



Dave Yost • Auditor of State



**WARRENSVILLE HEIGHTS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report .....	1
Management's Discussion and Analysis.....	5
Basic Financial Statements:	
Statement of Net Position .....	15
Statement of Activities .....	16
Balance Sheet – Governmental Funds.....	17
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities .....	18
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds .....	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	20
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual– General Fund .....	21
Statement of Assets and Liabilities- Agency Funds.....	22
Notes to the Basic Financial Statements .....	23
Schedule of Federal Awards Receipts and Expenditures.....	47
Notes to the Schedule of Federal Awards Receipts and Expenditures .....	48
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	49
Independent Auditor's Report on Compliance with Requirements Applicable To Each Major Federal Program and on Internal Control Over Compliance Required By OMB Circular A-133 .....	51
Schedule of Findings.....	55
Corrective Action Plan.....	59
Independent Accountants' Report on Applying Agreed-Upon Procedure .....	61

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Warrensville Heights City School District  
Cuyahoga County  
4500 Warrensville Center Road  
Warrensville Heights, Ohio 44128

To the Board of Education:

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Warrensville Heights City School District, Cuyahoga County, Ohio (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Warrensville Heights City School District, Cuyahoga County, Ohio, as of June 30, 2013 and the respective changes in financial position thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

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

*Supplementary and Other Information*

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 8, 2014, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

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

May 8, 2014

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## Warrensville Heights City School District

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
Unaudited*

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The discussion and analysis of the Warrensville Heights 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, 2013. 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 basic financial statements and notes to the basic financial statements to enhance their understanding of the School District's financial performance.

### **Financial Highlights**

Key financial highlights for fiscal year 2013 are as follows:

- The School District saw an increase in net position as compared to the prior fiscal year. This was primarily caused by an increase in property taxes and an overall decrease in expenses.
- Property tax revenue increased over the prior fiscal year due to higher amounts available as an advance and slightly higher assessed values.
- Expenses decreased from the prior fiscal year as a result of lower accounts payable, lower accrued wages and lower compensated absences.

### **Using this Annual Financial Report**

This report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Warrensville Heights City School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term and what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. In the case of Warrensville Heights City School District, the general fund is the most significant fund, although the bond retirement debt service fund is also considered to be a major fund.

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

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

While this document contains all of 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 perform financially during fiscal year 2013?" The *Statement of Net Position* and the *Statement of Activities* answer 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 revenue and expenses regardless of when cash is received or paid.

## Warrensville Heights City School District

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2013*

*Unaudited*

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These two statements report the School District's net position and changes in the net position. This change in net position is important because it tells the reader that, for the School District as a whole, the *financial position* of the School District has improved or diminished. The causes of this change may be the result of many financial or non-financial factors. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the *Statement of Net Position* and the *Statement of Activities*, all of the School District's activities are classified as governmental. The School District's programs and services reported here include instruction, support services, operation of non-instructional services, extracurricular activities and interest and fiscal charges.

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

#### *Fund Financial Statements*

The analysis of the School District's major funds begins on page 10. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus upon the School District's most significant funds. The School District's major governmental funds are the general fund and the bond retirement debt service fund.

**Governmental Funds** Most of the School District's activities are reported in governmental funds, which focus on how cash flows into and out of those funds and the balances remaining at fiscal year end 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 the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the *Statement of Net Position* and the *Statement of Activities*) and governmental *funds* is reconciled in the financial statements.

**Fiduciary Funds** Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the School District's programs. These funds use the accrual basis of accounting.

## Warrensville Heights City School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2013

Unaudited

### The School District as a Whole

You may recall that the *Statement of Net Position* provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for fiscal year 2013 compared to the prior fiscal year:

(Table 1)  
Net Position  
Governmental Activities

	2013	Restated 2012	Change
<b>Assets</b>			
Current and Other Assets	\$39,818,612	\$38,207,734	\$1,610,878
Capital Assets	17,042,138	17,739,926	(697,788)
<i>Total Assets</i>	<u>56,860,750</u>	<u>55,947,660</u>	<u>913,090</u>
<b>Deferred Outflows of Resources</b>	<u>760,471</u>	<u>826,599</u>	<u>(66,128)</u>
<b>Liabilities</b>			
Current Liabilities	2,937,471	3,897,205	959,734
Long-Term Liabilities:			
Due within One Year	1,514,919	1,528,327	13,408
Due in More than One Year	18,528,649	20,874,913	2,346,264
<i>Total Liabilities</i>	<u>22,981,039</u>	<u>26,300,445</u>	<u>3,319,406</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes	<u>14,107,260</u>	<u>16,755,652</u>	<u>2,648,392</u>
<b>Net Position</b>			
Net Investment in Capital Assets	107,383	0	107,383
Restricted for:			
Capital Projects	1,279,699	1,160,252	119,447
Debt Service	3,352,688	3,263,183	89,505
Other Purposes	1,050,983	740,102	310,881
Unrestricted	<u>14,742,169</u>	<u>8,554,625</u>	<u>6,187,544</u>
<i>Total Net Position</i>	<u>\$20,532,922</u>	<u>\$13,718,162</u>	<u>\$6,814,760</u>

As one can see from the increase in overall net position, the School District continues to provide the services that the School District citizens expect while maintaining the costs of providing those services during the current economic recession. The most dramatic changes were to cash and cash equivalents, to the compensated absences liability, and to deferred inflows. The increase to cash was due to the increase in revenues, primarily to property tax revenue, and to a significant decrease in overall expenses, notably instruction expense, allowing revenues to continue to outpace expenses.

## Warrensville Heights City School District

### *Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2013*

*Unaudited*

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for fiscal years 2013 and 2012.

(Table 2)

#### Change in Net Position Governmental Activities

	2013	Restated 2012	Change
<i>Program Revenues</i>			
Charges for Services	\$323,068	\$361,523	(\$38,455)
Operating Grants	2,859,583	3,460,803	(601,220)
<b>Total Program Revenues</b>	<b>3,182,651</b>	<b>3,822,326</b>	<b>(639,675)</b>
<i>General Revenues</i>			
Property Taxes	21,982,201	19,579,987	2,402,214
Grants and Entitlements	14,202,894	14,565,145	(362,251)
Unrestricted Contributions	6,584	0	6,584
Investment Earnings	32,289	29,701	2,588
Miscellaneous	106,834	339,614	(232,780)
<b>Total General Revenues</b>	<b>36,330,802</b>	<b>34,514,447</b>	<b>1,816,355</b>
<b>Total Revenues</b>	<b>39,513,453</b>	<b>38,336,773</b>	<b>1,176,680</b>
<i>Program Expenses</i>			
Instruction	17,220,288	18,446,840	1,226,552
Support Services			
Pupil	783,108	1,288,574	505,466
Instructional Staff	2,738,038	2,764,846	26,808
Board of Education	71,938	81,011	9,073
Administration	2,274,044	2,674,975	400,931
Fiscal	1,315,364	1,309,290	(6,074)
Business	1,154,862	1,298,750	143,888
Operation and Maintenance of Plant	3,552,735	4,209,200	656,465
Pupil Transportation	1,063,635	1,128,755	65,120
Central	278,754	317,254	38,500
Operation of Non-Instructional Services:			
Food Service Operations	743,579	871,410	127,831
Other Non-Instructional Services	26,056	157,204	131,148
Extracurricular Activities	224,039	332,152	108,113
Interest and Fiscal Charges	1,252,253	1,079,567	(172,686)
<b>Total Program Expenses</b>	<b>32,698,693</b>	<b>35,959,828</b>	<b>3,261,135</b>
Increase in Net Position	6,814,760	2,376,945	4,437,815
<i>Net Position Beginning of Year - Restated</i> (See Note 3)	13,718,162	11,341,217	2,376,945
<i>Net Position End of Year</i>	<b>\$20,532,922</b>	<b>\$13,718,162</b>	<b>\$6,814,760</b>

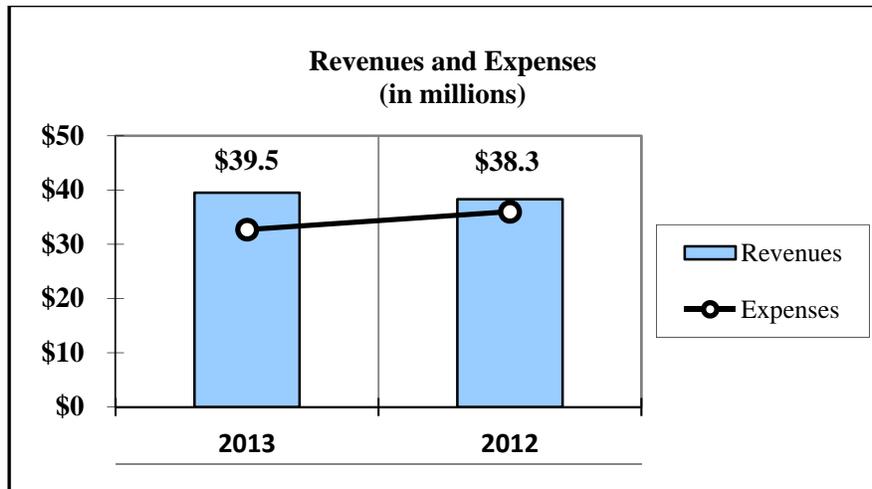
# Warrensville Heights City School District

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
Unaudited

**Graph 1**

Revenues and Expenses  
(In Millions)

	2013	2012
Revenues	\$39.5	\$38.3
Expenses	32.7	36.0



## Governmental Activities

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a voted levy does not increase solely as a result of inflation. It increases as a result of new construction or collection from a new voted levy. Although school districts experience inflationary growth in expenses, tax revenue does not keep pace with the increased expenses due to House Bill 920. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00 and the School District would collect the same dollar value the levy generated in the year it passed. The 10 percent rollback on all residential/agricultural property and the 2.5 percent rollback on all owner occupied homes would reduce the amount of taxes paid.

Thus School District's dependence upon property taxes is hampered by a lack of revenue growth so it must regularly return to the voters to maintain a constant level of service. Property taxes and grants and entitlements made up the majority of revenues for governmental activities for Warrensville Heights City School District in fiscal year 2013.

The School District actively pursues grants and controls expenses while still maintaining the high academic standards the residents expect of the School District.

## Warrensville Heights City School District

### *Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2013*

*Unaudited*

Instruction expenses comprise more than half of the governmental program expenses. Building operations, administration, pupil support, staff support, food service, extracurricular activities and interest and fiscal charges make up the remaining of the governmental program expenses. The Board believes that the main focus of the School District should be to provide the best instruction to its pupils as possible. Therefore, a majority of the expenses of the School District are in the area of instruction, which decreased from fiscal year 2012, mainly due to lower regular and special instruction expenses.

The *Statement of Activities* shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

(Table 3)

#### Total and Net Cost of Program Services Governmental Activities

	Total Cost of Services 2013	Net Cost of Services 2013	Total Cost of Services 2012	Net Cost of Services 2012
Instruction	\$17,220,288	\$16,252,372	\$18,446,840	\$16,545,754
Support Services:				
Pupil and Instructional Staff	3,521,146	2,317,410	4,053,420	3,087,248
Board of Education and Administration	2,345,982	2,258,207	2,755,986	2,699,075
Fiscal and Business	2,470,226	2,470,226	2,608,040	2,608,040
Operation and Maintenance of Plant	3,552,735	3,533,079	4,209,200	4,156,243
Pupil Transportation	1,063,635	1,024,721	1,128,755	1,114,473
Central	278,754	270,953	317,254	308,709
Operation of Food Service	743,579	(58,270)	871,410	128,220
Operation of Non-Instructional Services	26,056	(168)	157,204	99,720
Extracurricular Activities	224,039	195,259	332,152	310,453
Interest and Fiscal Charges	1,252,253	1,252,253	1,079,567	1,079,567
<i>Total Expenses</i>	\$32,698,693	\$29,516,042	\$35,959,828	\$32,137,502

Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and pupil. Pupils and instructional staff include the activities involved with assisting staff with the content and process of teaching students.

Board of education, administration, fiscal and business includes expenses associated with administrative and financial supervision of the School District.

Operation and maintenance of plant activities involve keeping the School District grounds, buildings, and equipment in an effective working condition.

Pupil transportation includes activities involved with the conveyance of students to and from school, as well as to and from school activities, as provided by State law.

## **Warrensville Heights City School District**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2013*

*Unaudited*

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Central includes expenses related to planning, research, development and evaluation of support services, as well as the reporting of this information internally and to the public.

Operation of food service includes the preparation, delivery, and servicing of lunches, snacks and other incidental meals to students and school staff in connection with school activities.

Extracurricular activities include expenses related to student activities provided by the School District which are designed to provide opportunities for pupils to participate in school events, public events, or a combination of these for the purposes of motivation, enjoyment and skill improvement.

Interest and fiscal charges involves the transactions associated with the payment of interest and other related charges to debt of the School District.

The dependence upon general revenues for governmental activities is apparent as local property tax and grants and entitlements account for the majority of the total revenues in fiscal year 2013.

### **The School District's Funds**

Information regarding the School District's major funds starts on page 16. These funds are accounted for using the modified accrual basis of accounting. For fiscal year 2013, the School District had two major funds, the general fund and the bond retirement debt service fund. In the general fund, both revenues and expenditures increased from the prior fiscal year, while in the bond retirement fund, both revenues and expenditures decreased slightly from the prior fiscal year. Even with the increase in expenditures for the general fund and the decrease in revenues for the bond retirement fund, revenues remained higher than expenditures, allowing for increases in fund balance for the two major funds.

### **General Fund Budgeting Highlights**

Information about the School District's budget is prepared in accordance with Ohio Law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the main operating fund of the School District, the general fund. The School District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

During the course of fiscal year 2013, the School District amended its general fund budget several times by the end of the fiscal year. For the general fund, the final budget basis revenue was \$30,130,219, an increase of \$2,566,849 from original budget. The main increases for final budget revenue were for taxes and intergovernmental revenues. Actual revenue came in higher than the final budget basis revenue mainly because of an increase in intergovernmental monies as the School District continues to seek out additional funding sources, as well as increased tax collections. Actual expenditures were less than final appropriations due mainly to the diligence of management to keep costs low while still providing the services the School District citizens expect.

## Warrensville Heights City School District

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
Unaudited*

### Capital Assets

Table 4 shows fiscal year 2013 balances compared to fiscal year 2012:

(Table 4)  
Capital Assets at June 30  
Net of Depreciation  
Governmental Activities

	2013	Restated 2012	Change
Land	\$414,153	\$414,153	\$0
Land Improvements	103,032	132,746	(29,714)
Buildings and Improvements	15,896,337	16,516,773	(620,436)
Furniture and Fixtures	453,967	445,881	8,086
Vehicles	174,649	230,373	(55,724)
Total	<u>\$17,042,138</u>	<u>\$17,739,926</u>	<u>(\$697,788)</u>

Capital assets decreased during fiscal year 2013 compared to fiscal year 2012. This decrease was due to an additional year of depreciation, partially offset by current year additions. During the current fiscal year, various instructional, food service, extracurricular, and maintenance items were purchased for the School District. See Note 10 to the basic financial statements for additional information on the School District's capital assets.

### Debt

Table 5 summarizes the long-term liabilities outstanding:

(Table 5)  
Outstanding Long-Term Obligations at June 30  
Governmental Activities

	2013	2012	Change
2000 School Improvement Bonds	\$2,225,023	\$3,225,023	(\$1,000,000)
2007 School Improvement Refunding Bonds	16,403,915	16,429,381	(25,466)
Totals	<u>\$18,628,938</u>	<u>\$19,654,404</u>	<u>(\$1,025,466)</u>

The School District's overall legal debt margin decreased to \$21.9 million. This is the additional amount of debt the School District could issue. Despite the School District's paying down current debt, the debt margin decreased from fiscal year 2012 due to a decrease in property valuations. Additional information concerning debt issuances can be found in Note 17 to the basic financial statements.

## **Warrensville Heights City School District**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2013*

*Unaudited*

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### **Current Financial Related Activities**

The Warrensville Heights City School District is financially sound for the current and next three years. The Board of Education, administration and staff are committed to improving the financial condition of the School District, and the community has been supportive of the education system. The 9.5 mill continuous operating levy and the renewal of the \$1,850,000 emergency levy passed in 2009 continue to support the majority of the School District's operating activities.

The ongoing legislative effort to support the existence of community (charter) schools comes at the expense of our current State foundation subsidy. The School District has also been impacted by the ever increasing costs associated with the education of special needs students and special needs transportation costs.

Since 1997, the State has directed its tax revenue growth toward school districts with little property tax wealth. The legislators and government officials continue to negotiate the plan for improvement of the financing of public schools in the State of Ohio.

The Warrensville Heights City School District has committed itself to a fiscal discipline based on long-term planning as well as a commitment to full disclosure of financial information and utilization of the highest standards of financial reporting. The School District's commitment to improve fiscal management has led to many budgeting, reporting and internal control enhancements.

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

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the funds it receives. If you have any questions about this report or need additional financial information, please contact Donald Gambal, Treasurer, at the Warrensville Heights City School District, 4500 Warrensville Center Road, Warrensville, Ohio 44128, or [Don.Gambal@whcsd.org](mailto:Don.Gambal@whcsd.org).

## **Basic Financial Statements**

**Warrensville Heights City School District**

*Statement of Net Position*

*June 30, 2013*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$20,305,042
Accounts Receivable	2,880
Intergovernmental Receivable	840,133
Taxes Receivable	18,670,557
Nondepreciable Capital Assets	414,153
Depreciable Capital Assets, Net	<u>16,627,985</u>
<i>Total Assets</i>	<u>56,860,750</u>
<b>Deferred Outflows of Resources</b>	
Deferred Charge on Refunding	<u>760,471</u>
<b>Liabilities</b>	
Accounts Payable	34,661
Accrued Wages and Benefits	1,848,042
Intergovernmental Payable	787,111
Accrued Interest Payable	62,738
Matured Compensated Absences Payable	204,919
Long-Term Liabilities:	
Due Within One Year	1,514,919
Due In More Than One Year	<u>18,528,649</u>
<i>Total Liabilities</i>	<u>22,981,039</u>
<b>Deferred Inflows of Resources</b>	
Property Taxes	<u>14,107,260</u>
<b>Net Position</b>	
Net Investment in Capital Assets	107,383
Restricted for:	
Capital Projects	1,279,699
Debt Service	3,352,688
Food Service	231,888
Recreation	361,073
Other Purposes	458,022
Unrestricted	<u>14,742,169</u>
<i>Total Net Position</i>	<u><u>\$20,532,922</u></u>

See accompanying notes to the basic financial statements

**Warrensville Heights City School District**

*Statement of Activities*

*For the Fiscal Year Ended June 30, 2013*

	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants, Contributions and Interest	Revenue and Changes in Net Position
				Governmental Activities
<b>Governmental Activities</b>				
Instruction:				
Regular	\$12,753,897	\$184,474	\$82,342	(\$12,487,081)
Special	4,074,227	0	696,100	(3,378,127)
Vocational	392,164	0	5,000	(387,164)
Support Services:				
Pupil	783,108	0	429	(782,679)
Instructional Staff	2,738,038	0	1,203,307	(1,534,731)
Board of Education	71,938	0	0	(71,938)
Administration	2,274,044	0	87,775	(2,186,269)
Fiscal	1,315,364	0	0	(1,315,364)
Business	1,154,862	0	0	(1,154,862)
Operation and Maintenance of Plant	3,552,735	1,780	17,876	(3,533,079)
Pupil Transportation	1,063,635	0	38,914	(1,024,721)
Central	278,754	0	7,801	(270,953)
Operation of Non-Instructional Services:				
Food Service Operations	743,579	108,819	693,030	58,270
Other Non-Instructional Services	26,056	215	26,009	168
Extracurricular Activities	224,039	27,780	1,000	(195,259)
Interest and Fiscal Charges	1,252,253	0	0	(1,252,253)
<i>Total Governmental Activities</i>	<u>\$32,698,693</u>	<u>\$323,068</u>	<u>\$2,859,583</u>	<u>(29,516,042)</u>

**General Revenues**

Property Taxes Levied for:

General Purposes	19,525,396
Debt Service	1,789,168
Capital Projects	619,475
Recreation	48,162
Grants and Entitlements not Restricted to Specific Programs	14,202,894
Unrestricted Contributions	6,584
Investment Earnings	32,289
Miscellaneous	106,834

*Total General Revenues* 36,330,802

Change in Net Position 6,814,760

*Net Position Beginning of Year - Restated (See Note 3)* 13,718,162

*Net Position End of Year* \$20,532,922

See accompanying notes to the basic financial statements

**Warrensville Heights City School District**

*Balance Sheet  
Governmental Funds  
June 30, 2013*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$14,335,841	\$2,973,536	\$2,995,665	\$20,305,042
Accounts Receivable	170	0	2,710	2,880
Intergovernmental Receivable	148,880	0	691,253	840,133
Interfund Receivable	1,236,321	0	0	1,236,321
Property Taxes Receivable	16,340,219	1,849,530	480,808	18,670,557
<i>Total Assets</i>	<u>\$32,061,431</u>	<u>\$4,823,066</u>	<u>\$4,170,436</u>	<u>\$41,054,933</u>
<b>Liabilities</b>				
Accounts Payable	\$34,604	\$0	\$57	\$34,661
Accrued Wages and Benefits	1,715,969	0	132,073	1,848,042
Intergovernmental Payable	729,517	0	57,594	787,111
Interfund Payable	0	0	1,236,321	1,236,321
Matured Compensated Absences Payable	197,171	0	7,748	204,919
<i>Total Liabilities</i>	<u>2,677,261</u>	<u>0</u>	<u>1,433,793</u>	<u>4,111,054</u>
<b>Deferred Inflows of Resources</b>				
Property Taxes	12,356,708	1,407,640	342,912	14,107,260
Unavailable Revenue	1,584,616	168,111	742,452	2,495,179
<i>Total Deferred Inflows of Resources</i>	<u>13,941,324</u>	<u>1,575,751</u>	<u>1,085,364</u>	<u>16,602,439</u>
<b>Fund Balances</b>				
Restricted	13,465	3,247,315	2,025,959	5,286,739
Assigned	14,428,875	0	0	14,428,875
Unassigned (Deficit)	1,000,506	0	(374,680)	625,826
<i>Total Fund Balances</i>	<u>15,442,846</u>	<u>3,247,315</u>	<u>1,651,279</u>	<u>20,341,440</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$32,061,431</u>	<u>\$4,823,066</u>	<u>\$4,170,436</u>	<u>\$41,054,933</u>

See accompanying notes to the basic financial statements

**Warrensville Heights City School District**  
*Reconciliation of Total Governmental Fund Balances to*  
*Net Position of Governmental Activities*  
*June 30, 2013*

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<b>Total Governmental Fund Balances</b>	<b>\$20,341,440</b>
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*Amounts reported for governmental activities in the statement of net position are different because:*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	17,042,138
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Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds:

Delinquent Property Taxes	1,805,433
Grants	<u>689,746</u>

Total	2,495,179
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In the statement of activities, interest is accrued on outstanding loans, whereas in governmental fund, an interest expenditure is reported when due.	(62,738)
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

General Obligation Bonds	(18,628,938)
Deferred Charge on Refunding	760,471
Compensated Absences	<u>(1,414,630)</u>

Total	<u>(19,283,097)</u>
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<i>Net Position of Governmental Activities</i>	<u><u>\$20,532,922</u></u>
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See accompanying notes to the basic financial statements

**Warrensville Heights City School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2013*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$19,421,731	\$1,785,132	\$671,702	\$21,878,565
Intergovernmental	13,813,812	311,113	3,093,691	17,218,616
Interest	32,289	0	0	32,289
Tuition and Fees	163,553	0	1,995	165,548
Extracurricular Activities	170	0	27,780	27,950
Contributions and Donations	6,584	0	1,000	7,584
Charges for Services	11,894	0	108,819	120,713
Rentals	8,857	0	0	8,857
Miscellaneous	102,086	0	4,748	106,834
<i>Total Revenues</i>	<u>33,560,976</u>	<u>2,096,245</u>	<u>3,909,735</u>	<u>39,566,956</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	12,731,882	0	117,040	12,848,922
Special	3,499,255	0	646,539	4,145,794
Vocational	391,215	0	1,569	392,784
Support Services:				
Pupil	830,596	0	390	830,986
Instructional Staff	1,542,504	0	1,163,163	2,705,667
Board of Education	71,938	0	0	71,938
Administration	2,423,490	0	73,260	2,496,750
Fiscal	1,321,211	0	0	1,321,211
Business	1,215,054	0	0	1,215,054
Operation and Maintenance of Plant	3,175,885	0	414,560	3,590,445
Pupil Transportation	999,642	0	24,529	1,024,171
Central	295,221	0	0	295,221
Operation of Non-Instructional Services:				
Food Service Operations	0	0	738,259	738,259
Other Non-Instructional Services	1,655	0	29,981	31,636
Extracurricular Activities	92,201	0	89,103	181,304
Capital Outlay	0	0	192,716	192,716
Debt Service:				
Principal Retirement	0	1,225,000	0	1,225,000
Interest and Fiscal Charges	0	792,360	0	792,360
<i>Total Expenditures</i>	<u>28,591,749</u>	<u>2,017,360</u>	<u>3,491,109</u>	<u>34,100,218</u>
<i>Excess of Revenues Over Expenditures</i>	<u>4,969,227</u>	<u>78,885</u>	<u>418,626</u>	<u>5,466,738</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	0	0	110,400	110,400
Transfers Out	(110,400)	0	0	(110,400)
<i>Total Other Financing Sources (Uses)</i>	<u>(110,400)</u>	<u>0</u>	<u>110,400</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	4,858,827	78,885	529,026	5,466,738
<i>Fund Balances Beginning of Year</i>	<u>10,584,019</u>	<u>3,168,430</u>	<u>1,122,253</u>	<u>14,874,702</u>
<i>Fund Balances End of Year</i>	<u>\$15,442,846</u>	<u>\$3,247,315</u>	<u>\$1,651,279</u>	<u>\$20,341,440</u>

See accompanying notes to the basic financial statements

**Warrensville Heights City School District**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2013*

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**Net Change in Fund Balances - Total Governmental Funds** \$5,466,738

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

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

Capital Outlay	83,611	
Current Year Depreciation	(781,399)	
Total		(697,788)

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

Delinquent Property Taxes	103,636	
Grants	(157,139)	
Total		(53,503)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 1,225,000

In the statement of activities, interest is accrued on outstanding bonds, and bond premium and deferred accounting loss are amortized over the terms of the bonds whereas in the governmental funds the expenditure is reported when bonds are issued.

Accrued Interest on Bonds	(194,231)	
Amortization of Deferred Charge on Refunding	(66,128)	
Amortization of Bond Premium	82,193	
Annual Accretion	(281,727)	
Total		(459,893)

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 1,334,206

*Change in Net Position of Governmental Activities* \$6,814,760

See accompanying notes to the basic financial statements

**Warrensville Heights City School District**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2013*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Taxes	\$15,843,560	\$17,318,998	\$18,826,901	\$1,507,903
Intergovernmental	11,515,712	12,588,117	13,684,119	1,096,002
Interest	27,173	29,703	32,289	2,586
Tuition and Fees	130,146	142,266	154,653	12,387
Rentals	7,454	8,148	8,857	709
Miscellaneous	39,325	42,987	101,192	58,205
<i>Total Revenues</i>	<u>27,563,370</u>	<u>30,130,219</u>	<u>32,808,011</u>	<u>2,677,792</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	13,967,044	14,148,472	13,560,017	588,455
Special	5,707,216	5,765,150	4,528,108	1,237,042
Vocational	490,318	491,052	391,235	99,817
Support Services:				
Pupil	1,403,593	1,405,605	1,144,684	260,921
Instructional Staff	1,818,031	1,820,765	1,680,757	140,008
Board of Education	116,345	116,505	87,864	28,641
Administration	2,743,755	2,747,782	2,553,632	194,150
Fiscal	1,622,011	1,624,393	1,461,913	162,480
Business	2,361,344	2,364,454	2,050,918	313,536
Operation and Maintenance of Plant	4,157,964	4,201,843	3,900,472	301,371
Pupil Transportation	1,385,039	1,386,906	1,188,674	198,232
Central	628,380	628,990	571,080	57,910
Operation of Non-Instructional Services:				
Other Non-Instructional Services	9,985	10,000	1,740	8,260
Extracurricular Activities	71,392	71,500	63,372	8,128
Capital Outlay	1,922	1,922	0	1,922
<i>Total Expenditures</i>	<u>36,484,339</u>	<u>36,785,339</u>	<u>33,184,466</u>	<u>3,600,873</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(8,920,969)</u>	<u>(6,655,120)</u>	<u>(376,455)</u>	<u>6,278,665</u>
<b>Other Financing Sources (Uses)</b>				
Transfers Out	(135,000)	(135,000)	(119,900)	15,100
Advances In	0	0	1,319,743	1,319,743
Advances Out	(1,240,000)	(1,240,000)	(1,236,321)	3,679
<i>Total Other Financing Sources (Uses)</i>	<u>(1,375,000)</u>	<u>(1,375,000)</u>	<u>(36,478)</u>	<u>1,338,522</u>
<i>Net Change in Fund Balance</i>	<u>(10,295,969)</u>	<u>(8,030,120)</u>	<u>(412,933)</u>	<u>7,617,187</u>
<i>Fund Balance Beginning of Year</i>	6,818,097	6,818,097	6,818,097	0
Prior Year Encumbrances Appropriated	3,855,494	3,855,494	3,855,494	0
<i>Fund Balance End of Year</i>	<u>\$377,622</u>	<u>\$2,643,471</u>	<u>\$10,260,658</u>	<u>\$7,617,187</u>

See accompanying notes to the basic financial statements

**Warrensville Heights City School District**

*Statement of Fiduciary Assets and Liabilities*

*Agency Fund*

*June 30, 2013*

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<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$37,836</u></u>
<b>Liabilities</b>	
Due to Students	<u><u>\$37,836</u></u>

See accompanying notes to the basic financial statements

## **Warrensville Heights City School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013*

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### **Note 1 – Description of the School District and Reporting Entity**

The Warrensville Heights City School District (School District) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five-members elected at-large for staggered four year terms. The School District provides educational services as authorized and mandated by State statute and federal guidelines. The Board controls the School District's four instructional facilities, staffed by 123 classified employees, 152 certificated full-time teaching personnel, and 18 administrators who provide services to students and other community members.

The School District is located in Warrensville Heights, Ohio, Cuyahoga County. The enrollment for the School District during the 2013 fiscal year was 1,500. The School District operates two elementary schools (K-4), one middle school (5-8), and one high school (9-12).

#### ***Reporting Entity***

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the School District consists of all funds, agencies, departments and offices that are not legally separate from the School District. For Warrensville Heights City School District, this includes the agencies and departments that provide the following services: general operations, food service, and student related activities.

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

The School District participates in two jointly governed organizations. These organizations are the Lake Geauga Computer Association and the Ohio Schools' Council. These organizations are presented in Note 15 of the basic financial statements.

### **Note 2 – Summary of Significant Accounting Policies**

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

## Warrensville Heights City School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013*

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### ***Basis of Presentation***

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

***Government-wide Financial Statements*** The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type. The School District, however, has no business-type activities.

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

***Fund Financial Statements*** During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The fiduciary fund is reported by type.

### ***Fund Accounting***

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The funds of the School District are divided into two categories, governmental and fiduciary.

***Governmental Funds*** Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses 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 deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance. The following are the School District's major governmental fund:

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

## Warrensville Heights City School District

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

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***Bond Retirement Fund*** The bond retirement fund is used to account for and report the accumulation of property tax revenues restricted for the payment of general obligation bonds issued for school improvements.

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

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

### ***Measurement Focus***

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

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

### ***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. Fiduciary funds also use the accrual basis of accounting. Differences between the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows/outflows of resources, 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. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year-end.

## Warrensville Heights City School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013*

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Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 9). 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 fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance fiscal year 2014 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

***Expenses/Expenditures*** 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.

### ***Budgetary Data***

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

## Warrensville Heights City School District

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

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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 Treasurer has been given the authority to allocate appropriations to the function and object level within each fund.

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

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated resources by fund. 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 fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

### ***Cash and Cash Equivalents***

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

During fiscal year 2013, investments were limited to a PNC Money Market account. Investments are reported at fair value, which is based on quoted market prices.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2013 amounted to \$32,289 which includes \$9,492 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments.

### ***Capital Assets***

All of the School District's capital assets are general capital assets. General capital assets are those assets related to activities reported in the governmental funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of assets by backtrending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one thousand five hundred dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

**Warrensville Heights City School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013*

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All reported capital assets except 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:

Description	Estimated Lives
Buildings and Improvements	50 years
Furniture, Fixtures and Equipment	5-20 years
Vehicles	10 years

***Bond Premium***

On the government-wide financial statements, bond premiums are deferred and amortized over the term of the bonds using the effective interest method. Bond premiums are presented as an increase of the face amount of the bonds payable. On the governmental fund statements, bond premiums are received in the year the bonds are issued.

***Deferred Charge on Refunding***

On the government-wide financial statements, the difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt, the gain/loss on the refunding, is being amortized as a component of interest expense. This deferred amount is amortized over the life of the old or new debt, whichever is shorter, using the effective interest method and is presented as deferred outflows of resources on the statement of net position.

***Interfund Balances***

On fund financial statements, receivables and payables resulting from short-term interfund loans and interfund services provided and used are classified as "interfund receivables/payables." Interfund balances are eliminated in the governmental activities column of the statement of net position.

***Compensated Absences***

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

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

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

On the governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due to each period upon the occurrence of employee resignations and retirements. These amounts are reported as "Matured Compensated Absences Payable" in the fund from which the employee has accumulated leave is paid.

## Warrensville Heights City School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013*

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### ***Accrued Liabilities and Long-Term Obligations***

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

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

### ***Net Position***

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets 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 position is reported as restricted when there are limitations imposed by law on its use through constitutional provisions or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes included resources restricted for information technologies and extracurricular activities.

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

### ***Internal Activity***

Transfers between governmental activities are eliminated on the government wide financial statements. Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

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.

### ***Fund Balance***

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

***Nonspendable*** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

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

## Warrensville Heights City School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013*

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

**Assigned** Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. The amounts are assigned by the School District Board of Education. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education or by State statute. State statute authorizes the Treasurer to assign fund balance for purchases on order, provided such amounts have been lawfully appropriated.

**Unassigned** Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

### ***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 in the financial statements and accompanying notes. Actual results may differ from those estimates.

## **Note 3 – Changes in Accounting Principles and Restatement of Prior Year Net Position**

### ***Changes in Accounting Principles***

For fiscal year 2013, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 60, “Accounting and Financial Reporting for Service Concession Arrangements,” Statement No. 61, “The Financial Reporting Entity: Omnibus; an amendment of GASB Statements No. 14 and No. 34,” Statement No. 62, “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements,” Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,” Statement No. 65, “Items Previously Reported as Assets and Liabilities” and Statement No. 66, “Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62.”

GASB Statement No. 60 improves financial reporting by addressing issues related to service concession arrangements, which are a type of public-private or public-public partnership. These changes were incorporated in the School District’s fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

**Warrensville Heights City School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013*

GASB Statement No. 61 modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, the display of component units presentation and certain disclosure requirements. These changes were incorporated in the School District’s fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 62 incorporates into GASB’s authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989. The implementation of this statement did not result in any change in the School District’s financial statements.

GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related note disclosures. These changes were incorporated in the School District’s fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These changes were incorporated in the School District’s fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The implementation of this statement did not result in any change in the School District’s financial statements.

***Restatement of Prior Year Net Position***

Prior to the School District having an outside valuation company calculate its capital assets in fiscal year 2013, no capital asset listing was maintained; therefore, activity had to be estimated in prior years. This resulted in capital assets being overstated as of June 30, 2012. The restatement of the capital assets balance had the following effect on net position.

	Governmental Activities
	<hr/>
Net Position, June 30, 2012	\$19,031,573
Capital Assets	(5,313,411)
	<hr/>
Restated Net Position, June 30, 2012	<u>\$13,718,162</u>

**Note 4 – Budgetary Basis of Accounting**

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law 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) and Actual for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

**Warrensville Heights City School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013*

The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget basis) rather than as restricted, committed or assigned fund balance (GAAP).
4. Advances in and Advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP).
5. Budgetary revenues and expenditures of the uniform school supply, public school support, and disadvantaged pupil impact aid funds are reclassified to the general fund for GAAP reporting.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements on a fund type basis for the general fund.

<u>Net Change in Fund Balance</u>	
GAAP Basis	\$4,858,827
Net Adjustment for Revenue Accruals	(790,907)
Advance In	1,319,743
Net Adjustment for Expenditure Accruals	(532,489)
Advance Out	(1,236,321)
Perspective Differences:	
Uniform School Supply	(1,681)
Public School Support	(9,493)
Disadvantaged Pupil Impact Aid	(150)
Adjustment for Encumbrances	<u>(4,020,462)</u>
Budget Basis	<u><u>(\$412,933)</u></u>

**Note 5 – Accountability**

At June 30, 2013, the following funds had deficit fund balances:

	<u>Amount</u>
<b><i>Other Governmental Funds:</i></b>	
Public School Preschool	\$31,529
Education Jobs	252
Title VI-B	42,719
Title I	263,032
Class Size Reduction	33,119
Miscellaneous Federal Grants	4,029

## Warrensville Heights City School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013*

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The deficit balances resulted from adjustments for accrued liabilities. The general fund is liable for any deficits in these funds and provides transfers when cash is required, rather than when accruals occur.

### **Note 6 – Deposits and Investments**

The School District has chosen to follow State statutes and classify monies held by the School District into three categories.

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

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

Interim monies held by the School District can be deposited or 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 obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and,
8. Commercial paper and bankers' acceptances if training requirements have been met.

## Warrensville Heights City School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013*

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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. Investments may only be made through specified dealers and institutions.

### **Deposits**

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$1,496,993 of the School District's bank balance of \$1,746,993 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

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

### **Investments**

As of June 30, 2013, the School District had investments in a PNC Money Market account. The PNC Money Market account has a credit rating of AAAm with Standards and Poor's, a carrying and fair value of \$19,043,158 and a maturity of less than one year.

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

### **Note 7 – Receivables**

Receivables at June 30, 2013, consisted of taxes, accounts (extracurricular, charges for services and miscellaneous), and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables are expected to be collected within one year except for delinquent property taxes. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

**Warrensville Heights City School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013*

A summary of the intergovernmental receivables follows:

<u>Governmental Activities</u>	<u>Amounts</u>
Title I	\$392,942
Workers' Compensation Reimbursement	139,880
21st Century Grant	107,915
Title VI-B	86,599
Public Preschool	45,519
Reducing Class Size	45,493
21st Century Bus Transport Reimbursement	9,000
Preschool	8,892
High Schools That Work Grant	2,386
Federal Nutrition Subsidies	1,507
<i>Total Intergovernmental Receivables</i>	<u><u>\$840,133</u></u>

**Note 8 – Interfund Transactions**

***Balances***

<u>Interfund Payable</u>	<u>Interfund Receivable</u>
	<u>General</u>
<b><i>Other Governmental Funds:</i></b>	
Food Service	\$113,430
Public Preschool	45,519
Vocational Education Enhancement	2,386
Title VI-B	246,351
Title I	593,404
Preschool Grant	17,114
Class Size Reduction	93,912
Miscellaneous Federal Grants	124,205
Total	<u><u>\$1,236,321</u></u>

The interfund receivable and payables between general fund and the other governmental funds are due to the general fund covering deficit cash balances in these funds and moving unrestricted balances to support programs accounted for in other funds.

***Transfers***

During fiscal year 2013, the School District made a transfer from the general fund to the athletics and music fund in the amount of \$110,400. The transfer from the general fund is to move unrestricted balances to support programs and projects accounted for in this fund.

## Warrensville Heights City School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013*

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### **Note 9 – Property Taxes**

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenues received in calendar year 2013 represents collections of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed value listed as of January 1, 2012, the lien date. Assessed values for real property are established by State law at thirty-five percent of appraised market value. Real property are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2013 represents collections of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 become a lien December 31, 2011, were levied after April 1, 2012 and are collected in 2013 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Cuyahoga County. The County Fiscal Officer periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2013, are available to finance fiscal year 2013 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2013 and for which there is an enforceable legal claim, based on collectability. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes.

The amount available as an advance at June 30, 2013, was \$2,398,895 in the general fund, \$273,779 in the bond retirement debt service fund, and \$85,190 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2012, was \$1,804,065 in the general fund, \$248,151 in the bond retirement debt service fund, and \$66,281 in the permanent improvement capital projects fund. The difference is in the timing and collection by the County Fiscal Officer.

On an accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

## Warrensville Heights City School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013*

The assessed values upon which the fiscal year 2013 taxes were collected are:

	2012 Second Half Collections		2013 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$416,213,230	97.55 %	\$381,951,440	97.12 %
Public Utility	10,436,420	2.45	11,323,880	2.88
<b>Total Assessed Value</b>	<b>\$426,649,650</b>	<b>100.00 %</b>	<b>\$393,275,320</b>	<b>100.00 %</b>
Tax rate per \$1,000 of assessed valuation		\$89.00		\$89.10

Since bond levies are passed based on the dollar amount of the bond issue, the tax rate will increase or decrease based on increases or decreases in the debt payment for principal and interest. The County Fiscal Officer extrapolates the tax rate based on the debt payment information.

### Note 10 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	Restated Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$414,153	\$0	\$0	\$414,153
<i>Capital Assets, being depreciated:</i>				
Land Improvements	1,372,879	0	0	1,372,879
Buildings and Improvements	38,699,461	0	0	38,699,461
Furniture, Fixtures and Equipment	1,590,566	83,611	0	1,674,177
Vehicles	974,079	0	0	974,079
<i>Total Capital Assets, being depreciated</i>	42,636,985	83,611	0	42,720,596
<i>Less: Accumulated Depreciation</i>				
Land Improvements	(1,240,133)	(29,714)	0	(1,269,847)
Buildings and Improvements	(22,182,688)	(620,436)	0	(22,803,124)
Furniture, Fixtures and Equipment	(1,144,685)	(75,525)	0	(1,220,210)
Vehicles	(743,706)	(55,724)	0	(799,430)
<i>Total Accumulated Depreciation</i>	(25,311,212)	(781,399) *	0	(26,092,611)
<i>Total Capital Assets, being depreciated, Net</i>	17,325,773	(697,788)	0	16,627,985
<b>Governmental Activities Capital Assets, Net</b>	<b>\$17,739,926</b>	<b>(\$697,788)</b>	<b>\$0</b>	<b>\$17,042,138</b>

## Warrensville Heights City School District

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

\*Depreciation expense was charged to governmental activities as follows:

Regular Instruction	\$622,996
Support Services:	
Instructional Staff	40,902
Administration	2,832
Fiscal	1,220
Business	947
Operation and Maintenance of Plant	8,975
Pupil Transportation	50,672
Food Service Operations	14,687
Extracurricular Activities	38,168
<i>Total Depreciation Expense</i>	<u>\$781,399</u>

### Note 11 – Risk Management

#### Insurance

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School District contracted with Todd Associates Insurance for property insurance (which also includes inland marine, crime), general liability, umbrella and automobile coverage. The School District also contracted with Travelers Insurance for boiler/machinery.

<u>Company</u>	<u>Type of Coverage</u>	<u>Coverage</u>
Todd Associates Insurance	Property (\$10,000 Deductible)	\$81,049,962
	Inland Marine (\$250 Deductible)	3,221,645
	Crime (\$500 Deductible)	150,000
	General Liability:	
	In Aggregate	2,000,000
	Per Occurrence	1,000,000
	Automobile Liability - Single Limit	1,000,000
	Umbrella Coverage:	
	Each Occurrence Limit	10,000,000
	Aggregate Limit	10,000,000
Self-Insured Retention	10,000	
Travelers Insurance Company	Boiler/Machinery (\$1,000 Deductible)	50,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from the prior year.

#### Workers' Compensation

The School District pays the Workers' Compensation system a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

## Warrensville Heights City School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013*

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### **Note 12 – Defined Benefit Pension Plan**

#### ***School Employee Retirement System***

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board acting with the advices of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For the fiscal year ended June 30, 2013, the allocation to pension and death benefits is 13.1 percent. The remaining 0.9 percent of the 14 percent employer contributions rate is allocated to the Health Care and Medicare B funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2013, 2012, and 2011 were \$557,818, \$524,370 and \$487,184, respectively. For fiscal year 2013, 86.8 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

#### ***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 system. 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](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. 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 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 Ohio Revised Code Chapter 3307.

## Warrensville Heights City School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013*

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A DB or Combined Plan member with five or more years of 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 – Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. 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. The statutory maximum employee contribution rate will be increased one percent each year beginning July 1, 2013, until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2013, 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.

The School District's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$1,448,467 and \$41,658 for the fiscal year ended June 30, 2013, \$1,509,958 and \$39,882 for the fiscal year ended June 30, 2012, and \$1,608,584 and \$35,707 for the fiscal year ended June 30, 2011. For fiscal year 2013, 88.21 percent has been contributed for the DB plan, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

No contributions were made to STRS Ohio for the DC Plan for fiscal year 2013 by the School District or by the plan members. In addition, member contributions of \$29,756 were made for fiscal year 2013 for the defined contribution portion of the Combined Plan.

### ***Social Security System***

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2013, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages.

## **Note 13 – Post Employment Benefits**

### ***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, Medicare Advantage, 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 can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

## Warrensville Heights City School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013*

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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 105(e). For 2013, 0.16 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 2013, this amount was \$20,525. During fiscal year 2013, the School District paid \$58,735 in surcharge.

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, 2013, 2012, and 2011 were \$6,813, \$22,709, and \$58,990, respectively. For fiscal year 2013, 86.8 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2013, this actuarially required allocation was 0.74 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011, were \$31,510, \$30,967, and \$31,351, respectively. For fiscal year 2013, 86.8 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

### ***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. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$114,002, \$117,486, and \$123,737 respectively. For 2013, 88.21 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

## Warrensville Heights City School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013*

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### **Note 14 – Other Employee Benefits**

#### ***Compensated Absences***

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn five to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated with no maximum. Upon retirement, payment is made for one-fourth of the total sick leave accumulation, up to a maximum accumulation of 250 days for certified staff and a maximum accumulation of 205 days for classified employees.

#### ***Insurance***

The School District provides life insurance and accidental death and dismemberment insurance to most employees through various life insurance companies. The School District has elected to provide employee medical and prescription benefits through Medical Mutual of Ohio and Kaiser Permanente. The employees share the cost of the monthly premium with the Board. The premium varies with the employee depending on the terms of the union contract. Dental and vision insurance is provided by the School District to all employees through Medical Mutual of Ohio.

### **Note 15 – Jointly Governed Organizations**

#### ***Lake Geauga Computer Association***

The Lake Geauga Computer Association (LGCA) is a jointly governed organization that was formed for the purpose of providing computer services for accounting, grading, scheduling, EMIS and other applications among its nineteen member school districts. Each of the school districts supports LGCA based on a per pupil charge. LGCA's Board exercises total control over the operations of the organization including budgeting, appropriating, contracting and designating management. The executive committee (governing board) consists of the superintendents and treasurers of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the governing board. LGCA's continued existence is not dependent on the School District's continued participation. LGCA is not accumulating significant financial resources or experiencing fiscal stress which would cause additional financial benefit or burden on the School District. In fiscal year 2013, the School District paid \$92,036 to LGCA. Financial information can be obtained from Loretta Peterson, the Treasurer of the Lake Geauga Computer Association, 8140 Auburn Road, Painesville, Ohio 44077.

#### ***Ohio Schools' Council***

The Ohio Schools Council (Council) is a jointly governed organization among 161 school districts. The jointly governed organization was created by school districts for the purpose of saving money through volume purchases. Each district supports the Council by paying an annual participation fee. Each school district member's superintendent serves as a representative of the Assembly. The Council's Board exercises total control over the operations of the organization including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the Board. The Assembly elects five of the Council's Board members and the remaining four are representatives of the Greater Cleveland School Superintendents' Association. The Council operates under a nine-member Board

## Warrensville Heights City School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013*

of Directors (the Board). The Board is the policy making authority of the Council. The Board meets monthly September to June. The Board appoints an Executive Director who is responsible for receiving and disbursing funds, investing available funds, preparing financial reports for the Board and Assembly and carrying out such other responsibilities as designated by the Board. In fiscal year 2013, the School District paid \$400 to the Council. Financial information can be obtained by contacting Dr. William Zelei, the Executive Director of the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

The School District participates in the natural gas purchase program. This program allows the School District to purchase natural gas at reduced rates. Compass Energy was selected as the new supplier and program manager for the period from October 1, 2010 through March 31, 2013. There are currently 143 participants in the program including the Warrensville Heights City School District. The participants make monthly payments based on estimated usage. Each September, these estimated payments are compared to their actual usage for the year (July to June). Districts that paid more in estimated billings than their actual billings are issued credits on future billings beginning in September until the credits are exhausted and districts that did not pay enough on estimated billings are invoiced for the difference on the September monthly estimated billing.

### **Note 16 – Set-Aside Calculation**

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

The following cash basis information describes the change in the fiscal year end set-aside amounts for capital acquisitions. Disclosure of this information is required by State statute.

	<u>Capital Improvements</u>
Set-aside Balance as of June 30, 2012	\$0
Add: Current Year Set-aside Requirement	285,610
Permanent Improvement Levy Offset During the Fiscal Year	(597,834)
Qualifying Disbursements	<u>(579,997)</u>
Total	<u>(\$892,221)</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$0</u>
Set-aside Balance as of June 30, 2013	<u>\$0</u>

Although the School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement for future years. This negative balance is therefore not presented as being carried forward to future years.

## Warrensville Heights City School District

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

### Note 17 – Long-Term Obligations

The changes in the School District’s long-term obligations during fiscal year 2013 were as follows:

	Balance 6/30/2012	Additions	Deletions	Balance 6/30/2013	Amount Due in One Year
<b>Governmental Activities</b>					
2000 School Improvements Bonds, 4.44%	\$3,225,023	\$0	(\$1,000,000)	\$2,225,023	\$1,075,000
2007 School Improvement Refunding Bonds:					
Serial Bonds 4 % - 4.25%	14,495,000	0	(225,000)	14,270,000	235,000
Capital Appreciation Bonds, 28.97%	254,977	0	0	254,977	0
Accretion on Capital Appreciation Bonds	651,985	281,727	0	933,712	0
Premium on Bonds	1,027,419	0	(82,193)	945,226	0
<i>Total General Obligation Bonds</i>	19,654,404	281,727	(1,307,193)	18,628,938	1,310,000
Compensated Absences	2,748,836	0	(1,334,206)	1,414,630	204,919
<i>Total Governmental Activities</i>	<u>\$22,403,240</u>	<u>\$281,727</u>	<u>(\$2,641,399)</u>	<u>\$20,043,568</u>	<u>\$1,514,919</u>

On June 2, 2000, the School District issued \$26,100,000 in general obligation bonds for the purpose of school improvement under the authority of Ohio Revised Code, section 133.34(D). The bonds will mature during fiscal year 2015 and bear an interest rate of 4.44 percent per year. The bonds will be retired from the debt service fund.

On April 27, 2007, the School District issued \$15,999,977 in school improvement refunding bonds which included serial and capital appreciation bonds in the amount of \$15,745,000 and \$254,977, respectively. The bonds were issued for the purpose of refunding a portion of the 2000 school improvement bonds to take advantage of lower interest rates. The bonds were issued for an eighteen year period with final maturity at December 1, 2024. The bonds will be retired from the debt service fund.

The serial and capital appreciation bonds remained outstanding at June 30, 2013. The capital appreciation bonds will mature in fiscal years 2016 and 2017. The maturity amount of the bonds is \$2,965,000. For fiscal year 2013, \$281,727 was accreted for a total bond value of \$1,188,689.

Compensated absences will be paid from the general fund and the food service, public preschool, Title VI-B, Title I, and class size reduction special revenue funds.

The overall debt margin of the School District as of June 30, 2013, was \$21,892,094 with an unvoted debt margin of \$393,275 at June 30, 2013. Principal and interest requirements for school improvement bonds outstanding at June 30, 2013, are as follows:

Fiscal Year	General Obligation Bonds			
	Serial		Capital Appreciation	
	Principal	Interest	Principal	Interest
2014	\$1,310,000	\$710,535	\$0	\$0
2015	1,395,023	623,037	0	0
2016	0	577,911	144,419	1,335,581
2017	0	577,910	110,558	1,374,442
2018	1,485,000	548,210	0	0
2019-2023	8,415,000	1,754,060	0	0
2024-2025	3,890,000	166,813	0	0
Total	<u>\$16,495,023</u>	<u>\$4,958,476</u>	<u>\$254,977</u>	<u>\$2,710,023</u>

**Warrensville Heights City School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013*

In fiscal year 2007, the School District defeased \$15,999,977 of a 2000 school improvement bond issue, in order to take advantage of lower interest rates. The proceeds of the new bonds were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the School District's financial statements. On June 30, 2013, \$15,999,977 of the defeased bonds is still outstanding.

**Note 18 – Fund Balances**

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

Fund Balances	General	Bond Retirement	Other Governmental Funds	Total
<b><i>Restricted for:</i></b>				
Special Education	\$1,140	\$0	\$640	\$1,780
Continuous Improvement Programs	7,589	0	0	7,589
Poverty Aid Assistance	1,663	0	0	1,663
Professional Development	2,970	0	0	2,970
Improving Reading Proficiency	103	0	0	103
Food Service Operations	0	0	246,518	246,518
Special Trusts	0	0	5,705	5,705
Recreation Programs	0	0	356,042	356,042
Athletics and Music	0	0	115,799	115,799
Data and Information Systems	0	0	47,092	47,092
Vocational Education Enhancement	0	0	1,045	1,045
Drug Abuse Education	0	0	9,785	9,785
Preschool	0	0	1,091	1,091
Debt Service Payments	0	3,247,315	0	3,247,315
Capital Improvements	0	0	1,232,024	1,232,024
Other Purposes	0	0	10,218	10,218
<b><i>Total Restricted</i></b>	<b>13,465</b>	<b>3,247,315</b>	<b>2,025,959</b>	<b>5,286,739</b>
<b><i>Assigned to:</i></b>				
2014 Appropriations	10,463,845	0	0	10,463,845
Purchases on Order	3,923,789	0	0	3,923,789
Other Purposes	41,241	0	0	41,241
<b><i>Total Assigned</i></b>	<b>14,428,875</b>	<b>0</b>	<b>0</b>	<b>14,428,875</b>
<b><i>Unassigned (Deficit)</i></b>	<b>1,000,506</b>	<b>0</b>	<b>(374,680)</b>	<b>625,826</b>
<b><i>Total Fund Balances</i></b>	<b>\$15,442,846</b>	<b>\$3,247,315</b>	<b>\$1,651,279</b>	<b>\$20,341,440</b>

**Warrensville Heights City School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013*

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**Note 19 – Contingencies**

***Grants***

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2013, if applicable, cannot be determined at this time.

***Litigation***

The Warrensville Heights City School District is currently a party to legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending projects. The School District management is of the opinion that ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the School District.

**Note 20 – Encumbrances**

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At fiscal year end the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

General Fund	\$4,020,462
Other Governmental Funds	<u>769,320</u>
Total	<u><u>\$4,789,782</u></u>

WARRENSVILLE HEIGHTS CITY SCHOOL DISTRICT  
 CUYAHOGA COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
 FOR THE YEAR ENDED JUNE 30, 2013

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Grant Year	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster:						
School Breakfast Program	10.553	2013	#####		#####	
National School Lunch Program	10.555	2013	491,185	\$46,928	491,185	46,928
Total Child Nutrition Cluster			680,128	46,928	680,128	46,928
<b>Total U.S. Department of Agriculture</b>			<b>680,128</b>	<b>46,928</b>	<b>680,128</b>	<b>46,928</b>
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States	84.027	2012	142,268		90,717	
		2013	347,495		367,888	
Special Education Preschool Grants	84.173	2012			1,299	
		2013			6,064	
Total Special Education Cluster			489,763		465,968	
Title I, Part A Cluster						
Title I - Grants to Local Educational Agencies	84.010	2012	416,873		295,303	
		2013	812,813		1,013,211	
ARRA - Title 1 Grants to Local Educational Agencies, Recovery Act	84.389	2012	694		694	
Total Title I - Grants to Local Educational Agencies			1,230,380		1,309,208	
Education Jobs	84.410	2012	97,024		69,462	
21st Century Community Learning Centers	84.287	2012	97,892		70,526	
		2013	92,085		121,999	
Title II-A Grant - Improving Teacher Quality	84.367	2012	32,436		25,018	
		2013	108,254		143,352	
Education Technology						
ARRA Title II D- Education Technology State Grants	84.318	2012	7,459			
<b>Total Pass Through Ohio Department of Education</b>			<b>2,155,293</b>		<b>2,205,533</b>	
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>						
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
Medical Assistance Program	93.778	2013	60,499			
<i>Total U.S. Department of Health and Human Services</i>			60,499			
<b>Total Federal Financial Assistance</b>			<b>\$2,895,920</b>	<b>\$46,928</b>	<b>\$2,885,661</b>	<b>\$46,928</b>

**WARRENSVILLE HEIGHTS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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



# Dave Yost • Auditor of State

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

Warrensville Heights City School District  
Cuyahoga County  
4500 Warrensville Center Road  
Warrensville Heights, Ohio 44128

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Warrensville Heights City School District, Cuyahoga County, (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 8, 2014.

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

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

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

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

### ***Compliance and Other Matters***

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

***Purpose of this Report***

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

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

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

May 8, 2014



# Dave Yost • Auditor of State

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

Warrensville Heights City School District  
Cuyahoga County  
4500 Warrensville Center Road  
Warrensville Heights, Ohio 44128

To the Board of Education:

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

We have audited the Warrensville Heights City School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Warrensville Heights City School District's major federal programs for the year ended June 30, 2013. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

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

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

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

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

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

### ***Basis for Qualified Opinion on Title I, Part A Cluster***

As described in finding 2013-002 in the accompanying schedule of findings, the District did not comply with requirements regarding Reporting applicable to its Title I, Part A Cluster major federal program. Compliance with this requirement is necessary, in our opinion, for the District to comply with requirements applicable to this program.

***Qualified Opinion on Title I, Part A Cluster***

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Title I, Part A Cluster* paragraph, the Warrensville Heights City School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its *Title I, Part A Cluster* for the year ended June 30, 2013.

***Unmodified Opinion on the Other Major Federal Program***

In our opinion, Warrensville Heights City School District complied in all material respects with the requirements referred to above that could directly and materially affect its other major federal program identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings for the year ended June 30, 2013.

***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance which OMB Circular A-133 requires us to report, described in the accompanying schedule of findings as item 2013-001. This finding did not require us to modify our compliance opinion on each major federal program.

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

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2013-002 to be a material weakness.

Warrensville Heights City School District  
Cuyahoga County  
Independent Auditor's Report on Compliance  
With Requirements Applicable to Each Major  
Federal Program and on Internal Control Over Compliance  
Required by OMB Circular A-133  
Page 3

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D" and a long, sweeping tail on the "y".

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

May 8, 2014

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**WARRENSVILLE HEIGHTS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2013**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Title I, Part A Cluster- Qualified Child Nutrition Cluster- Unmodified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	Yes
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Child Nutrition Cluster: CFDA #10.553 School Breakfast Program (SBP) CFDA #10.555- National School Lunch Program (NSLP)  Title I, Part A Cluster- CFDA #84.010- Title I Grant to Local Educational Agencies CFDA #84.389- ARRA Title I Grant to Local Educational Agencies
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

**WARRENSVILLE HEIGHTS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2013**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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None

<b>3. FINDINGS FOR FEDERAL AWARDS</b>
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**1. Single Audit Requirements**

<b>Finding Number</b>	2013-001
<b>CFDA Title and Number</b>	Title I, Part A Cluster: CFDA# 84.010 Title I Grants to Local Educational Agencies CFDA# 84.389 ARRA Title I Grants to Local Educational Agencies Child Nutrition Cluster: CFDA# 10.553 School Breakfast Program (SBP) CFDA# 10.555- National School Lunch Program (NSLP) Special Education Cluster: CFDA# 84.027 Special Education Grants to States CFDA# 84.173 Preschool Grants CFDA# 84.410 Education Jobs CFDA# 84.287 21 <sup>st</sup> Century Community Learning Centers CFDA# 84.367 Title II-A Improving Teacher Quality CFDA# 84.318 ARRA Title II-D Education Technology
<b>Federal Award Number / Year</b>	2013
<b>Federal Agency</b>	U.S. Department of Education U.S. Department of Agriculture
<b>Pass-Through Agency</b>	Ohio Department of Education

Noncompliance

OMB Circular A-133, Subpart B, Section .200 (b) requires Non-Federal entities that expend \$500,000 or more in a year to have a single or program specific audit conducted for that year.

OMB Circular A-133, Subpart C, Section .320 (a) indicates the audit shall be completed and the data collection form described in paragraph (b) of this section and reporting package described in paragraph (c) of this section shall be submitted within the earlier of 30 days after receipt of the auditor's report(s), or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit.

The District required a Single Audit in accordance with OMB Circular A-133 for the fiscal years ended June 30, 2012 and June 30, 2013. However, their fiscal year 2012 filing was completed more than nine months after the end of the audit period and the date of this report is also more than nine months after the end of the fiscal year 2013 audit period. Furthermore, no extension was received in advance from the District's oversight agency. By not complying with all grant requirements, the District can potentially affect its future ability to obtain federal funding.

**WARRENSVILLE HEIGHTS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2013**

<b>3. FINDINGS FOR FEDERAL AWARDS</b>
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(continued)

The District should work to ensure their audits are completed in a timely manner to comply with OMB Circular A-133 filing requirements.

**2. Title I, Part A Cluster- Reporting- Graduation Rate Data**

<b>Finding Number</b>	2013-002
<b>CFDA Title and Number</b>	Title I, Part A Cluster: CFDA# 84.010 Title I Grants to Local Educational Agencies CFDA# 84.389 ARRA Title I Grants to Local Educational Agencies
<b>Federal Award Number / Year</b>	2013
<b>Federal Agency</b>	U.S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

Noncompliance and Material Weaknesses

Title 1, Sections 1111(b)(2) and (h) of the ESEA (20 USC 6311(b)(2)); and 34 CFR Section 200.19 (b) state in part that, graduation rate data must be reported both in the aggregate and disaggregate by each subgroup described in section 34 CFR section 200.13(b)(7)(ii) using a 4-year adjusted cohort graduation rate. To remove a student from the cohort, a school or local education agency (LEA) must confirm in writing that the student transferred out, immigrated to another country, or is deceased. To confirm that a student transferred out, the school or LEA must have official written documentation that the student enrolled in another school or in an educational program that culminates in the award of a regular high school diploma. A student who is retained in grade, enrolls in a General Education Development (GED) program, or leaves school for any other reason may not be counted as having transferred out for purpose of calculating graduation rate and must remain in the adjusted cohort.

The District did not maintain the proper supporting documentation in the student files for seven out of 25 students selected. Of the seven errors, four of the students did not have supporting documentation in their file supporting that they had transferred to another District (i.e. Withdraw, court order, medical documents or other legal documentation supporting the withdrawal of the student). Two of the files could not be found and the remaining student, was a student within the District, and was improperly listed as transferred out. Reporting inaccurate graduation rate data could potentially lead to the loss of Title I funds.

We recommend that the Title I Grant Coordinator obtain and maintain all documentation supporting that a student is no longer apart of the District before they are removed from the graduation data calculation.

**Officials' Response:** Officials did not provide a response and informed us they will submit a Corrective Action Plan regarding the Federal Findings directly to the Federal Clearinghouse.

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**WARRENSVILLE HEIGHTS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A -133 § .315 (c)  
JUNE 30, 2013**

Officials informed us they will submit a Corrective Action Plan regarding the Federal Findings directly to the Federal Clearinghouse.

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# Dave Yost • Auditor of State

## Independent Accountants' Report on Applying Agreed-Upon Procedure

Warrensville Heights City School District  
Cuyahoga County  
4500 Warrensville Center Road  
Warrensville Heights, Ohio 44128

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether the Warrensville Heights City School District (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

We noted the Board amended its anti-harassment policy at its meeting on January 27, 2011 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Education and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State

May 8, 2014

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# Dave Yost • Auditor of State

**WARRENSVILLE HEIGHTS CITY SCHOOL DISTRICT**

**CUYAHOGA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 27, 2014**