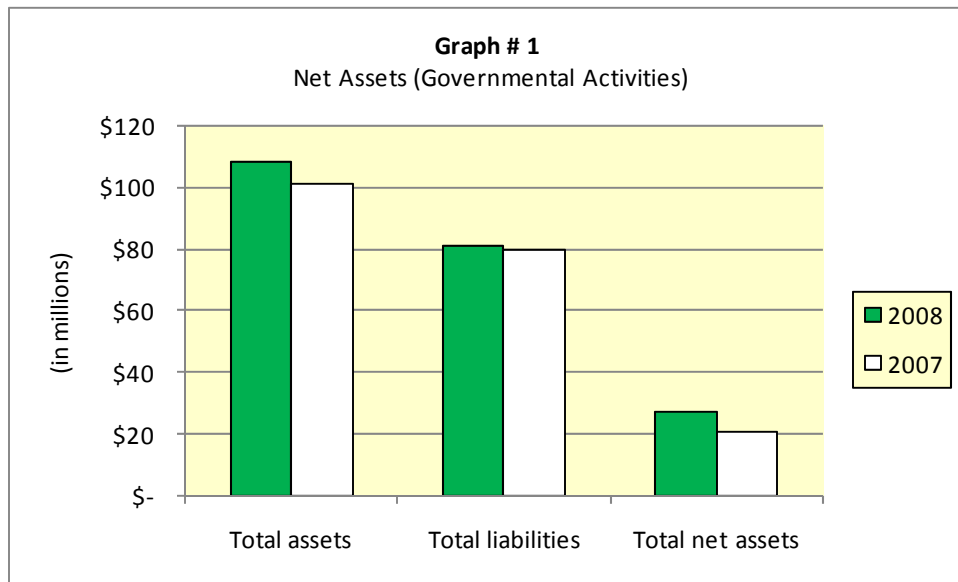
Details of Table 1
Net Assets
Governmental Activities

	2008	2007
Assets		
Equity in pooled cash	\$ 7,204,331	\$ 6,097,185
Accounts receivable	93,123	10,269
Due from other governments	335,043	484,923
Taxes receivable	54,645,077	47,690,678
Capital assets		
Non-depreciable capital assets	2,611,204	2,611,204
Depreciable capital assets, net	42,655,984	43,918,872
Total assets	\$ 107,544,762	\$ 100,813,131
 Liabilities		
Accounts and contracts payable	\$ 506,253	\$ 503,636
Accrued salaries, wages and benefits	5,489,684	5,329,946
Claims payable	85,427	63,891
Accrued interest payable	111,422	126,954
Due to other governments	2,162,083	2,279,118
Unearned revenue	44,467,545	41,007,577
Long-term liabilities		
Due within one year	3,020,018	2,939,537
Due in more than one year	25,326,981	28,035,422
Total liabilities	81,169,413	80,286,081
 Net assets		
Invested in capital assets, net of related debt	23,432,917	21,946,264
Restricted	10,041,644	8,800,688
Unrestricted	(7,099,212)	(10,219,902)
Total net assets	\$ 26,375,349	\$ 20,527,050

STRONGSVILLE CITY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Net Assets (Governmental Activities)
(in millions)

	2008	2007
Total assets	\$ 107	\$ 101
Total liabilities	81	80
Total net assets	\$ 26	\$ 21



Total assets increased by \$ 6,731,631. Contributing to this net increase were increases of \$ 1,107,146 in equity in pooled cash, and \$6,954,399 in taxes receivable. Capital assets had a net decrease of \$ 1,262,888.

Total liabilities increased by \$ 883,332. The most notable areas were an increase of \$ 3,549,968 in unearned revenue and a decrease of \$ 2,627,960 in long-term liabilities. Unearned revenue is primarily the result of taxes receivable and related amount available for advance from the county auditor.

By comparing assets and liabilities, one can see the overall position of the School District has improved as evidenced by the increase in net assets of \$ 5,848,299.

The vast majority of revenue supporting all governmental activities is general revenue. General revenue totaled \$ 77,095,076 or 93.0 percent of the total revenue. The most significant portion of the general revenue is local property tax. The remaining amount of revenue received was in the form of program revenues, which equated to \$ 5,808,091 or only 7.0 percent of total revenue.

Table 2 shows the changes in net assets for fiscal years 2008 and 2007.

STRONGSVILLE CITY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

TABLE 2
Governmental Activities

	2008	2007
Revenues		
Program revenues		
Charges for services and sales	\$ 2,997,343	\$ 2,826,171
Operating grants, interest and contributions	2,810,748	2,855,527
Capital grants, interest and contributions	-	36,000
Total program revenues	5,808,091	5,717,698
General revenue		
Property tax	56,265,428	50,515,180
Grants and entitlements	19,443,382	17,049,460
Investment earnings	625,422	761,368
Miscellaneous	760,844	1,400,127
Total general revenues	77,095,076	69,726,135
Total revenues	82,903,167	75,443,833
Program expenses		
Instruction		
Regular	40,385,617	39,553,278
Special	5,075,166	4,994,518
Vocational	331,506	375,494
Adult/continuing	19,893	29,510
Other instruction	8,668	35,748
Supporting services		
Pupil	3,116,309	3,212,804
Instructional staff	3,187,644	3,789,870
Board of education	128,482	29,430
Administration	3,133,879	3,141,590
Fiscal services	5,145,302	5,175,228
Business	488,678	624,854
Operation and maintenance	7,326,673	7,347,551
Pupil transportation	3,372,652	4,010,354
Central services	541,539	610,231
Operation of non-instructional		
Food service operation	2,012,845	2,047,158
Community services	590,080	671,695
Extracurricular activities	648,855	507,648
Interest	1,541,080	1,336,796
Total program expenses	77,054,868	77,493,757
Decrease in net assets	5,848,299	(2,049,924)
Net assets, beginning of year	20,527,050	22,576,974
Net assets, end of year	\$ 26,375,349	\$ 20,527,050

STRONGSVILLE CITY SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited*

Governmental Activities

The School District has carefully planned its financial existence by forecasting its revenues and expenditures over the next five years. In August of 2002, the School District successfully passed a five year, six mill incremental levy that is estimated to generate 7.7 million dollars in additional revenue per year. Collections began the second half of Fiscal Year 2003. This additional income will be dedicated to the operational and capital needs of the School District through 2008. This levy was renewed in November 2007 at six mills through 2012. On November 6, 2008 the citizens of the District passed a 6.5 mill continuing operating levy which is estimated to generate approximately \$ 9,054,000 per year.

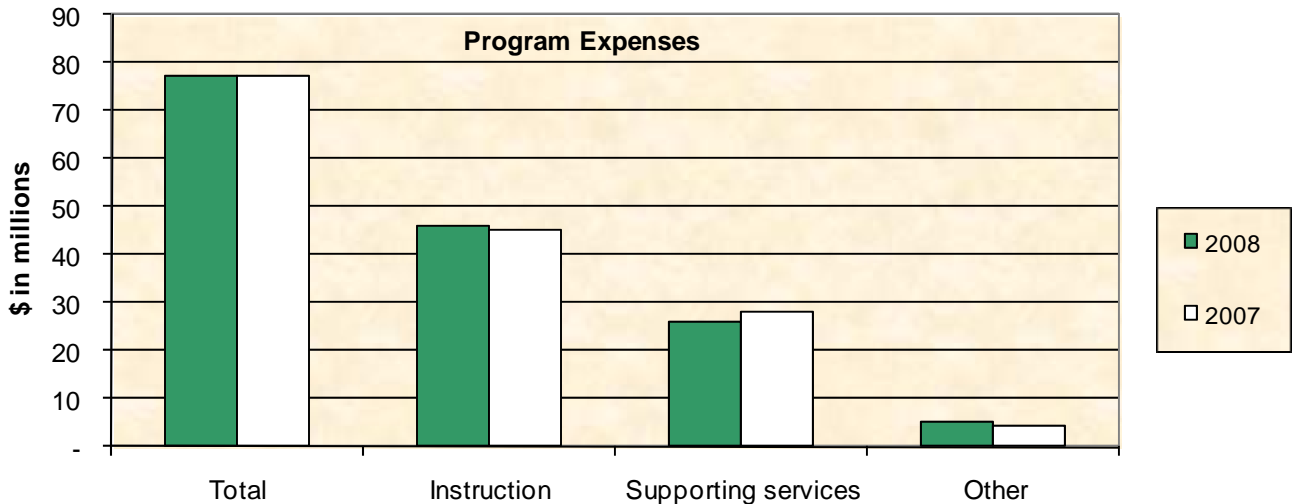
Although the School District relies heavily upon local property taxes to support its operations, the School District does actively solicit and receive additional grant and entitlement funds to help offset some operating costs.

Approximately 59.5 percent of the School District's budget is used to fund instructional expenses. Additional supporting services for pupils, staff and business operations encompass an additional 34.3 percent. The remaining amount of program expenses, roughly 6.2 percent, is budgeted to facilitate other obligations of the School District such as interest and fiscal charges and numerous extracurricular activities.

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

Graph #2
Program Expenses
(in millions)

	2008	2007
Instruction	\$ 46	\$ 45
Supporting services	26	28
Other	5	4
Total	<u>\$ 77</u>	<u>\$ 77</u>



STRONGSVILLE CITY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Table 3
 Governmental Activities

	Total Cost of Services 2008	Net Cost of Services 2008
Governmental Activities	<u>2008</u>	<u>2008</u>
Instruction		
Regular	\$ 40,385,617	\$ (39,217,862)
Special	5,075,166	(4,738,429)
Vocational	331,506	(262,583)
Adult/continuing	19,893	-
Other instruction	8,668	(166)
Support services		
Pupil	3,116,309	(2,381,935)
Instructional staff	3,187,644	(2,740,940)
Board of education	128,482	(128,482)
Administration	3,133,879	(2,843,981)
Fiscal services	5,145,302	(5,145,302)
Business	488,678	(488,678)
Operation and maintenance	7,326,673	(7,277,694)
Pupil transportation	3,372,652	(3,372,652)
Central services	541,539	(541,539)
Operation of non-instructional		
Food service operation	2,012,845	(97,397)
Community services	590,080	(41,135)
Extracurricular activities	648,855	(426,922)
Interest	1,541,080	(1,541,080)
Total	<u>\$ 77,054,868</u>	<u>\$ (71,246,777)</u>

As one can see, the reliance upon local tax revenues for governmental activities is crucial. Approximately 73.0 percent of expenses are directly supported by local property taxes. Grant and entitlements not restricted to specific programs support 25.2 percent, while investment and other miscellaneous type revenues support the remaining activity costs. Program revenues only account for 7.5 percent of all governmental expenses.

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

STRONGSVILLE CITY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

School District's funds

Information regarding the School District's major funds can be found on page 15. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$ 82,433,335 and expenditures of \$ 78,545,630. The net change in fund balance for the General Fund was an increase of \$ 3,668,736.

General Fund Budgeting Highlights

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

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

For the General Fund, the original and final budget basis revenue estimate totaled \$ 71,897,300 and \$ 73,850,600, respectively. The final budget basis expense estimate totaled \$ 73,559,030 compared to original estimates of \$ 72,124,100.

The General Fund unencumbered ending cash balance totaled \$ 819,508.

Capital Assets and Debt Administration

Capital Assets

At the end of Fiscal Year 2008, the School District had \$ 45,267,188 invested in land, buildings, equipment, and vehicles. Table 4 shows fiscal 2008 values compared to 2007.

Table 4
 Capital Assets at June 30
 Governmental Activities

	2008	2007
Land	\$ 2,611,204	\$ 2,611,204
Building and improvements	38,709,649	40,288,862
Furniture and equipment	1,864,272	2,189,412
Vehicles	2,082,063	1,440,598
Total capital assets	\$ 45,267,188	\$ 46,530,076

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

STRONGSVILLE CITY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Debt

At June 30, 2008 the School District had \$ 28,346,999 of long-term obligations outstanding. Table 5

Table 5
 Long-term Liabilities

	June 30, 2008	June 30, 2007
Bonds payable	\$ 16,751,632	\$ 19,403,813
Certificates of participation	4,525,000	4,525,000
Capital lease payable	557,639	654,999
Compensated absences	6,512,728	6,391,147
	\$ 28,346,999	\$ 30,974,959

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 of the District. General obligation bonds will be paid from the Debt Service Fund from property taxes.

For additional debt obligation information see Notes 14, 15, 16 and 17 of the Notes to the Basic Financial Statements.

School District Outlook

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

The financial future of the School District is not without its challenges though. These challenges are internal and external in nature. The internal challenges will continue to exist as the School District must rely heavily on local property taxes to fund its operations. External challenges continue to evolve as the State of Ohio determines the outcome of the Ohio Supreme Court case dealing with the unconstitutionality of the State's educational funding system. The sudden downturn in the economy has put pressures on both the State budget as well as our local School District. We are concerned about current economic conditions and the possible negative impact on local tax revenues.

Although the School District relies heavily on its property taxpayers to support its operations, the community support of the schools is strong. As mentioned earlier, the Strongsville voters passed a 6.5 mill continuing operating levy in November 2007, which will help fund the general operations of the School District. The School District has communicated to the community they rely upon their support for the majority of its operations, and will continue to work diligently to plan expenses, staying carefully within the School District's financial five-year plan. The community also realizes the income generated by local levies remains constant due to HB 920 therefore forcing the School District to come back to the voters from time to time to ask for additional support.

STRONGSVILLE CITY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Externally, the State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional educational funding system, one that was neither 'adequate' nor 'equitable'. Since 1997, the State has directed its additional financial support toward School Districts with little property tax wealth. In May of 2001, the Ohio Supreme Court, again, ruled that, while the State had made some progress, the current funding system for schools is far too dependent on property taxes, which are inherently not 'equitable' nor 'adequate.' The court directed the Governor and the legislature to address the fundamental issue creating the inequities. In September 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding system. The decision identified aspects of the current plan that require modification. In general, it is expected that the decision would result in an increase in overall State funding for education. On March 21, 2003, the Ohio General Assembly was still analyzing what impact this Supreme Court decision would have on funding for individual school districts. Further, the State of Ohio has asked the Court to reconsider and clarify the parts of the decision. On December 11, 2003, 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 decision 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 on its financial operations.

The School District does not anticipate any significant growth from the state due to the economic climate. In June 2006, the State of Ohio enacted legislation, portions of which take effect at various times, that phases out the taxation of tangible personal property used in business (other than certain public utility tangible personal property) over four years from tax year 2007 to tax year 2011. To compensate local government units for the foregone revenue, the enacted legislation provides for State distributions from revenue generated by the enacted commercial activities tax. HB66 keeps the School District whole as far as the elimination of business taxes are concerned.

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

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

Contacting the School District's Financial Management

This financial report is designated to provide our citizens, taxpayers and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact William P. Parkinson, Treasurer, Strongsville City School District, 13200 Pearl Road, Strongsville, OH 44136, or email at parkinson@strongnet.org.

STRONGSVILLE CITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

JUNE 30, 2008

	Governmental Activities
Assets	
Equity in pooled cash	\$ 7,204,331
Accounts receivable	93,123
Due from other governments	335,043
Taxes receivable	54,645,077
Capital assets	
Nondepreciable capital assets	2,611,204
Depreciable capital assets, net	42,655,984
Total assets	107,544,762
 Liabilities	
Accounts and contracts payable	506,253
Accrued salaries, wages and benefits	5,489,684
Claims payable	85,427
Accrued interest payable	111,422
Due to other governments	2,162,083
Unearned revenue	44,467,545
Long term liabilities	
Due within one year	3,020,018
Due in more than one year	25,326,981
Total liabilities	81,169,413
 Net assets	
Invested in capital assets, net of related debt	23,432,917
Restricted for:	
Debt service	5,280,421
Capital projects	1,341,213
School supplies	277,858
Extracurricular activities	158,796
State grants	37,289
Federal grants	22,880
Local grants	121,395
Set-asides	2,633,445
Other purposes	168,347
Unrestricted	(7,099,212)
Total net assets	\$ 26,375,349

See accompanying notes to the basic financial statements.

STRONGSVILLE CITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants Interest and Contributions	
Governmental activities				
Instruction				
Regular	\$ 40,385,617	\$ 1,087,235	\$ 80,520	\$ (39,217,862)
Special	5,075,166	-	336,737	(4,738,429)
Vocational	331,506	-	68,923	(262,583)
Adult/continuing	19,893	-	19,893	-
Other instruction	8,668	-	8,502	(166)
Supporting services				
Pupil	3,116,309	-	734,374	(2,381,935)
Instructional staff	3,187,644	-	446,704	(2,740,940)
Board of education	128,482	-	-	(128,482)
Administration	3,133,879	-	289,898	(2,843,981)
Fiscal services	5,145,302	-	-	(5,145,302)
Business	488,678	-	-	(488,678)
Operation and maintenance	7,326,673	48,979	-	(7,277,694)
Pupil transportation	3,372,652	-	-	(3,372,652)
Central services	541,539	-	-	(541,539)
Operation of non-instructional				
Food service operation	2,012,845	1,548,565	366,883	(97,397)
Community services	590,080	90,631	458,314	(41,135)
Extracurricular activities	648,855	221,933	-	(426,922)
Interest	1,541,080	-	-	(1,541,080)
Total governmental activities	<u>\$ 77,054,868</u>	<u>\$ 2,997,343</u>	<u>\$ 2,810,748</u>	<u>(71,246,777)</u>

General revenues	
Property taxes levied for:	
General purpose	51,778,809
Debt service	3,457,427
Capital improvements	1,029,192
Grants and entitlements not restricted to specific purposes:	19,443,382
Investment earnings	625,422
Miscellaneous	760,844
Total general revenues	<u>77,095,076</u>
Change in net assets	5,848,299
Net assets at beginning of year	20,527,050
Net assets at end of year	<u>\$ 26,375,349</u>

See accompanying notes to the basic financial statements.

STRONGSVILLE CITY SCHOOL DISTRICT
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2008

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in pooled cash	\$ 1,250	\$ 3,732,958	\$ 2,185,609	\$ 5,919,817
Restricted cash	957,022	-	-	957,022
Receivables, net of allowance				
Taxes, current	46,034,479	3,161,413	957,858	50,153,750
Taxes, delinquent	4,122,455	283,088	85,784	4,491,327
Accounts and other	-	-	7,696	7,696
Due from other governments	-	-	335,043	335,043
Interfund receivable	41,350	-	900	42,250
Total assets	\$ 51,156,556	\$ 7,177,459	\$ 3,572,890	\$ 61,906,905
Liabilities and fund balances				
Liabilities				
Accounts and contracts payable	\$ 402,250	\$ -	\$ 104,003	\$ 506,253
Accrued wages and benefits	5,258,587	-	231,097	5,489,684
Due to other governments	2,037,346	-	124,737	2,162,083
Interfund payable	-	-	22,250	22,250
Unearned revenue	44,765,106	3,074,245	1,119,521	48,958,872
Compensated absences	12,537	-	-	12,537
Total liabilities	52,475,826	3,074,245	1,601,608	57,151,679
Fund balances				
Reserved for property taxes	5,391,828	370,256	112,199	5,874,283
Reserved for textbooks	1,978,698	-	-	1,978,698
Reserved for capital maintenance	303,562	-	-	303,562
Reserved for encumbrances	-	-	140,764	140,764
Unreserved, reported in				
General Fund	(8,993,358)	-	-	(8,993,358)
Special Revenue Funds	-	-	646,463	646,463
Debt Service Fund	-	3,732,958	-	3,732,958
Capital Projects Funds	-	-	1,071,856	1,071,856
Total fund balances	(1,319,270)	4,103,214	1,971,282	4,755,226
Total liabilities and fund balances	\$ 51,156,556	\$ 7,177,459	\$ 3,572,890	\$ 61,906,905

See accompanying notes to the basic financial statements.

STRONGSVILLE CITY SCHOOL DISTRICT
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2008

Total governmental funds balances	\$ 4,755,226
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.	45,267,188
Other long term assets are not available to pay for current period expenditures and therefore are deferred in the funds. These deferrals are primarily attributed to property taxes.	4,491,327
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	307,492
In the statement of activities, interest is accrued on outstanding long-term obligations, whereas in governmental funds, an interest expenditure is reported when due	(111,422)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Compensated absences	(6,500,191)
Bonds payable and certificates of participation	(21,276,632)
Capital lease payable	(557,639)
	(28,334,462)
Net assets of governmental activities	\$ 26,375,349

See accompanying notes to the basic financial statements.

STRONGSVILLE CITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 51,335,575	\$ 3,455,444	\$ 1,031,833	\$ 55,822,852
Tuition and fees	315,105	-	352,633	667,738
Interest	573,437	-	40,506	613,943
Intergovernmental	19,006,850	384,365	2,862,915	22,254,130
Extracurricular	959	-	343,455	344,414
Charges for services	-	-	1,539,433	1,539,433
Other	577,981	-	612,844	1,190,825
Total revenues	71,809,907	3,839,809	6,783,619	82,433,335
Expenditures				
Current				
Instruction				
Regular	38,516,426	-	865,672	39,382,098
Special	4,435,199	-	320,926	4,756,125
Vocational	285,899	-	29,098	314,997
Adult/continuing	-	-	19,893	19,893
Other instruction	-	-	8,502	8,502
Supporting services				
Pupil	2,373,163	-	745,339	3,118,502
Instructional staff	2,623,299	-	434,760	3,058,059
Board of education	128,027	-	-	128,027
Administration	2,661,935	-	288,999	2,950,934
Fiscal services	5,116,855	-	14,272	5,131,127
Business	460,800	-	1,021	461,821
Operation and maintenance	6,566,972	-	565,176	7,132,148
Pupil transportation	3,324,049	-	601,335	3,925,384
Central services	574,587	-	1,513	576,100
Operation of non-instructional				
Food service operation	-	-	1,997,231	1,997,231
Community services	26,459	-	586,914	613,373
Extracurricular activities	233,864	-	328,741	562,605
Capital outlay	-	-	102,551	102,551
Debt service				
Principal	97,360	2,652,181	-	2,749,541
Interest	240,809	1,109,792	206,011	1,556,612
Total expenditures	67,665,703	3,761,973	7,117,954	78,545,630
Excess (deficiency) of revenues over expenditures	4,144,204	77,836	(334,335)	3,887,705
Other financing sources (uses)				
Transfers-in	-	339,580	170,300	509,880
Transfers-out	(509,880)	-	-	(509,880)
Proceeds from sale of capital assets	34,412	-	-	34,412
Total other financing sources (uses)	(475,468)	339,580	170,300	34,412
Net change in fund balances	3,668,736	417,416	(164,035)	3,922,117
Fund balances, beginning of year, as restated	(4,988,006)	3,685,798	2,135,317	833,109
Fund balances, end of year	\$ (1,319,270)	\$ 4,103,214	\$ 1,971,282	\$ 4,755,226

See accompanying notes to the basic financial statements.

STRONGSVILLE CITY SCHOOL DISTRICT
 RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2008

Net change in fund balances - total governmental funds	\$	3,922,117
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay in the current period.</p>		
Capital outlay, net	\$	1,059,232
Depreciation expense		<u>(2,322,120)</u>
		(1,262,888)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		442,576
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets		2,749,541
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds, an interest expenditure is reported when due.		15,532
Some expenses reported in the statement of activities, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(185,095)
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		<u>166,516</u>
Change in net assets of governmental activities	\$	<u><u>5,848,299</u></u>

See accompanying notes to the basic financial statements.

STRONGSVILLE CITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET BASIS (NON-GAAP) AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		Actual	Variance w ith Final Budget Positive (Negative)
	Original	Final		
Revenues and other sources	\$ 71,897,300	\$ 73,850,600	\$ 73,988,772	\$ 138,172
Expenditures and other uses	72,124,100	73,559,030	73,446,082	112,948
Net change in fund balance	(226,800)	291,570	542,690	251,120
Prior year encumbrances	251,730	251,730	251,730	-
Fund balance, at beginning of year	25,088	25,088	25,088	-
Fund balance, at end of year	<u>\$ 50,018</u>	<u>\$ 568,388</u>	<u>\$ 819,508</u>	<u>\$ 251,120</u>

See accompanying notes to the basic financial statements.

STRONGSVILLE CITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS -
INTERNAL SERVICE FUND

JUNE 30, 2008

	<u>Self Insurance</u>
Assets	
Equity in pooled cash	\$ 327,492
Accounts receivable	85,427
Total assets	<u>412,919</u>
Liabilities	
Claims payable	85,427
Interfund payable	20,000
Total liabilities	<u>105,427</u>
Net assets	
Unrestricted	<u>\$ 307,492</u>

See accompanying notes to the basic financial statements.

STRONGSVILLE CITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -
INTERNAL SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2008

	Self Insurance
Operating revenues	
Charges for services	\$ 996,232
Total operating revenues	996,232
Operating expenses	
Claims	841,195
Total operating expenses	841,195
Operating income	155,037
Nonoperating income	
Interest income	11,479
Change in net assets	166,516
Net assets, beginning of year	140,976
Net assets, end of year	\$ 307,492

See accompanying notes to the basic financial statements.

STRONGSVILLE CITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS -
INTERNAL SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2008

	Self Insurance
Cash flows from operating activities:	
Cash received from interfund services	\$ 910,805
Cash payments for claims	(819,659)
Net cash provided by operating activities	91,146
 Cash flows from noncapital financing activities	
Advance from general fund	20,000
Net cash provided by noncapital financing activities	20,000
 Cash flows from investing activities	
Receipt of interest	11,479
Net cash provided by investing activities	11,479
 Net increase in cash and cash equivalents	122,625
 Cash and cash equivalents, beginning of year	204,867
 Cash and cash equivalents, end of year	\$ 327,492
 Reconciliation of operating income to net cash used for operating activities:	
Operating income	\$ 155,037
Adjustments	
Increase in accounts receivable	(85,427)
Increase in claims payable	21,536
Total adjustments	(63,891)
 Net cash provided by operating activities	\$ 91,146

See accompanying notes to the basic financial statements.

STRONGSVILLE CITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -
AGENCY FUNDS
JUNE 30, 2008

Assets	
Equity in pooled cash	\$ 289,925
Total assets	<u>\$ 289,925</u>
Liabilities	
Accounts payable	\$ 546
Due to students	266,402
Due to others	22,977
Total liabilities	<u>\$ 289,925</u>

See accompanying notes to the basic financial statements.

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STRONGSVILLE CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Strongsville City School District (the District) was established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a city school district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education consisting of five members and is responsible for providing public education to residents of the District. Average daily membership on, or as of, October 1, 2007 was 7,175. The District employs 486 certificated and 387 non-certificated employees.

REPORTING ENTITY

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 District, this includes general operations, food service, and student related activities of the District.

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

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 organizations' 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 organizations' 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 District is associated with the Lake Erie Educational Computer Association, the Polaris Career Center, the Strongsville Education Foundation, and the Ohio School Council Association which are considered to be jointly governed organizations. The District also participates in a public risk pool managed by the Ohio Schools Boards Association Workers' Compensation Group Rating Program. These organizations and their relationships with the District are described in more detail in Notes 11 and 18 to these financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

STRONGSVILLE CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. BASIS OF PRESENTATION

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

Government-wide Financial Statements

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

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

Fund Financial Statements

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

STRONGSVILLE CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. FUND ACCOUNTING

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

Governmental Funds

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

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

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

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

Proprietary Fund

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

Internal Service Fund – The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the District on a cost reimbursement basis. The District's only internal service fund accounts for revenue received from other funds and the settlement expenses for dental claims of District employees.

Fiduciary Funds

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

STRONGSVILLE CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. MEASUREMENT FOCUS

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

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

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

D. BASIS OF ACCOUNTING

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

Revenues - Exchange and Non-exchange Transactions

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

STRONGSVILLE CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. BASIS OF ACCOUNTING (continued)

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

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

Unearned Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2008 operations, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as unearned revenue.

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

Expenditures/Expenses

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

STRONGSVILLE CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. BUDGETARY PROCESS

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

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

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

F. CASH AND INVESTMENTS

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

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

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2008.

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

Under existing Ohio statutes, interest earnings are allocated to funds based on average monthly cash balances. Interest income earned for the year ended June 30, 2008 totaled \$ 625,422.

STRONGSVILLE CITY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. RESTRICTED ASSETS

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include the amount required by State statute to be set aside to create a reserve for the purchase of textbooks and instructional material and the acquisition and construction of capital improvements (see Note 20). This is eliminated on the financial statement presentation for the Statement of Net Assets.

H. CAPITAL ASSETS

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

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

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

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

I. INTERFUND BALANCES

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

J. COMPENSATED ABSENCES

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

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

STRONGSVILLE CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

K. ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

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

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

L. NET ASSETS

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

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. As of June 30, 2008, net assets restricted by enabling legislation were \$ 6,621,634 in the statement of net assets.

M. FUND BALANCE RESERVES AND DESIGNATIONS

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund balance reserves have been established for property taxes, capital maintenance, textbooks and encumbrances.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserves for capital maintenance and textbooks represents monies required to be set aside by State statute.

N. OPERATING REVENUES AND EXPENSES

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

STRONGSVILLE CITY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. INTERFUND TRANSACTIONS

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

P. ESTIMATES

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

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES AND PRIOR PERIOD ADJUSTMENT

A. CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2008, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pension". GASB 45 establishes standards for disclosure of information on postemployment benefits other than pension. This statement applies to all state and local governments. The District has determined that the adoption of this statement did not have an impact on the District's financial statements; however, note disclosures related to post-employment benefits have been modified. An OPEB liability at transition was determined in accordance with this Statement for both the SERS and STRS post-employment healthcare plans in the amount of \$ 39,394 and \$ 59,120 respectively, which are the same as the previously reported liabilities.

GASB Statement No. 48 establishes criteria that governments will use to ascertain whether certain transactions should be regarded as sales or collateralized borrowings. The statement also includes disclosure requirements for future revenues that are pledged and sold. The implementation of this Statement did not affect the presentation of the financial statements of the District.

GASB Statement No. 50 requires employers contributing to defined benefit pension plans to include the legal or contractual maximum contribution rates in the notes to the financial statements.

B. PRIOR PERIOD ADJUSTMENT

The beginning fund balances in the Debt Service Fund (a major Fund) and the Capital Projects Fund and the Building Fund (non-major funds) have been restated to reclassify prior period interfund activity. This reclassification has had the following effect on beginning fund balances:

	Debt Service	Non-Major Governmental Funds
	<u> </u>	<u> </u>
Beginning fund balance, as previously reported	\$ 4,691,339	\$ 1,129,776
Adjustment of interfund receivables / payables	(1,005,541)	1,005,541
Beginning fund balance, as restated	<u>\$ 3,685,798</u>	<u>\$ 2,135,317</u>

STRONGSVILLE CITY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2008

NOTE 4 – COMPLIANCE AND ACCOUNTABILITY

The General Fund deficit of \$ 1,319,270 is the result of reflecting expenditures in accordance with the modified accrual basis of accounting, which are larger than amounts recognized on the budget basis. The District, in accordance with its budget basis, will appropriate such expenditures from resources of the subsequent year.

Not apparent in the basic financial statements are deficit fund equity balances in the Food Service and Building funds of \$ 86,966 and \$ 1,005,541, respectively. The General Fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. These deficit fund balances resulted from reflecting expenditures in accordance with the modified accrual basis of accounting, which are larger than amounts recognized on the budget basis. The District, in accordance with its budget basis, will appropriate such expenditures from resources of the subsequent year.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

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

Net Change in Fund Balance	
	General Fund
Budget basis	\$ 542,690
Adjustments, increase (decrease)	
Revenue accruals	(2,144,453)
Expenditure accruals	5,270,499
GAAP basis, as reported	\$ 3,668,736

STRONGSVILLE CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 6 - DEPOSITS AND INVESTMENTS

A. LEGAL REQUIREMENTS

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

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

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

Interim monies may be invested in the following securities:

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

STRONGSVILLE CITY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2008

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

A. LEGAL REQUIREMENTS (continued)

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

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

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

B. DEPOSITS

Custodial credit risk is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in possession of an outside party. The District does not have a deposit policy for custodial credit risk. At fiscal year end, the carrying amount of the District's deposits was \$ 3,277,055 and the bank balance was \$ 3,333,210. Of the bank balance, \$ 224,209 was covered by federal depository insurance and \$ 3,109,001 was uninsured. Of the remaining balance, \$ 3,109,001 was collateralized with securities held by the pledging institution's trust department not in the District's name.

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

C. INVESTMENTS

As of June 30, 2008, the District had the following investments:

	Weighted Average Maturities Years	Fair Value
Federal Home Loan Bank Bonds	* 1.027	\$ 351,490
Federal National Mortgage Association Notes	* .641	298,766
Federal Farm Credit Bank Bonds	* 2.162	129,454
STAROhio	n/a	3,432,841
		<u>\$ 4,212,551</u>
Portfolio weighted average maturity	.958	

* The securities have various call dates. The District believes no securities will be called.

STRONGSVILLE CITY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2008

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

C. INVESTMENTS (continued)

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

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Federal Home Loan Bank Bonds, the Federal Home Loan Mortgage Corporation Bonds, Federal National Mortgage Association Notes, and the Federal Farm Credit Bank Bonds are exposed to credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

The Federal Home Loan Bank Bonds, the Federal Home Loan Mortgage Corporation Bonds, Federal National Mortgage Association Notes, and the Federal Farm Credit Bank Bonds carry a rating of AAA by Standard & Poor's and STAROhio also carries a rating of AAAM by Standard & Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The District has no investment policy that would further limit its investment choices.

The District places no limit on the amount that may be invested in any one issuer. The following is the District's allocation as of June 30, 2008:

	Percentage of Investments
Federal Home Loan Bank Bonds	8.34%
Federal National Mortgage Association Notes	7.09%
Federal Farm Credit Bank Bonds	3.07%
STAROhio	81.50%

STRONGSVILLE CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 7 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2008 represent the collection of calendar year 2008 taxes. Real property taxes for 2008 were levied after April 1, 2008, on the assessed values as of January 1, 2008, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, 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.

Public utility real and tangible personal property taxes for 2008 were levied after April 1, 2008, on the assessed values as of December 31, 2007, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2008 (other than public utility property) represent the collection of calendar year 2008 taxes. Tangible personal property taxes for 2007 were levied after April 1, 2007, on the value as of December 31, 2007. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory is 6.5 percent for 2008. This will be reduced to zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Cuyahoga and Lorain Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

STRONGSVILLE CITY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2008

NOTE 7 - PROPERTY TAXES (continued)

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2008 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at June 30, nor were they levied to finance fiscal year 2008 operations. The receivable is therefore offset by a credit to unearned revenue for that portion not intended to finance current year operations. The amount available as an advance was recognized as revenue. The amount available as an advance at June 30, 2008, was \$ 5,391,828 in the General Fund, \$ 370,256 in the Debt Service Fund and \$ 112,199 in the Permanent Improvements Fund.

The assessed values upon which the fiscal year 2008 taxes were collected are:

	2007 Second- Half Collections			2008 First - Half Collections	
	Amount	%		Amount	%
Agricultural/Residential and Other Real Estate	\$ 1,406,946,399	93.23	%	\$ 1,466,528,490	96.70
Public Utilities	28,652,700	1.90		21,720,110	1.43
Tangible Personal Property	73,500,045	4.87		28,370,648	1.87
Total Assessed Value	<u>\$ 1,509,099,144</u>	<u>100.00</u>	%	<u>\$ 1,516,619,248</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	<u>\$ 77.30</u>			<u>\$ 77.20</u>	

NOTE 8 - RECEIVABLES

Receivables at June 30, 2008, consisted of property taxes and amounts due from other governments. All receivables are considered substantially collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be collected within one year. A summary of the principal items of due from other government receivables follows:

Fund	Amount
Ohio K-12 Network	\$ 36,000
Schoolnet	2,970
Auxiliary Services	134,551
Alternative Challenge	6,993
Parent Mentoring	2,500
ABLE	5,064
IDEA Part B	123,600
Title III	8,439
Title V	1,500
Title II-A	13,426
Due from other governments	<u>\$ 335,043</u>

STRONGSVILLE CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance June 30, 2007	Additions	Disposals	Balance June 30, 2008
Governmental Activities				
Nondepreciable capital assets				
Land	\$ 2,611,204	\$ -	\$ -	\$ 2,611,204
Total capital assets, not being depreciated	<u>2,611,204</u>	<u>-</u>	<u>-</u>	<u>2,611,204</u>
Depreciable capital assets				
Buildings and improvements	60,067,799	41,857	-	60,109,656
Furniture and equipment	7,530,575	83,731	133,616	7,480,690
Vehicles	5,241,530	952,279	604,175	5,589,634
Total capital assets being depreciated	<u>72,839,904</u>	<u>1,077,867</u>	<u>737,791</u>	<u>73,179,980</u>
Less accumulated depreciation				
Buildings and improvements	19,778,937	1,621,070	-	21,400,007
Furniture and equipment	5,341,163	390,236	114,981	5,616,418
Vehicles	3,800,932	310,814	604,175	3,507,571
Total accumulated depreciation	<u>28,921,032</u>	<u>2,322,120</u>	<u>719,156</u>	<u>30,523,996</u>
Depreciable capital assets, net of accumulated depreciation	<u>43,918,872</u>	<u>(1,244,253)</u>	<u>18,635</u>	<u>42,655,984</u>
Governmental activities capital assets, net	<u>\$ 46,530,076</u>	<u>\$ (1,244,253)</u>	<u>\$ 18,635</u>	<u>\$ 45,267,188</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	
Regular	\$ 1,032,236
Special	275,655
Vocational	9,671
Other	166
Supporting services	
Pupil	97,580
Instructional staff	104,898
Board of education	455
Administration	101,030
Fiscal	30,635
Business	15,648
Operation and maintenance of plant	138,372
Pupil transportation	367,455
Central services	10,824
Operation of noninstructional services	
Food service operation	39,877
Community services	12,408
Extracurricular activities	85,210
Total depreciation expense	<u>\$ 2,322,120</u>

STRONGSVILLE CITY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2008

NOTE 10 - INTERFUND ACTIVITY

On the fund financial statements at June 30, 2008, interfund balances consisted of the following:

	Due From:		
	Nonmajor Governmental Funds	Internal Service Fund	Total
Due to:			
General Fund	\$ 21,350	\$ 20,000	\$ 41,350
Nonmajor Governmental Funds	900	-	900
	\$ 22,250	\$ 20,000	\$ 42,250

These amounts are represented as "Interfund Receivable/Payable" on the balance sheet – governmental funds. The amounts due to the General Fund and Nonmajor Governmental Funds result from loans made to support programs and projects in a special revenue fund and the self insurance program. The amount due to the Debt Service Fund is payable from the Capital Projects Fund and is related to note proceeds received in a prior year.

During the year ended June 30, 2008 interfund transfers were made to provide for the payment of expenditures in nonmajor governmental funds, to close inactive programs. Interfund transfers consisted of the following:

	Transfer From:
	General Fund
Transfer to:	
Debt Service Fund	\$ 339,580
Nonmajor Governmental Funds	170,300
Total	\$ 509,880

NOTE 11 - RISK MANAGEMENT

A. PROPERTY AND LIABILITY

The District is exposed to various risks of loss related to torts, theft, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2008, the District contracted with 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. General liability is protected by Indiana Insurance Company with a \$ 2,000,000 annual aggregate and \$ 1,000,000 single occurrence limit with no deductible. Vehicles are covered by Indiana Insurance Company and hold a \$ 250 deductible for comprehensive and a \$ 1,000 deductible for collision. Automobile liability has a \$ 1,000,000 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.

STRONGSVILLE CITY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2008

NOTE 11 - RISK MANAGEMENT (continued)

B. WORKERS' COMPENSATION

The District participated in the Ohio Association of School Business Officials 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 participant's 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 Sheakley UniService, Inc. provides administrative, cost control and actuarial services to the GRP.

C. EMPLOYEE MEDICAL BENEFITS

The District provides dental benefits for employees and their covered dependents through a self-insurance program administered by an outside third party. 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 20, 2008 and 2007 are as follows:

	2008	2007
Unpaid claims, beginning of year	\$ 63,891	\$ 49,422
Incurred claims	841,195	832,837
Claims payment	(819,659)	(818,368)
Unpaid claims, end of year	<u>\$ 85,427</u>	<u>\$ 63,891</u>

STRONGSVILLE CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. SCHOOL EMPLOYEE RETIREMENT SYSTEM

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement 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 Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$ 1,008,883, \$ 1,157,400 and \$ 1,142,000 respectively; 47.4 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. STATE TEACHERS RETIREMENT SYSTEM

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

STRONGSVILLE CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 12 - DEFINED BENEFIT PENSION PLANS (continued)

B. STATE TEACHERS RETIREMENT SYSTEM (continued)

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$ 4,176,963, \$ 4,244,300, and \$ 4,154,600 respectively; 81.6 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

C. SOCIAL SECURITY SYSTEM

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2008, three members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. SCHOOL EMPLOYEE RETIREMENT SYSTEM

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

STRONGSVILLE CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 13 - POSTEMPLOYMENT BENEFITS (continued)

A. SCHOOL EMPLOYEE RETIREMENT SYSTEM (continued)

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$ 173,373.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$ 539,034, \$ 546,464, and \$ 540,791 respectively; 47.4 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$ 74,893, \$ 74,400, and \$ 62,700 respectively; 47.4 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. STATE TEACHERS RETIREMENT SYSTEM

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$ 321,305, \$ 326,486, and \$ 319,588 respectively; 81.6 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

STRONGSVILLE CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 14 – PRIOR YEAR DEFEASANCE OF DEBT

In 2006, the District defeased general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. As of June 30, 2008, outstanding general obligation bonds of \$ 1,680,000 are considered to be defeased.

NOTE 15 - LONG-TERM OBLIGATIONS

Changes in the District's long-term obligations during fiscal year 2008 were as follows:

	Outstanding June 30, 2007	Additions	Retired	Outstanding June 30, 2008	Amounts Due In One Year
Bonds, 6.500%; issued 1986, matures 2010	\$ 1,040,000	\$ -	\$ 260,000	\$ 780,000	\$ 260,000
Bonds, 6.950%; issued 1991, matures 2011	650,000	-	130,000	520,000	130,000
Bonds, 3.750%; issued 1996, matures 2012	13,405,000	-	1,960,000	11,445,000	2,065,000
Refunding bonds, 4.1% - 4.45%, issued 2004, matures 2014	1,845,000	-	195,000	1,650,000	210,000
Bonds, 2.820% to 4.480% issued 2005, matures 2035	1,610,000	-	60,000	1,550,000	65,000
Bonds, 4.40%; issued 2006, matures 2020	853,813	-	47,181	806,632	49,327
Total bonds	19,403,813	-	2,652,181	16,751,632	2,779,327
Certificates of participation, 3.5% - 5.0%, issued 2006, matures 2034	4,525,000	-	-	4,525,000	-
Capital lease	654,999	-	97,360	557,639	101,831
Compensated absences	6,391,147	756,581	635,000	6,512,728	138,860
	<u>\$ 30,974,959</u>	<u>\$ 756,581</u>	<u>\$ 3,384,541</u>	<u>\$ 28,346,999</u>	<u>\$ 3,020,018</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 of the District. General obligation bonds will be paid from the Debt Service Fund from property taxes. The capital lease obligation will be paid from the Debt Service Fund. Compensated absences will be paid from the fund from which the employee is paid.

STRONGSVILLE CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 15 - LONG-TERM OBLIGATIONS (continued)

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2008, were as follows:

Year ending June 30,	Principal	Interest	Total
2009	\$ 2,779,327	\$ 790,104	\$ 3,569,431
2010	2,896,572	641,205	3,537,777
2011	3,013,919	484,513	3,498,432
2012	2,886,373	327,815	3,214,188
2013	2,903,938	175,777	3,079,715
2014- 2018	1,157,446	339,447	1,496,893
2019 - 2023	389,057	199,512	588,569
2024 - 2028	235,000	140,267	375,267
2029 - 2033	285,000	82,850	367,850
2034 - 2036	205,000	15,008	220,008
	<u>\$ 16,751,632</u>	<u>\$ 3,196,498</u>	<u>\$ 19,948,130</u>

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

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

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

Principal and interest requirements to retire certificates of participation outstanding at June 30, 2008, were as follows:

Year ending June 30,	Principal	Interest	Total
2009	\$ -	\$ 205,494	\$ 205,494
2010	100,000	203,744	303,744
2011	105,000	200,156	305,156
2012	110,000	196,256	306,256
2013	110,000	192,131	302,131
2014- 2018	625,000	889,844	1,514,844
2019 - 2023	765,000	749,519	1,514,519
2024 - 2028	945,000	560,890	1,505,890
2029 - 2033	1,200,000	297,250	1,497,250
2034 - 2036	565,000	28,625	593,625
	<u>\$ 4,525,000</u>	<u>\$ 3,523,909</u>	<u>\$ 8,048,909</u>

STRONGSVILLE CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 16 – NOTES PAYABLE

The District's note activity during the year ended June 30, 2008 is as follows:

	Balance June 30, 2007	Additions	Retired	Balance June 30, 2008
Tax anticipation note 2008, 4.25%	\$ -	\$ 5,000,000	\$ 5,000,000	\$ -

NOTE 17 – CAPITAL LEASE

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

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

	Cost	Accumulated Depreciation	Net
Telephone equipment	\$ 793,767	\$ 238,130	\$ 555,637

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2008.

	Year ending June 30,	Amount
	2009	\$ 127,440
	2010	127,440
	2011	127,440
	2012	127,440
	2013	127,440
Total minimum lease payments		637,200
Less amount representing interest		79,561
Net present value of minimum lease payments		\$ 557,639

STRONGSVILLE CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 18 - JOINTLY GOVERNED ORGANIZATION

A. LAKE ERIE EDUCATION COMPUTER ASSOCIATION

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

LEECA is governed by a board of directors chosen from the general membership of the LEECA assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least one assembly member from each county from which participating districts are located. Financial information can be obtained by contacting the Treasurer at the Educational Service Center of Lorain County, which serves as fiscal agent, located at 1885 Lake Avenue, Elyria, Ohio 44035. During the year ended June 30, 2008, the District paid \$ 162,388 to LEECA.

B. POLARIS CAREER CENTER

The Polaris Career Center is a separate body politic and corporate, established by the Ohio Revised Code to provide for the vocational and special needs of the students. Its Board of Education consists of representatives from the board of each participating school district. The Board is responsible for approving its own budgets, appointing personnel, and accounting and finance related activities. Strongsville City School District students may attend the vocational school. Each school district's control is limited to its representation on the Board. Financial information can be obtained by contacting the Polaris Career Center, 7285 Old Oak Blvd., Middleburg Heights, Ohio 44130. The District did not contribute to the Polaris Career Center during fiscal year 2008.

C. STRONGSVILLE EDUCATION FOUNDATION

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

STRONGSVILLE CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS (continued)

D. OHIO SCHOOLS COUNCIL

The Ohio Schools Council (Council) is a jointly governed organization among ninety-two school districts. The Council was formed to offer supplies and services at the lowest possible cost to the member districts. Each district supports the Council by paying an annual participation fee for the services provided. The Council's Board consists of seven superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 2008 the District paid \$ 155,614 to the Council.

The Strongsville City Schools participates in the Council's electric purchase program which was implemented during fiscal year 2000. The program allows school districts to purchase electricity at reduced rates for a period of eight years through Energy Acquisition Corporation (Corporation), a non-profit corporation with a self-appointing board of trustees. The Corporation issued \$ 119,140,000 of notes to prepurchase eight years of electricity from Cleveland Electric Illuminating (CEI). The participating school districts are not obligated in any manner for this debt. If a participating school district terminates their agreement during the eight year period, they are required to repay the savings to CEI and CEI will refund the remaining prepayment related to that participant to Energy Acquisition Corporation.

The Strongsville City Schools participates in the Council's prepaid natural gas program which was implemented during fiscal year 2000. 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 June these estimated payments are compared to their actual usage and any necessary adjustments are made.

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

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

STRONGSVILLE CITY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2008

NOTE 19 - CONTINGENCIES

A. GRANTS

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

Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2008.

B. LITIGATION

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

NOTE 20 - SET-ASIDES

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

The following cash basis information identifies the changes in the fund balance reserves for textbooks, and capital improvements during fiscal year 2008.

	<u>Textbook</u>	<u>Capital Maintenance</u>
Balance, July 1, 2007	\$ 1,100,915	\$ 430,222
Required set aside	1,107,841	1,107,841
Offsetting credit	-	(1,213,784)
Qualifying expenditures	<u>(230,058)</u>	<u>(20,717)</u>
Balance June 30, 2008	<u>\$ 1,978,698</u>	<u>\$ 303,562</u>

The District is required to present in the General Fund restricted cash equal to the amount of required set-aside reserves. At June 30, 2008, the District's General Fund does not have a sufficient cash balance equal to the reserve requirements, therefore the restricted amount related to these reserves is limited to the General Fund's pooled cash balance at year-end.

The July 1, 2007 balance presented above has been changed from the amount presented on the June 30, 2007 financial statements. The balance has been corrected to properly reflect offsetting credits that had been omitted from prior years' computations.

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**Report on Internal Control over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Board of Education
Strongsville City School District
Strongsville, Ohio

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Strongsville City School District (the "District"), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 30, 2008, wherein we noted the District implemented GASB Statement No's 45, 48, and 50, as disclosed in Note 3. 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.

Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting: 2008-1.

Board of Education
Strongsville City School District

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider finding number 2008-1 to be a material weakness.

Compliance and Other Matters

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 grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the District in a separate letter dated December 30, 2008.

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

This report is intended solely for the information and use of the Board of Education, finance committee, management, Auditor of the State's Office, 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.

Cini & Panichi, Inc.

Cleveland, Ohio
December 30, 2008

**Report on Compliance with Requirements Applicable to
Each Major Program and on Internal Control over
Compliance in Accordance with OMB Circular A-133**

Board of Education
Strongsville City School District
Strongsville, Ohio

Compliance

We have audited the compliance of the Strongsville City School District (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 each of its major federal programs for the year ended June 30, 2008. The District’s major federal programs are identified in the summary of auditors’ results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs 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 with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District’s compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of and for the year ended June 30, 2008, and have issued our report thereon dated December 30, 2008, wherein we noted the District implemented GASB Statement No's 45, 48, and 50, as disclosed in Note 3. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the District's Board of Education, finance committee, management, the Auditor of State's Office, 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.

Cimini & Paricchi, Inc.

Cleveland, Ohio
December 30, 2008

Strongsville City School District

Schedule of Expenditures of Federal Awards

For the year ended June 30, 2008

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Number	Receipts	Non-cash Receipts	Disburse- ments	Non-Cash Disburse- ments
<u>U.S. Department of Agriculture</u>						
<i>Passed-Through Ohio Department of Education:</i>						
Food Donation	10.550	N/A	\$ -	\$ 99,709	\$ -	\$ 99,709
National School Lunch Program	10.555	044842-LLP4-2007	312,600	-	312,600	-
Total U.S. Department of Agriculture			312,600	99,709	312,600	99,709
<u>U.S. Department of Education</u>						
<i>Passed-Through Ohio Department of Education:</i>						
Adult Education – Basic Grants to States	84.002	044842-ABSI-2007	(3,023)	-	654	-
	84.002	044842-ABSI-2008	51,827	-	47,508	-
Total Adult Education – State Grant Program			48,804	-	48,162	-
Special Education Cluster:						
Special Education – Grants to States	84.027	044842-6BSF-2006	-	-	1	-
	84.027	044842-6BSF-2007	111,435	-	157,111	-
	84.027	044842-6BSF-2008	1,294,937	-	1,258,830	-
Total Special Education – Grants to States			1,406,372	-	1,415,942	-
Special Education – Preschool Grants	84.173		(1,448)	-	568	-
	84.173		20,795	-	18,563	-
Total Special Education – Preschool Grants			19,347	-	19,131	-
Total Special Education Cluster			1,425,719	-	1,435,073	-
Title III	84.194		1,310	-	2,997	-
	84.194		26,728	-	24,929	-
	84.194		(1,040)	-	-	-
	84.194		6,905	-	6,905	-
Total Title III			33,903	-	34,831	-
State Grants for Innovative Programs	84.298	044842-C2S1-2007	(20)	-	-	-
	84.298	044842-C2S1-2008	6,901	-	6,698	-
Total State Grants for Innovative Programs			6,881	-	6,698	-
Safe and Drug-Free Schools and Communities State Grants	84.186	044842-DRS1-2007	(33)	-	-	-
	84.186	044842-DRS1-2008	12,862	-	12,725	-
Total Safe and Drug-Free Schools and Communities State Grants			12,829	-	12,725	-

The accompanying notes are an integral part of this schedule.

Strongsville City School District

Schedule of Expenditures of Federal Awards (continued)

For the year ended June 30, 2008

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Number	Receipts	Non-cash Receipts	Disburse- ments	Non-Cash Disburse- ments
Improving Teacher Quality State Grants	84.367	044842-TRS1-2007	6,085	-	11,687	-
	84.367	044842-TRS1-2008	<u>107,076</u>	<u>-</u>	<u>108,725</u>	<u>-</u>
Total Improving Teacher Quality State Grants			<u>113,161</u>	<u>-</u>	<u>120,412</u>	<u>-</u>
Total U.S. Department of Education			<u>1,641,297</u>	<u>-</u>	<u>1,657,901</u>	<u>-</u>
Total			\$ <u>1,953,897</u>	\$ <u>99,709</u>	\$ <u>1,970,501</u>	\$ <u>99,709</u>

The accompanying notes are an integral part of this schedule.

Strongsville City School District

Notes to the Schedule of Expenditures of Federal Awards

June 30, 2008

Note 1: Significant Accounting Policies

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the District and is presented on the cash basis of accounting. 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 basic financial statements.

Non-Cash Support

The District receives non-cash support in the form of food subsidies from the Food Donation Program, CFDA #10.550. The value of the food subsidies is determined by using the fair market value of the food items as quoted by local food suppliers.

Negative Receipts

The negative receipts were to reflect the carryover of funds from the 2006 fiscal year to the 2007 fiscal year.

CFDA – Catalog of Federal Domestic Assistance

N/A – Not applicable

Strongsville City School District

Schedule of Findings OMB Circular A-133 Section .505

June 30, 2008

1. Summary of Auditors' Results

(d)(I)(i)	Type of Financial Statement Opinion	Unqualified
(d)(I)(ii)	Were there any significant deficiencies reported at the financial statement level (GAGAS)?	Yes
(d)(I)(ii)	Were there any other material weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(I)(iii)	Was there any material noncompliance reported at the financial statement level (GAGAS)?	No
(d)(I)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(I)(iv)	Were there any other significant control deficiencies reported for major federal programs?	No
(d)(I)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(I)(vi)	Are there any reportable findings under Section .501?	No
(d)(I)(vii)	Major Programs	Special Education Cluster - CFDA #84.027 & 84.173; National School Lunch Program - CFDA #10.555
(d)(I)(viii)	Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: All Others
(d)(I)(ix)	Low Risk Auditee?	No

Strongsville City School District

Schedule of Findings (continued) OMB Circular A-133 Section .505

June 30, 2008

2. Findings Related to the Financial Statements Required to be Reported in Accordance With GAGAS

Findings	Findings Summary
2008-1	<p data-bbox="305 625 1105 657"><i>Financial Reporting – Significant Deficiency / Material Weakness</i></p> <p data-bbox="305 688 1419 779">Sound financial reporting is the responsibility of the Treasurer and the Board of Education and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.</p> <p data-bbox="305 814 1419 873">The following audit adjustments were made to the financial statements, and where applicable, to the District's accounting records:</p> <ol data-bbox="305 909 1419 968" style="list-style-type: none"><li data-bbox="305 909 1419 968">1. Restatement of Net Assets at June 30, 2007 for interfund receivable/payable that was recorded in a previous year. <p data-bbox="305 1003 1419 1062">The lack of controls over financial reporting can result in errors and irregularities that may go undetected and decreases the reliability of financial data at year-end.</p> <p data-bbox="305 1098 1419 1251">We recommend the District adopts policies and procedures for controls over year-end financial reporting to help ensure the information accurately reflects the activity of the District thereby increasing the reliability of the financial data at year-end. Although the District has contracted a third party to perform their GAAP Conversion, the District's management needs to review the statements to be sure that all items are being properly recorded.</p> <p data-bbox="305 1287 1419 1377">Officials Response: Management will develop a process to oversee the GAAP process more closely and have better communication with the GAAP Converters during the conversion process.</p>

3. Findings for Federal Awards

None.

Strongsville City School District

Schedule of Prior Audit Findings OMB Circular A-133 Section .315b

June 30, 2008

Finding No.	Findings Summary	Fully Corrected	Explanation
2007-1	<p><i>Financial Reporting – Significant Deficiency / Material Weakness</i></p> <p>The following audit adjustments were made to the financial statements, and where applicable, to the District’s accounting records:</p> <ol style="list-style-type: none">1. Restatement of Net Assets at June 30, 2007 for Construction in Progress that was not recorded in the prior year.2. Adjusted accounts receivable for overstatement of amount originally recorded.3. Adjusted capital assets for depreciation expense incorrectly recorded.	No	There was a restatement of Net Assets for the fiscal year 2008 audit.

Strongsville City School District

**13200 Pearl Road
Strongsville, Ohio 44136
(440) 572-7000**

**Response to Findings Associated With Audit Conducted
In Accordance With *Government Auditing Standards***

June 30, 2008

None noted.



Mary Taylor, CPA
Auditor of State

STRONGSVILLE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JUNE 23, 2009