



Dave Yost • Auditor of State

**WARRENSVILLE HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

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, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2012, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* as 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 have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally

accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards receipts and expenditures schedule provide additional information and is not a required part of the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information 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 information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Dave Yost
Auditor of State

March 29, 2012

Warrensville Heights City School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2008

Unaudited

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, 2008. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the 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 2008 are as follows:

- In total, net assets increased \$1,071,061 in fiscal year 2008 which represents a 10.04 percent increase over fiscal year 2007.
- General revenues accounted for \$36,818,517 or 91.03 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$3,629,214 or 8.97 percent of total revenues of \$40,447,731.
- Total assets of governmental activities decreased by \$616,055 as both taxes and intergovernmental receivables decreased. Although cash and cash equivalents increased by \$1,092,378, other current assets decreased by \$1,476,791 and capital assets decreased by \$231,642.
- The School District had \$39,376,670 in expenses; only \$3,629,214 of these expenses were offset by program specific charges for services, operating and capital grants and contributions. General revenues (primarily taxes supplemented by grants and entitlements) of \$36,818,517 were available to provide for these programs.
- The general fund had \$33,271,934 in revenues and \$32,174,817 in expenditures. The general fund's ending balance increased \$15,980 over fiscal year 2007.

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 Assets* 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 by far the most significant fund, although the bond retirement debt service fund is also considered to be a major fund.

Warrensville Heights City School District

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

Reporting the School District as a Whole

Statement of Net Assets 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 2008?" The *Statement of Net Assets* 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.

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the 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 Assets* 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 8. 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 Assets* 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, 2008

Unaudited

The School District as a Whole

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

Table 1
Net Assets

	Governmental Activities		Change
	2008	2007	
Assets			
Current and Other Assets	\$33,647,376	\$34,031,789	(\$384,413)
Capital Assets, Net	27,441,749	27,673,391	(231,642)
<i>Total Assets</i>	<u>61,089,125</u>	<u>61,705,180</u>	<u>(616,055)</u>
Liabilities			
Current Liabilities	22,540,782	23,322,534	(781,752)
Long-Term Liabilities:			
Due Within One Year	2,198,343	1,612,185	586,158
Due in More than One Year	24,608,887	26,100,409	(1,491,522)
<i>Total Liabilities</i>	<u>49,348,012</u>	<u>51,035,128</u>	<u>(1,687,116)</u>
Net Assets			
Invested in Capital Assets	5,089,934	3,886,365	1,203,569
Restricted For:			
Capital Projects	460,910	869,859	(408,949)
Debt Service	2,765,726	2,295,599	470,127
Set Asides	262,025	141,140	120,885
Other Purposes	644,423	593,499	50,924
Unrestricted	2,518,095	2,883,590	(365,495)
<i>Total Net Assets</i>	<u>\$11,741,113</u>	<u>\$10,670,052</u>	<u>\$1,071,061</u>

As shown above, total governmental assets decreased \$616,055. The primary reason for this decrease was a lower amount of taxes receivable in fiscal year 2008 as compared to fiscal year 2007. This was due to lower estimated taxes by the County Auditor of \$1,396,482 which was due to the collected amount available for advance in fiscal year 2008. A decrease in capital assets of \$231,642 was due to depreciation.

Total liabilities decreased in total by \$1,412,116. This decrease resulted from reduced deferred revenue driven by lower estimated taxes.

Table 2 shows the change in net assets for fiscal year 2008 for Governmental Activities compared to the prior year.

Warrensville Heights City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Table 2
Governmental Activities

	2008	2007	Change
<i>Program Revenues</i>			
Charges for Services	\$307,897	\$462,648	(\$154,751)
Operating Grants and Contributions	3,267,095	3,833,285	(566,190)
Capital Grants	54,222	6,497	47,725
Total Program Revenues	3,629,214	4,302,430	(673,216)
<i>General Revenues</i>			
Property Taxes	23,426,872	23,977,584	(550,712)
Grants and Entitlements	12,929,003	12,735,281	193,722
Investment Earnings	331,395	362,480	(31,085)
Miscellaneous	131,247	91,598	39,649
Total General Revenues	36,818,517	37,166,943	(348,426)
Total Revenues	40,447,731	41,469,373	(1,021,642)
<i>Program Expenses</i>			
Instruction	20,890,669	20,352,674	537,995
Support Services			
Pupil	1,331,276	1,321,329	9,947
Instructional Staff	1,695,997	1,550,134	145,863
Board of Education	92,409	84,781	7,628
Administration	4,590,045	3,380,704	1,209,341
Fiscal	1,024,830	892,527	132,303
Business	1,168,007	943,207	224,800
Operation and Maintenance of Plant	4,103,368	4,505,845	(402,477)
Pupil Transportation	1,254,800	1,899,206	(644,406)
Central	424,420	361,529	62,891
Operation of Non-Instructional Services:			
Food Services	957,921	1,138,555	(180,634)
Other Non-Instructional Services	341,447	401,572	(60,125)
Extracurricular Activities	427,799	410,679	17,120
Interest and Fiscal Charges	1,073,682	1,063,736	9,946
Total Program Expenses	39,376,670	38,306,478	1,070,192
Increase in Net Assets	1,071,061	3,162,895	(2,091,834)
<i>Net Assets Beginning of Year</i>	10,670,052	7,507,157	3,162,895
<i>Net Assets End of Year</i>	\$11,741,113	\$10,670,052	\$1,071,061

Governmental Activities

Several revenue sources primarily fund the School District's governmental activities. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval to finance the school District operations. Property taxes made up 57.92 percent of revenues for governmental activities for the Warrensville Heights City School District for fiscal year 2008.

Warrensville Heights City School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2008

Unaudited

Residential real estate taxes are currently levied at 89.6 mills (the voted rate). In 1995, voters approved a 9.5 mill continuing operating levy and another one in 2004, and in 2000 the School District voters renewed an emergency levy for operating purposes at 5.9 mills and again in 2004 to generate \$1,850,000. All tax levies combined have devalued to collect at the effective rate of 44.71 mills for agricultural/residential real estate and 64.945 mills for industrial real estate. This is attributed to the rollback factors under House Bill 920, which literally eliminates inflation from real property valuations. The School District monitors these revenue sources closely for fluctuations that would impact upon its activities.

Instruction expenses comprise 53.05 percent of governmental program expenses. Building operations, administration, pupil support, staff support, food service, extracurricular activities and interest and fiscal charges make up the remaining 46.95 percent of 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 increased \$537,995 over fiscal year 2007 mainly due to increases in salaries and related benefits as well as increases in instructional materials purchased.

Administration costs increased \$1,209,341 due to staff and administrators receiving a three percent increase in fiscal year 2008 and the School District hiring several new administrators.

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
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2008	2007	2008	2007
Instruction	\$20,890,669	\$20,352,674	(\$19,292,265)	(\$17,660,888)
Support Services:				
Pupil	1,331,276	1,321,329	(1,263,640)	(1,261,268)
Instructional Staff	1,695,997	1,550,134	(1,428,336)	(1,140,016)
Board of Education	92,409	84,781	(92,409)	(84,781)
Administration	4,590,045	3,380,704	(4,524,299)	(3,309,732)
Fiscal	1,024,830	892,527	(897,106)	(892,527)
Business	1,168,007	943,207	(1,168,007)	(943,207)
Operation and Maintenance of Plant	4,103,368	4,505,845	(3,717,758)	(4,476,266)
Pupil Transportation	1,254,800	1,899,206	(1,243,880)	(1,892,709)
Central	424,420	361,529	(371,911)	(267,976)
Operation of Non-Instructional Services:				
Food Service	957,921	1,138,555	(75,481)	(336,663)
Other Non-Instructional Services	341,447	401,572	(305,438)	(376,557)
Extracurricular Activities	427,799	410,679	(311,244)	(297,722)
Interest and Fiscal Charges	1,073,682	1,063,736	(1,073,682)	(1,063,736)
Total Expenses	<u>\$39,376,670</u>	<u>\$38,306,478</u>	<u>(\$35,747,456)</u>	<u>(\$34,004,048)</u>

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 to pupils.

Warrensville Heights City School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2008

Unaudited

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.

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.

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.

Operation of non-instructional services 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. Program revenues support 17.37 percent of instructional activities. The remaining 82.63 percent of instructional activities is supported through taxes and other general revenues. All other activities are supported through taxes and general revenues. The community, as a whole, is the primary support for the Warrensville Heights City School District.

The School District's Funds

Information regarding the School District's major funds starts on page 14. These funds are accounted for using the modified accrual basis of accounting. For fiscal year 2008, the School District had two major funds, the general fund and the bond retirement debt service fund. The general fund had total revenues of \$33,271,934 and expenditures of \$32,174,817. The net change in fund balance for the year in the general fund was an increase of \$15,980, primarily due to increases in intergovernmental revenues. The bond retirement fund had total revenues of \$2,392,466 and expenditures of \$2,244,695. The net change in fund balance for the year in the bond retirement fund was an increase of \$147,771.

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.

Warrensville Heights City School District

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

During the course of fiscal year 2008, the School District amended its general fund budget three times by the end of the fiscal year. For the general fund, the final budget basis revenue estimate was \$33,671,523 representing a \$3,764,563 increase from the original budget estimates of \$29,906,960, due to increases in taxes and intergovernmental monies. The actual revenue was \$33,674,888 which was a \$3,365 increase over the final budget basis revenue.

The original budgeted expenditures totaled \$32,309,011 and the final was \$34,005,023. Actual expenditures of \$33,861,799 were \$143,224 less than the final budgeted expenditures. The School District's unencumbered cash balance totaled \$2,501,309 which is higher than that in the final budget by \$190,483.

Capital Assets

At the end of fiscal year 2008, the School District had \$27,411,749 invested in land, buildings, furniture, fixtures and equipment, and vehicles. Table 4 details fiscal year 2008 balances compared to the prior fiscal year.

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

	Governmental Activities	
	2008	2007
Land	\$414,153	\$414,153
Buildings	25,180,331	25,583,710
Furniture, Fixtures and Equipment	1,480,999	1,444,576
Vehicles	336,266	230,952
Totals	<u>\$27,411,749</u>	<u>\$27,673,391</u>

Overall capital assets decreased \$231,642 from fiscal year 2007 to fiscal year 2008. Additions to capital assets (primarily furniture, fixtures and equipment) were offset by depreciation expense for the year. For more information on capital assets, see Note 10 of the basic financial statements.

Debt

At June 30, 2008, the School District had \$22,944,297 in general obligation bonds, notes and capital leases with \$992,766 due within one year. Table 5 summarizes the School District's outstanding debt.

Warrensville Heights City School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2008

Unaudited

Table 5
Outstanding Debt at Fiscal Year End

	2008	2007
School Improvement Bonds Series 2000	\$6,725,023	\$7,400,023
School Improvement Refunding Bonds Series 2007	15,617,378	16,001,175
Unamortized Premium	1,356,191	1,438,384
Unamortized Accounting Loss	(1,091,109)	(1,157,237)
Notes Payable	275,000	275,000
Capital Leases	61,814	112,026
Totals	<u>\$22,944,297</u>	<u>\$24,069,371</u>

At June 30, 2008, the School District's overall legal debt margin was \$11,664,331 and the unvoted debt margin was \$355,497. A more detailed presentation is included in Notes 15 and 16 of the notes to the basic financial statements.

Current Financial Related Activities

The Warrensville Heights City School District is financially vulnerable. 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 at the end of calendar year 2004 continue to support the majority of the 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 continuing national trend of rapidly escalating employee health care benefit costs, and 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.

Contacting the School District's Financial Management

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.

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 Don Gambel, Treasurer, at the Warrensville Heights City School District, 4500 Warrensville Center Road, Warrensville, Ohio 44128, or DonGambel@whesd.org.

Basic Financial Statements

Warrensville Heights City School District

Statement of Net Assets

June 30, 2008

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$5,757,538
Accounts Receivable	353
Intergovernmental Receivable	109,913
Prepaid Items	311
Materials and Supplies Inventory	456
Inventory Held for Resale	9,484
Taxes Receivable	27,504,240
Deferred Charges	265,081
Nondepreciable Capital Assets	414,153
Depreciable Capital Assets, Net	<u>27,027,596</u>
<i>Total Assets</i>	<u>61,089,125</u>
Liabilities	
Accounts Payable	176,050
Accrued Wages and Benefits	2,769,267
Intergovernmental Payable	1,741,446
Accrued Interest Payable	89,103
Matured Compensated Absences Payable	382,947
Deferred Revenue	17,106,969
Notes Payable	275,000
Long-Term Liabilities:	
Due Within One Year	2,198,343
Due In More Than One Year	<u>24,608,887</u>
<i>Total Liabilities</i>	<u>49,348,012</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	5,089,934
Restricted for:	
Capital Projects	460,910
Debt Service	2,765,726
Set Asides	262,025
Public School Support	35,916
Poverty Aid	410,970
School Improvement	5,577
Miscellaneous Federal Grants	23,472
Other Purposes	168,488
Unrestricted	<u>2,518,095</u>
<i>Total Net Assets</i>	<u><u>\$11,741,113</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, 2008

	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions		
Governmental Activities					
Instruction:					
Regular	\$16,873,117	\$17,542	\$1,136,312	\$2,076	(\$15,717,187)
Special	3,777,742	6,277	439,663	0	(3,331,802)
Vocational	239,810	4,480	0	0	(235,330)
Support Services:					
Pupil	1,331,276	0	63,156	0	(1,268,120)
Instructional Staff	1,695,997	0	267,661	0	(1,428,336)
Board of Education	92,409	0	0	0	(92,409)
Administration	4,590,045	0	43,920	18,360	(4,527,765)
Fiscal	1,024,830	0	141,085	4,399	(879,346)
Business	1,168,007	0	0	0	(1,168,007)
Operation and Maintenance of Plant	4,103,368	0	357,983	20,755	(3,724,630)
Pupil Transportation	1,254,800	0	6,995	3,925	(1,243,880)
Central	424,420	0	47,802	4,707	(371,911)
Operation of Non-Instructional Services:					
Food Service Operations	957,921	141,632	740,808	0	(75,481)
Other Non-Instructional Services	341,447	21,411	21,710	0	(298,326)
Extracurricular Activities	427,799	116,555	0	0	(311,244)
Interest and Fiscal Charges	1,073,682	0	0	0	(1,073,682)
<i>Total Governmental Activities</i>	<u>\$39,376,670</u>	<u>\$307,897</u>	<u>\$3,267,095</u>	<u>\$54,222</u>	<u>(35,747,456)</u>
General Revenues					
Property Taxes Levied for:					
General Purposes					20,190,323
Debt Service					2,494,517
Capital Projects					587,523
Recreation					154,509
Grants and Entitlements not Restricted to Specific Programs					12,929,003
Investment Earnings					331,395
Miscellaneous					131,247
<i>Total General Revenues</i>					<u>36,818,517</u>
Change in Net Assets					1,071,061
<i>Net Assets Beginning of Year</i>					<u>10,670,052</u>
<i>Net Assets End of Year</i>					<u>\$11,741,113</u>

See accompanying notes to the basic financial statements

Warrensville Heights City School District

Balance Sheet

Governmental Funds

June 30, 2008

	<u>General</u>	<u>Bond Retirement Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$2,859,226	\$1,511,002	\$1,125,285	\$5,495,513
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	262,025	0	0	262,025
Receivables:				
Accounts Receivable	108	0	245	353
Intergovernmental Receivable	0	0	109,913	109,913
Prepaid items	311	0	0	311
Materials and Supplies Inventory	0	0	456	456
Inventory Held for Resale	0	0	9,484	9,484
Interfund Receivable	1,031,290	0	0	1,031,290
Taxes Receivable	23,503,997	3,075,799	924,444	27,504,240
<i>Total Assets</i>	<u>\$27,656,957</u>	<u>\$4,586,801</u>	<u>\$2,169,827</u>	<u>\$34,413,585</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$44,137	\$0	\$131,913	\$176,050
Accrued Wages and Benefits	2,502,478	0	266,789	2,769,267
Intergovernmental Payable	1,490,529	0	250,917	1,741,446
Matured Compensated Absences Payable	382,882	0	65	382,947
Interfund Payable	0	0	1,031,290	1,031,290
Deferred Revenue	20,443,317	2,627,231	903,008	23,973,556
Notes Payable	275,000	0	0	275,000
<i>Total Liabilities</i>	<u>25,138,343</u>	<u>2,627,231</u>	<u>2,583,982</u>	<u>30,349,556</u>
Fund Balances				
Reserved for Encumbrances	1,547,696	0	356,799	1,904,495
Reserved for Property Taxes	2,631,434	414,207	118,662	3,164,303
Reserved for Textbooks	262,025	0	0	262,025
Unreserved, Undesignated (Deficit)				
Reported in:				
General Fund	(1,922,541)	0	0	(1,922,541)
Special Revenue Funds	0	0	(948,707)	(948,707)
Debt Service Fund	0	1,545,363	0	1,545,363
Capital Projects Funds	0	0	59,091	59,091
<i>Total Fund Balances (Deficit)</i>	<u>2,518,614</u>	<u>1,959,570</u>	<u>(414,155)</u>	<u>4,064,029</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$27,656,957</u>	<u>\$4,586,801</u>	<u>\$2,169,827</u>	<u>\$34,413,585</u>

See accompanying notes to the basic financial statements

Warrensville Heights City School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities*
 June 30, 2008

Total Governmental Fund Balances	\$4,064,029
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*Amounts reported for governmental activities in the
 statement of net assets are different because*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	27,441,749
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Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:

Delinquent Property Taxes	6,756,674
Grants	109,913
	6,866,587

Total	6,866,587
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In the statement of activities, bond issuance costs are amortized over the term of bonds, whereas in governmental funds a bond issuance expenditure is reported when bonds are issued.	265,081
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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.	(89,103)
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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	(22,035,023)
Capital Appreciation Bonds	(307,378)
Premium on Bonds	(1,356,191)
Accounting Loss	1,091,109
Capital Leases	(61,814)
Special Termination Benefits	(1,241,812)
Compensated Absences	(2,896,121)
	(26,807,230)

Total	(26,807,230)
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<i>Net Assets of Governmental Activities</i>	<u><u>\$11,741,113</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, 2008

	General	Bond Retirement Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$19,704,667	\$2,251,474	\$729,264	\$22,685,405
Intergovernmental	13,049,334	140,992	3,724,218	16,914,544
Interest	331,395	0	0	331,395
Tuition and Fees	23,758	0	24,665	48,423
Extracurricular Activities	38,136	0	78,419	116,555
Contributions and Donations	0	0	7,907	7,907
Charges for Services	0	0	141,632	141,632
Rentals	1,287	0	0	1,287
Miscellaneous	123,357	0	7,890	131,247
<i>Total Revenues</i>	<u>33,271,934</u>	<u>2,392,466</u>	<u>4,713,995</u>	<u>40,378,395</u>
Expenditures				
Current:				
Instruction:				
Regular	14,800,499	0	1,160,957	15,961,456
Special	2,845,122	0	860,962	3,706,084
Vocational	232,622	0	0	232,622
Support Services:				
Pupil	1,245,337	0	110,690	1,356,027
Instructional Staff	1,295,930	0	416,854	1,712,784
Board of Education	88,717	0	0	88,717
Administration	4,118,805	0	398,482	4,517,287
Fiscal	956,231	48,491	23,967	1,028,689
Business	1,159,372	0	0	1,159,372
Operation and Maintenance of Plant	3,415,780	0	514,164	3,929,944
Pupil Transportation	1,183,562	0	77,580	1,261,142
Central	245,899	0	161,082	406,981
Operation of Non-Instructional Services				
Food Service Operations	0	0	908,430	908,430
Other Non-Instructional Services	10,059	0	189,113	199,172
Extracurricular Activities	236,083	0	74,644	310,727
Capital Outlay	0	0	797,202	797,202
Debt Service:				
Principal Retirement	325,212	1,110,000	0	1,435,212
Interest and Fiscal Charges	15,587	1,086,204	0	1,101,791
<i>Total Expenditures</i>	<u>32,174,817</u>	<u>2,244,695</u>	<u>5,694,127</u>	<u>40,113,639</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,097,117</u>	<u>147,771</u>	<u>(980,132)</u>	<u>264,756</u>
Other Financing Sources (Uses)				
Transfers In	3,419	0	1,084,556	1,087,975
Transfers Out	(1,084,556)	0	(3,419)	(1,087,975)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,081,137)</u>	<u>0</u>	<u>1,081,137</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	15,980	147,771	101,005	264,756
<i>Fund Balances (Deficit) Beginning of Year</i>	<u>2,502,634</u>	<u>1,811,799</u>	<u>(515,160)</u>	<u>3,799,273</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>\$2,518,614</u>	<u>\$1,959,570</u>	<u>(\$414,155)</u>	<u>\$4,064,029</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, 2008*

Net Change in Fund Balances - Total Governmental Funds \$264,756

*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 Asset Additions	1,100,483	
Current Year Depreciation	(1,332,125)	
Total		(231,642)

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

Delinquent Property Taxes	741,467	
Grants	(672,131)	
Total		69,336

Repayment of bond, note and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Bond and Note Principal	1,385,000	
Capital Lease Principal	50,212	
Total		1,435,212

In the statement of activities, interest is accrued on outstanding bonds, bond premium, bond issuance costs and deferred accounting gain 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	79,313	
Amortization of Deferred Charges	(16,066)	
Amortization of Deferred Accounting Loss	(66,128)	
Amortization of Bond Premium	82,193	
Annual Accretion	(51,203)	
Total		28,109

Some expenses reported in the statement of activities, such as special termination benefits payable and compensated absences payable do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Special Termination Benefits	(354,094)	
Compensated Absences	(140,616)	
Total		(494,710)

Change in Net Assets of Governmental Activities \$1,071,061

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, 2008

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes	\$17,857,821	\$20,105,689	\$20,107,699	\$2,010
Intergovernmental	11,589,226	13,048,029	13,049,334	1,305
Interest	294,341	331,392	331,425	33
Tuition and Fees	21,100	23,756	23,758	2
Extracurricular Activities	33,869	38,132	38,136	4
Rentals	1,143	1,287	1,287	0
Miscellaneous	109,460	123,238	123,249	11
<i>Total Revenues</i>	<u>29,906,960</u>	<u>33,671,523</u>	<u>33,674,888</u>	<u>3,365</u>
Expenditures				
Current:				
Instruction:				
Regular	14,911,800	15,070,202	15,004,787	65,415
Special	2,787,151	3,065,575	3,065,575	0
Vocational	255,574	269,659	269,659	0
Support Services:				
Pupil	1,210,925	1,418,588	1,418,588	0
Instructional Staff	1,393,402	1,454,723	1,384,411	70,312
Board of Education	92,153	96,209	91,338	4,871
Administration	4,158,122	4,143,548	4,143,548	0
Fiscal	981,100	1,044,302	1,044,302	0
Business	1,227,631	1,338,827	1,338,827	0
Operation and Maintenance of Plant	3,498,328	3,893,345	3,893,345	0
Pupil Transportation	1,231,222	1,347,233	1,347,233	0
Central	305,287	318,722	316,730	1,992
Operation of Non-Instructional Services	5,295	6,264	6,264	0
Extracurricular Activities	239,731	251,039	251,039	0
Debt Service:				
Principal Retirement	0	275,000	275,000	0
Interest and Fiscal Charges	11,290	11,787	11,153	634
<i>Total Expenditures</i>	<u>32,309,011</u>	<u>34,005,023</u>	<u>33,861,799</u>	<u>143,224</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(2,402,051)</u>	<u>(333,500)</u>	<u>(186,911)</u>	<u>146,589</u>
Other Financing Sources (Uses)				
General Obligation Notes Issued	0	0	275,000	275,000
Transfers In	208,305	234,525	3,419	(231,106)
Transfers Out	(710,571)	(467,695)	(467,695)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(502,266)</u>	<u>(233,170)</u>	<u>(189,276)</u>	<u>43,894</u>
<i>Net Change in Fund Balance</i>	<u>(2,904,317)</u>	<u>(566,670)</u>	<u>(376,187)</u>	<u>190,483</u>
<i>Fund Balance Beginning of Year</i>	<u>1,024,430</u>	<u>1,024,430</u>	<u>1,024,430</u>	<u>0</u>
Prior Year Encumbrances Appropriated	1,853,066	1,853,066	1,853,066	0
<i>Fund Balance End of Year</i>	<u>(\$26,821)</u>	<u>\$2,310,826</u>	<u>\$2,501,309</u>	<u>\$190,483</u>

See accompanying notes to the basic financial statements

Warrensville Heights City School District

Statement of Fiduciary Assets and Liabilities

Agency Fund

June 30, 2008

Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$60,542</u>

Liabilities	
Due to Students	<u>\$60,542</u>

See accompanying notes to the basic financial statements

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Warrensville Heights City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

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 six instructional facilities, staffed by 161 classified employees, 201 certificated full-time teaching personnel and 22 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 2008 fiscal year was 2,489. The School District operates three elementary schools (K-4), one lower school (5-6), one upper middle school (7-8), 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. The School District does not have any component units.

The School District participates in two jointly governed organizations. These organizations are the Lake Geauga Computer Association and the Ohio Schools Council Association. These organizations are presented in Note 17 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 School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities unless those pronouncements conflict with or contradict GASB pronouncements. 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, 2008

A. Basis of Presentation

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

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the 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 assets 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. Nonmajor funds are aggregated and presented in a single column. The fiduciary fund is reported by type.

B. 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 liabilities 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 for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Warrensville Heights City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

Bond Retirement Fund The bond retirement fund is used to account for the accumulation of property tax revenues for, and 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 to a particular purpose.

Fiduciary Fund Type Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the 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.

C. Measurement Focus

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

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

D. Basis of Accounting

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

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. 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, 2008*

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 7). 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 Revenue Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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.

E. 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 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 were in effect at the time the original and final appropriations were passed by the Board of Education.

Warrensville Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

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.

F. 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 2008, investments were limited to a money market mutual fund, a repurchase agreement and STAR Ohio. Investment in the mutual fund is reported at fair value which is based on current share price. The repurchase agreement is reported at cost.

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

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 2008 amounted to \$331,395 which includes \$153,610 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.

G. Restricted Assets

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the general fund include amounts required by State statute to be set aside for the purchase of textbooks. See Note 19 for additional information regarding set-asides.

H. Prepaids

Payments made to vendors for services that will benefit periods beyond June 30, 2008, are reported as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

Warrensville Heights City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

I. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventories consist of donated food, purchased food and school supplies held for resale, and materials and supplies held for consumption.

J. 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 assets 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.

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:

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

K. 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 assets.

L. 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.

Warrensville Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures 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 funds from which the employees who have resigned or retired will be paid.

M. 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 and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for the payment during the current fiscal year. Bonds, capital lease obligations and long-term notes are recognized as a liability on the governmental fund financial statements when due.

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed by law on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The government-wide statement of net assets reports \$4,133,084 of restricted net assets, none of which is restricted by enabling legislation. Net assets restricted for other purposes include resources restricted for food service, uniform school supplies and student activities.

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

O. 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.

Warrensville Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

P. Fund Balance Reserves

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence.

R. Estimates

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

Note 3 – Change in Accounting Principles

For fiscal year 2008, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions”, GASB Statement No. 48, “Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues”, and GASB Statement No. 50, “Pension Disclosures”.

GASB Statement No. 45 improves the relevance and usefulness of financial reporting by requiring systematic, accrual-basis measurement and recognition of OPEB costs over a period that approximates employees’ years of service and providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. An OPEB liability at transition was determined in accordance with this Statement for both the SERS and STRS post-employment healthcare plans in the amounts of \$27,400 and \$191,890, respectively, which are the same as the previous reported liabilities.

GASB Statement No. 48 addresses how to account for the exchange of an interest in expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments. The statement established criteria used to determine whether the transaction should be recorded as revenue or as a liability (a sale or a collateralized borrowing). The implementation of this Statement did not result in any change to the financial statements.

GASB Statement No. 50 requires employers contributing to defined pension plans to include the legal or contractual maximum contribution rates in the notes to the financial statements. The implementation of this Statement did not result in any change to the financial statements.

Warrensville Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

Note 4 – Accountability and Compliance

A. Accountability

At June 30, 2008, the following funds had deficit fund balances:

	<u>Amount</u>
<i>Non-Major Funds</i>	
Food Service	\$365,542
Recreation	308,537
Public School Preschool	25,890
Entry Year Programs	24,344
Ohio Reads	135,918
Student Reading Intervention	937
Title VI-B	171,962
Title I	290,061
Drug Free Schools	23,063
Class Size Reduction	43,298

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.

B. Compliance

The following funds had total original appropriations in excess of estimated resources plus carryover balances contrary to Section 5705.39, Revised Code.

	<u>Appropriations</u>	<u>Estimated Resources Plus Carryover</u>	<u>Excess</u>
<i>Major Fund</i>			
General	\$33,019,582	\$32,992,761	\$26,821
<i>Non-Major Funds</i>			
Food Service	1,082,921	557,864	525,057
Recreation	268,118	(41,651)	309,769
District Agency	220	0	220
Ohio Reads	89,290	58,819	30,471
Title VI-B	713,648	436,293	277,355
Title I	599,228	413,043	186,185
Title VI	15,228	13,938	1,290
Drug Free Schools	34,391	13,796	20,595
Class Size Reduction	192,052	118,631	73,421

Warrensville Heights City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

The following funds had total final appropriations in excess of estimated resources plus carryover balances contrary to Section 5705.39, Revised Code.

<i>Non-Major Funds</i>	<u>Appropriations</u>	<u>Estimated Resources Plus Carryover</u>	<u>Excess</u>
Food Service	\$959,660	\$682,376	\$277,284
Recreation	272,685	(30,769)	303,454
Entry Year Programs	575	(23,165)	23,740
Ohio Reads	121,444	72,379	49,065
Summer Intervention	0	(937)	937
Title VI-B	450,135	355,423	94,712
Title I	604,507	383,085	221,422
Drug Free Schools	31,360	8,432	22,928
Class Size Reduction	178,036	140,288	37,748

Contrary to Section 5705.41, Ohio Revised Code, the following funds had expenditures plus encumbrances in excess of appropriations for fiscal year 2008:

<i>Non-Major Funds</i>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
Food Service	\$959,660	\$1,020,539	\$60,879
Recreation	272,685	316,084	43,399
Public School Support	42,965	48,734	5,769
Other Grants	16,712	22,677	5,965
Athletics and Music	52,059	52,410	351
EMIS	3375	8,555	5,180
Public School Preschool	54,267	123,236	68,969
Professional Development	3,300	6,270	2,970
Ohio Reads	121,444	167,332	45,888
School Improvement Model	1,612	2,012	400
DPIA, Poverty Aid	1,334,521	1,374,368	39,847
Title VI-B	450,135	512,294	62,159
Title I	604,507	631,541	27,034
Title VI	5,059	7,064	2,005
Drug Free Schools	19,744	19,844	100
Preschool	3,715	7,142	3,427
Class Size Reduction	178,036	178,246	210
Permanent Improvement	1,023,772	1,156,943	133,171

Although the budgetary violations were not corrected by fiscal year-end, management has indicated that appropriations will be closely monitored to ensure no future violations.

Warrensville Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

The School District had negative cash fund balances in the following funds indicating that revenue from other sources were used to pay obligations of these funds, contrary to Ohio Revised Code Section 5705.10:

<i>Special Revenue Funds:</i>	
Food Services	\$277,284
Recreation	303,454
Entry Year Programs	23,740
Ohio Reads	49,065
Student Reading Intervention	937
Title VI-B	94,712
Title I	221,422
Drug Free Schools	22,928
Class Size Reduction	37,748

In order to eliminate future negative cash, the School District will make cash advances during the year.

Note 5 - 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 Basis) and Actual for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Unreported cash represents amounts received but not included on the budgetary statement, but reported on the operating statement prepared using GAAP.

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.

Warrensville Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

Net Change in Fund Balance

GAAP Basis	\$15,980
Net Adjustment for Revenue Accruals	388,214
Ending Unrecorded Cash	14,740
Net Adjustment for Expenditure Accruals	1,487,712
Transfers Out	(616,861)
Adjustment for Encumbrances	<u>(1,665,972)</u>
Budget Basis	<u><u>(\$376,187)</u></u>

Note 6 - Deposits and Investments

Monies held by the School District are classified by State statute 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;

Warrensville Heights City School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

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.

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 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, \$29,073 of the School District's bank balance of \$129,073 was uninsured and uncollateralized. Although collateral securities were held by the pledging 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 FDIC.

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

All investments are in an internal investment pool. As of June 30, 2008, the School District had investments in a KeyBank Victory Federal Money Market mutual fund, a repurchase agreement and STAR Ohio.

	Fair Value	Maturity
Victory Federal Money Market Mutual Fund	\$6,572	1 month average
Repurchase Agreement		
U.S. Treasury Notes	6,381,000	7/1/2008
STAR Ohio	9,017	53.8 days average
Total	<u>\$6,396,589</u>	

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 investments so that securities mature to meet cash requirements for ongoing operations. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

Warrensville Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

Credit Risk The KeyBank Victory Federal Money Market mutual fund carries a rating of AAAM by Standard and Poor's. STAR Ohio carries a rating of AAA by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no policy that addresses credit risk.

Note 7 - Property Taxes

Property taxes are levied and assessed on a calendar year basis while the School District 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, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007 and are collected in 2008 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.

Tangible personal property tax revenue received during calendar year 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2007. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2008 is 6.25 percent. This will be reduced to zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30. This year, the June 2008 tangible personal property tax settlement was not received until July 2008.

The School District receives property taxes from Cuyahoga County. The County Auditor 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, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2008, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 and the late personal property tax settlement were levied to finance current fiscal year operations and are 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 revenue.

Warrensville Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

The amount available as an advance at June 30, 2008, was \$2,631,434 in the general fund, \$414,207 in the bond retirement debt service fund, \$93,980 in the permanent improvement capital projects fund and \$24,682 in the recreation special revenue fund. The amount available as an advance at June 30, 2007, was \$2,944,129 in the general fund, \$469,996 in the bond retirement debt service fund, \$105,350 in the permanent improvement capital projects fund and \$27,668 in the recreation special revenue fund.

The late tax settlement made by the County for fiscal year 2008 was \$429,246 in the general fund, \$34,361 in the bond retirement debt service fund, \$10,044 in the permanent improvement capital projects fund and \$2,643 in the recreation special revenue fund.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

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

	2007 Second - Half Collections		2008 First - Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$352,524,520	90.02 %	\$353,402,230	93.90 %
Public Utility	16,472,800	4.21	7,888,530	2.10
Tangible Personal Property	22,614,409	5.77	15,054,791	4.00
Total Assessed Value	\$391,611,729	100.00 %	\$376,345,551	100.00 %
Tax rate per \$1,000 of assessed valuation		\$90.20		\$90.10

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 Auditor extrapolates the tax rate based on the debt payment information. For fiscal year 2008, there was a .10 mill decrease in the tax rate.

Note 8 - Receivables

Receivables at June 30, 2008, consisted of taxes, accounts (rent and tuition), 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. A summary of the intergovernmental receivables follows:

Warrensville Heights City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

Governmental Activities	Governmental Funds
Ohio Reads	\$88,520
Federal Nutrition Subsidies	21,393
Total Intergovernmental Receivables	<u>\$109,913</u>

Note 9 - Capital Leases

On September 9, 2002 the School District entered into a lease-purchase agreement with Expanets/CIT Communications Finance Corporation for the lease of Cisco Call Manager IP Telephony System in the amount of \$323,854, with annual rate of interest of 4.97 percent. The lease is paid from the permanent improvement capital projects fund.

Capital assets acquired by lease have been capitalized as follows:

	Governmental Funds
<i>Asset:</i>	
Furniture, Fixtures and Equipment	\$323,854
Less: Accumulated Depreciation	<u>(194,310)</u>
Total Book Value as of June 30, 2008	<u>\$129,544</u>

The following is a schedule of the future long-term minimum lease payments required under the capital lease and present value of the minimum lease payments is as follows:

Fiscal Year Ending June 30,	
2009	\$54,645
2010	9,106
Total Minimum Lease Payments	<u>63,751</u>
Less: Amount Representing Interest	<u>(1,937)</u>
Present Value of Minimum Lease Payments	<u>\$61,814</u>

Capital lease payments have been reclassified and are reflected as debt service in the fund financial statements for the permanent improvement capital projects fund. These expenditures are reflected as program expenditures on a budgetary basis.

Warrensville Heights City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

Note 10 - Capital Assets

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

	<u>Balance</u> <u>June 30, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2008</u>
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$414,153	\$0	\$0	\$414,153
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	38,060,799	475,041	0	38,535,840
Furniture, Fixtures and Equipment	3,451,544	390,311	0	3,841,855
Vehicles	812,217	235,131	(76,074)	971,274
<i>Total Capital Assets, being depreciated</i>	<u>42,324,560</u>	<u>1,100,483</u>	<u>(76,074)</u>	<u>43,348,969</u>
<i>Less: Accumulated Depreciation</i>				
Buildings and Improvements	(12,477,089)	(878,420)	0	(13,355,509)
Furniture, Fixtures and Equipment	(2,006,968)	(353,888)	0	(2,360,856)
Vehicles	(581,265)	(99,817)	76,074	(605,008)
Textbooks	0	0	0	0
<i>Total Accumulated Depreciation</i>	<u>(15,065,322)</u>	<u>(1,332,125) *</u>	<u>76,074</u>	<u>(16,321,373)</u>
<i>Total Capital Assets, being depreciated, Net</i>	<u>27,259,238</u>	<u>(231,642)</u>	<u>0</u>	<u>27,027,596</u>
Governmental Activities Capital Assets, Net	<u><u>\$27,673,391</u></u>	<u><u>(\$231,642)</u></u>	<u><u>\$0</u></u>	<u><u>\$27,441,749</u></u>

*Depreciation expense was charged to governmental activities as follows:

Instruction:	
Regular	\$472,546
Special	49,443
Vocational	6,834
Support Services:	
Pupil	4,756
Instructional Staff	11,378
Board of Education	3,692
Administration	111,266
Fiscal	3,785
Business	6,122
Operation and Maintenance of Plant	394,779
Pupil Transportation	13,801
Central	5,028
Operation of Non-Instructional Services:	
Food Service Operations	38,424
Other Non-Instructional Services	93,199
Extracurricular Activities	117,072
<i>Total Depreciation Expense</i>	<u><u>\$1,332,125</u></u>

Warrensville Heights City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

Note 11 - Risk Management

A. 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 Indiana Insurance Company 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 and with Ohio Casualty Insurance Company for blanket employee dishonesty coverage.

Company	Type of Coverage	Coverage
Indiana Insurance Company	Property (\$10,000 Deductible)	\$88,743,002
	Inland Marine (\$250 Deductible)	2,115,068
	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
Ohio Casualty Insurance	Blanket Employee Dishonesty	250,000
Travelers Insurance Company	Boiler/Machinery (\$1,000 Deductible)	30,000,000

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

B. 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.

Note 12 - Defined Benefit Pension Plan

A. School Employee Retirement System

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

Warrensville Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$460,610, \$482,302 and \$482,168 respectively; 40.99 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System

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

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

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

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

Warrensville Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$1,904,580 \$2,096,195, and \$2,021,922 respectively; 83.44 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$3,662 made by the School District and \$30,380 made by the plan members.

C. Social Security System

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

Note 13 – Post Employment Benefits

A. School Employee Retirement System

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

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$100,851.

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

The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$311,042, \$435,519 and \$441,456 respectively; 40.99 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$33,188, \$30,708, and \$32,478 respectively; 40.99 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

Warrensville Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

B. State Teachers Retirement System

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$146,506, \$149,728 and \$155,532 respectively; 83.44 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

Note 14 - Other Employee Benefits

A. 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 and administrators 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.

B. 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/surgical 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 prescription insurance is provided by the School District to all employees through Medical Mutual of Ohio.

C. Special Termination Benefits Payable

The School District offered employees participation in an Employee Severance Plan (ESP). Participation was open to full-time teachers and administrators who were employed by the Board and who had twelve (12) or more years of actual service with Warrensville Heights City Schools as of June 30, 2008, ("Eligible Employees"). The plan was not available to any other employees, including substitutes, temporary or contracted employees, those who have been laid off, terminated, or those who have previously retired and returned to work in the Warrensville Heights City School District. Under the Plan,

Warrensville Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

the Board promises to pay ESP benefits to an eligible employee who agrees to retire or separate from service by June 20, 2008, for teachers, or July 31, 2008, for administrators, and fulfills his/her contractual obligations through the date of his/her retirement or separation from service exited date. Failure to fulfill contractual obligations through the employee's exit date will result in forfeiture of the ESP benefits. Notification of intent to retire effective June 30, 2008 must have been submitted by March 16, 2008.

All eligible teachers and administrators (certified employees) electing to retire or separate from service under ESP are entitled to receive payments of \$50,000; classified employees receive \$20,000. Fiscal year 2008 retirees were the last eligible employees to receive the ESP. In addition, if the employee electing the ESP will be retiring and thereby eligible to receive severance pay, the Board will make an additional employer contribution in an amount equivalent to what the employee would have otherwise received as severance pay. The total payments described as the ESP benefits are divided into monthly payments.

Employees electing ESP who are eligible to retire under STRS or SERS receive the total ESP benefit over five years, divided into 60 equal monthly payments made to the participants' selected post employment 403(b) accounts.

Employees electing ESP who are not eligible to retire under STRS or SERS receive the total ESP benefit paid to them over eight years, divided into 96 equal monthly payments.

Note 15 - Long-Term Obligations

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

	Balance 6/30/2007	Additions	Deletions	Balance 6/30/2008	Amount Due in One Year
Governmental Activities					
School Improvements Bonds 2000, 4.44%	\$7,400,023	\$0	\$675,000	\$6,725,023	\$750,000
School Improvement Refunding Bonds 2007:					
Serial Bonds 4 % - 4.25%	15,745,000	0	435,000	15,310,000	190,000
Capital Appreciation					
Bonds, 28.97%	254,977	0	0	254,977	0
Accretion on Capital Appreciation Bonds	1,198	51,203	0	52,401	0
Unamortized Premium	1,438,384	0	82,193	1,356,191	0
Unamortized Accounting Loss	(1,157,237)	0	(66,128)	(1,091,109)	0
<i>Total General Obligation Bonds</i>	<u>23,682,345</u>	<u>51,203</u>	<u>1,126,065</u>	<u>22,607,483</u>	<u>940,000</u>
Long-Term Notes	275,000	0	275,000	0	0
Capital Leases	112,026	0	50,212	61,814	52,766
Special Termination Benefits	887,718	650,000	295,906	1,241,812	620,906
Compensated Absences	2,755,505	857,216	716,600	2,896,121	584,671
<i>Total Governmental Activities</i>	<u>\$27,712,594</u>	<u>\$1,558,419</u>	<u>\$2,463,783</u>	<u>\$26,807,230</u>	<u>\$2,198,343</u>

On June 8, 2008, the School District retired the \$275,000 bond anticipation note with 4.0 percent interest issued for the purpose of acquiring office furniture.

Warrensville Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

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 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, 2008. The capital appreciation bonds will mature in fiscal years 2015 and 2016. The maturity amount of the bonds is \$2,965,000. For fiscal year 2008, \$51,203 was accreted for a total bond value of \$307,378.

Capital lease payments are paid from the general fund. Compensated absences will be paid from the general fund and the food service, recreation, Poverty Aid, title VI-B, title I and title VI special revenue funds. Special termination benefits will be paid from the termination benefits special revenue fund, and will be paid off in 2010.

The overall debt margin of the School District as of June 30, 2008, was \$11,664,331 with an unvoted debt margin of \$355,497 at June 30, 2008. Principal and interest requirements for school improvement bonds outstanding at June 30, 2008, are as follows:

Year Ending 6/30	Serial Term Bonds		Capital Appreciation Bonds		Total
	Principal	Interest	Principal	Interest	
2009	\$940,000	\$1,060,798	\$0	\$0	\$2,000,798
2010	1,025,000	1,015,698	0	0	2,040,698
2011	1,135,000	966,035	0	0	2,101,035
2012	1,215,000	910,460	0	0	2,125,460
2013	1,225,000	831,860	0	0	2,056,860
2014-2018	4,190,023	3,154,801	254,977	2,710,023	10,309,824
2019-2023	8,415,000	1,930,653	0	0	10,345,653
2024-2025	3,890,000	249,475	0	0	4,139,475
	<u>\$22,035,023</u>	<u>\$10,119,780</u>	<u>\$254,977</u>	<u>\$2,710,023</u>	<u>\$35,119,803</u>

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, 2008, \$15,538,439 of the defeased bonds are still outstanding.

Warrensville Heights City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

Note 16 - Fund Obligations

The School District's note activity, including amounts outstanding and interest rates, are as follows:

	Outstanding June 30, 2007	Additions	Deletions	Outstanding June 30, 2008
4.00% 2008 Office Equipment Note - Maturing June 6, 2009	\$0	\$275,000	\$0	\$275,000

On June 6, 2008, the School District issued an office equipment bond anticipation note for \$275,000 for the purpose of acquiring office furniture. The note will mature on June 6, 2009.

Note 17 - Jointly Governed Organizations

A. 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 18 member school districts. Each of the school districts support LGCA based on a per pupil charge. The Executive Committee (governing board) consists of the superintendents and treasurers of the member school districts. The degree of control exercised by any participant is limited to its representation on the governing board. LGCA's continued existence is not dependent on the School District's continued participation. The School District paid \$58,409 to LGCA during the fiscal year 2008. A copy of LGCA's financial statements may be obtained by contracting the Lake Geauga Educational Computer Association at 8140 Auburn Road, Painesville, Ohio 44077.

B. Ohio Schools Council Association

The Ohio Schools Council Association (Council) is a jointly governed organization among 121 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 superintendent serves as a representative of the Assembly. 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 of Directors (the Board). The Board meets monthly September through 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 2008, the School District paid \$800 to the Council. Financial information can be obtained by contacting Dr. David A. Cottrell, 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 if the School District will commit to participating for a twelve year period. There are currently 137 districts in the Program. The participants make monthly payments based on estimated usage. Each September, these estimated payments are compared to their actual usage for the year (July to June). Districts that paid more in estimated billings than their actual billings are issued credits on future billings in September until the credits are exhausted and districts that did not pay enough on estimated billings are invoiced for the difference on the September monthly estimated billing.

Warrensville Heights City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

The School District also participates in the council’s electric purchase program. The Council provides 238 school districts and 11 MR/DD boards in the First Energy territory (Cleveland Electric Illuminating, Ohio Edison, Toledo Edison) the ability to purchase electricity at reduced rates if the school district committed to participating in either a thirty-six month (Cleveland Electric Illuminating Company) or a forty-four month (Ohio Edison and Toledo Edison) program beginning either May 1, 2005 or January 1, 2006 and ending December 31, 2008. Each month, the Council invoices participants based on estimated usage that was determined when the program was established. Each September, these estimated payments are compared to their actual usage for the year (July to June). Refund checks are issued to districts that consumed less than their projected usage of electrical energy and districts that over-consumed are invoiced.

Note 18 - Contingencies

A. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The disbursements of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2008.

B. Litigation

The School District is not a party to any legal proceedings.

Note 19 - Set-Aside Calculations

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 purchase of textbooks and other instructional materials and an equal amount 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. In prior fiscal years, the School District was also required to set aside money for budget stabilization.

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

	Textbooks	Capital Improvements
Set-aside Reserve Balance as of June 30, 2007	\$141,140	\$0
Add: Current Year Set-aside Requirement	405,308	405,308
Permanent Improvement Levy Offset During the Fiscal Year	0	590,813
Qualifying Disbursements	(284,423)	(1,023,772)
Total	<u>\$262,025</u>	<u>(\$27,651)</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$262,025</u>	<u>\$0</u>
Set-aside Reserve Balance as of June 30, 2008	<u>\$262,025</u>	<u>\$0</u>

Warrensville Heights City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

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 fiscal years. The total reserve balance for the set-asides at the end of the fiscal year was \$262,025.

Note 20 - Interfund Transactions

A. Balances

Interfund balances at June 30, 2008, consist of an interfund receivable/payable between the general fund and the nonmajor governmental funds in the amount of \$1,031,290. The interfund receivables and payables were the result of deficit cash balances and due to the timing of the receipt of grant monies at year end. These loans are expected to be repaid in one year.

B. Transfers

During fiscal year 2008, the School District made the following transfers:

Transfer To	Transfer From		Total
	General Fund	Nonmajor Governmental Fund	
Major Fund:			
General Fund	\$0	\$3,419	\$3,419
Nonmajor Funds:			
Food Service	540,442	0	540,442
Uniform School Supply	2,396	0	2,396
Recreation	70,000	0	70,000
Public School Support	12,806	0	12,806
Venture Capital	5,000	0	5,000
Termination Benefits	443,403	0	443,403
Athletics and Music	10,117	0	10,117
Alternative School	392	0	392
Total	<u>\$1,084,556</u>	<u>\$3,419</u>	<u>\$1,087,975</u>

The transfers from the general fund are to move unrestricted balances to support programs and projects accounted for in other funds. At June 30, 2007, the School District had \$616,861 in outstanding long-term advances from the general fund to six nonmajor special revenue funds. The nonmajor special revenue funds and amounts were food service for \$540,442, recreation for \$70,000, public school support for \$964, venture capital for \$5,000, athletics and music for \$63, and alternative school for \$392. In fiscal year 2008, the Board determined that these advances would not be repaid and were converted then to transfers. The \$3,419 transfer from the athletics and music special revenue fund to the general fund was to donate excess money from the Board of Education Community Relations Committee to the library.

Note 21 - Subsequent Event

The Federal Bureau of Investigation had issued a subpoena for any contracts, board travel, and hiring policies and procedures for January 1, 2007 through February 26, 2009. The School District is not aware of any action taken on items received. The School District has been cooperating with the request.

**WARRENSVILLE HEIGHTS CITY SCHOOL DISTRICT
 CUYAHOGA COUNTY
 FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2008**

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>					
<i>Passed Through Ohio Department of Education:</i>					
Nutrition Cluster:					
School Breakfast Program	10.553	\$156,113	\$0	\$156,113	\$0
National School Lunch Program	10.555	568,104	64,436	568,104	64,436
Total Nutrition Cluster		<u>724,217</u>	<u>64,436</u>	<u>724,217</u>	<u>64,436</u>
Total U.S. Department of Agriculture		<u>724,217</u>	<u>64,436</u>	<u>724,217</u>	<u>64,436</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>					
<i>Passed Through Ohio Department of Education:</i>					
Special Education Cluster:					
Special Education: Grants to States	84.027	484,479	0	450,135	0
Special Education: Preschool Grants	84.173	4,433	0	3,715	0
Total Special Education Cluster		<u>488,912</u>	<u>0</u>	<u>453,850</u>	<u>0</u>
Title I Grants to Local Educational Agencies	84.010	534,723	0	594,896	0
Safe and Drug-Free Schools and Communities State Grants	84.186	2,636	0	6,523	0
Innovative Education Program Strategies	84.298	5,284	0	5,509	0
Education Technology State Grants	84.318	4,287	0	5,394	0
Improving Teacher Quality State Grants	84.367	179,149	0	177,995	0
Total U.S. Department of Education		<u>726,079</u>	<u>0</u>	<u>790,317</u>	<u>0</u>
Total Federal Assistance		<u>\$1,939,208</u>	<u>\$64,436</u>	<u>\$1,968,384</u>	<u>\$64,436</u>

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

**WARRENSVILLE HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2008**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) summarizes activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE C – FOOD DONATION PROGRAM

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair value of the commodities received.

N/A - Not applicable.

CFDA - Catalog of Federal Domestic Assistance.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' 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 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, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 29, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2008-002 described in the accompanying schedule of findings to be a material weakness.

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, providing an opinion 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2006-001 through 2006-006.

We did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated March 29, 2012.

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

We intend this report solely for the information and use of management, the Board of Education, and federal awarding agencies and pass-through entities, and others within the District. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

March 29, 2012



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' 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:

Compliance

We have audited the compliance of the Warrensville Heights City School District, Cuyahoga County, Ohio (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of its major federal programs for the year ended June 30, 2008. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits 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*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

As described in finding 2008-008 in the accompanying schedule of findings, the District did not comply with requirement regarding *eligibility* applicable to its Special Education Cluster major federal program. Also as described in finding 2008-007 in the accompanying schedule of findings, the District did not comply with requirement regarding *eligibility and period of availability* applicable to its Title I major federal program. Compliance with these requirements is necessary, in our opinion, for the District to comply with requirements applicable to these programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the Warrensville Heights City School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2008.

Internal Control over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining 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 significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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 compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as items 2008-007 and 2007-008 to be material weaknesses.

The District's responses to the findings we identified are described in the accompanying schedule of findings. We did not audit the District's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of the audit committee, management, the Board of Education, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Dave Yost
Auditor of State

March 29, 2012

**WARRENSVILLE HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2008**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	Yes
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Qualified - Special Education Cluster and Title I Unqualified – Nutrition Cluster
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	Nutrition Cluster (10.553, 10.555) Title I (84.010) Special Education Cluster (84.027, 84.173)
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

FINDING NUMBER 2008-001

Material Noncompliance Citation

Finding for Recovery – Credit Cards

Ohio Revised Code Section 149.43(B) states “all public records shall be promptly prepared and made available for inspection to any person at all reasonable times during regular business hours ... In order to facilitate broader access to public records, public offices shall maintain public records in a manner that they can be made available for inspection.”

WARRENSVILLE HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2008
(Continued)

FINDING NUMBER 2008-001 (Continued)

In addition, Ohio Revised Code Section 149.351(A) establishes guidelines against the destruction or damage of records and states, "All records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred or otherwise damaged or disposed of, in whole or in part, except as provided by law."

During the course of our audit, we noted 43 credit card transactions totaling \$6,710 that were not substantiated by an invoice or receipt. Without appropriate supporting documentation, it is not possible to determine if the expenditures include items that would not be considered a proper public purpose. The failure to maintain adequate support for these expenditures could result in a loss of accountability over the District's finances, making it difficult to identify errors which could go undetected and possibly result in expenditures that are not for a proper public purpose.

During the fiscal year, unsupported credit card purchases in the amount of \$681 at retail stores, \$162 at restaurants, \$2,046 on airfare and \$2,508 at hotels, which totaled \$5,397 were made by Elaine Davis, former Superintendent. These credit card purchases were authorized by Brent Delman, former Treasurer.

Also during this fiscal year, unsupported credit card purchases in the amount of \$132 at retail stores, \$111 at restaurants, and \$1,070 at hotels, which totaled \$1,313 were made and authorized by Brent Delman, former Treasurer.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Brent Delman, former Treasurer, in the amount of \$1,313, and Elaine Davis, former Superintendent in the amount of \$5,397. These findings for recovery are issued in favor of the Warrensville Heights City School District.

Additionally, under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of such expenditure. *Steward v. National Surety Co.* (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; State, ex. rel. *Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. To the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. 1980 Op. Att'y Gen. No. 80-074.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Brent Delman, former Treasurer, and Fidelity and Deposit Company of Maryland, his bonding company, jointly and severally in the amount of \$5,397. These findings for recovery are issued in favor of the Warrensville Heights City School District.

We recommend the District implement better controls and maintain adequate supporting documentation for all credit card expenditures.

Official's Response:

The District only has two credit cards, the Treasurer and Superintendent, who only use the cards for registration companies that do not take purchase orders and emergencies. All documentation is required prior to payment.

**WARRENSVILLE HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2008
(Continued)**

FINDING NUMBER 2008-002

Material Noncompliance Finding and Material Weakness

Public Records

Ohio Revised Code Section 149.43(B) states "all public records shall be promptly prepared and made available for inspection to any person at all reasonable times during regular business hours ... In order to facilitate broader access to public records, public offices shall maintain public records in a manner that they can be made available for inspection."

In addition, Ohio Revised Code Section 149.351(A) establishes guidelines against the destruction or damage of records and states, "All records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred or otherwise damaged or disposed of, in whole or in part, except as provided by law."

During our testing we noted the following:

- The District was unable to provide timesheets or other documentation for 12 of 60 employees selected during the testing of Payroll controls.
- The District was unable to provide supporting documentation for the number of pupils who were economically disadvantaged during our testing of the Title I federal program.
- The District was unable to provide complete standing data for 14 of 60 personnel files tested.
- The District was unable to locate support for the assumptions on the five year forecast.

These weaknesses could result in the improper expenditure of public funds and incomplete financial statements.

We recommend the District maintain supporting records for all payroll transactions and establish procedures that would make these records available for inspection.

Official's Response:

The District attempts to keep track of its documentation in order to provide an audit trail. There was a breakdown in the system. Close monitoring of supportive documentation is in place to prevent a repeat of not having the information as backup for transactions.

FINDING NUMBER 2008-003

Material Noncompliance Finding

Encumbrance of Funds

Ohio Revised Code Section 5705.41(D)(1) states that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders of expenditures lacking prior certification shall be null and void.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

WARRENSVILLE HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2008
(Continued)

FINDING NUMBER 2008-003 (Continued)

1. **“Then and Now” certificate** – If the fiscal officer can certify that both at the time the contract or order was made (“then”), and at the time the fiscal officer is completing the certification (“now”), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the District can authorize the drawing of a warrant for the payment of the amount due.

The District has thirty days from the receipt of the “then and now” certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the “then and now” certificate, provided the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the District.

2. **Blanket Certificate** – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – The District may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Twenty-two percent (14 out of 60) of the transactions tested were not certified by the fiscal officer at the time the commitment was incurred and there was no evidence that the District followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the District’s funds exceeding budgetary spending limitations, we recommend the Treasurer certify the funds are or will be available prior to obligation by the District. When prior certification is not possible, “then and now” certification should be used.

We recommend the District certify purchases to which Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) required to authorize disbursements. The fiscal officer should sign the certification at the time the District incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. This signature should be manual, electronic, or mechanical, but should not involve the use of rubber stamps. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Official's Response:

We have had to issue “Then and Now” certificates and brought them to the Board for approval and recognition. Further, Directive 103 has been issued to all departments. This directive covers the practice of ordering without a requisition/purchase order. The Board has been very supportive of these efforts.

**WARRENSVILLE HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2008
(Continued)**

FINDING NUMBER 2008-004

Material Noncompliance Finding

Final Appropriations Exceeding Estimated Resources

Ohio Revised Code Section 5705.39 states in part that the total appropriations from each fund should not exceed the total estimated revenue.

The following funds had final appropriations in excess of estimated resources plus carryover balances contrary to Section 5705.39, Revised Code.

	<u>Appropriations</u>	<u>Estimated Resources Plus Carryover</u>	<u>Excess</u>
<i>Non-Major Funds</i>			
Food Service	\$959,660	\$682,376	\$277,284
Recreation	272,685	(30,769)	303,454
Entry Year Programs	575	(23,165)	23,740
Ohio Reads	121,444	72,379	49,065
Summer Intervention	0	(937)	937
Title VI B	450,135	355,423	94,712
Title I	604,507	383,085	221,422
Drug Free Schools	31,360	8,432	22,928
Class Size Reduction	178,036	140,288	37,748

We recommend the District monitor its budget to ensure compliance with the above noted ORC Code Section.

Official's Response:

The District is attempting, through reorganization and restructuring, to bring the negative balance in the Food Service and Recreation funds to a positive balance with interfund transfers from the General fund and to monitor the budget in the other funds cited.

FINDING NUMBER 2008-005

Material Noncompliance Finding

Expenditures plus Encumbrances Exceeded Appropriations

Ohio Revised Code Section 5705.41(B), prohibits a subdivision or taxing unit from making an expenditure or encumbrance unless it has been properly appropriated. Budgetary expenditures as enacted by the District may not exceed appropriations at the legal level of control for all funds. The District's legal level of control is at the fund level for all funds.

The District had the following violations at June 30, 2008:

**WARRENSVILLE HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2008
(Continued)**

FINDING NUMBER 2008-005 (Continued)

	<u>Appropriations</u>	<u>Expenditures Plus Encumbrances</u>	<u>Variance</u>
Non-Major Funds			
Food Service	\$959,660	\$1,020,539	(\$60,879)
Recreation	272,685	316,084	(43,399)
Public School support	42,965	48,734	(5,769)
Other Grants	16,712	22,677	(5,965)
Athletics and Music	52,059	52,410	(351)
EMIS	3,375	8,555	(5,180)
Public School Preschool	54,267	123,236	(68,969)
Professional Development	3,300	6,270	(2,970)
Ohio Reads	121,444	167,332	(45,888)
School Improvement Model	1,612	2,012	(400)
DPIA, Poverty Aid	1,334,521	1,374,368	(39,847)
Title VI-B	450,135	512,294	(62,159)
Title I	604,507	631,541	(27,034)
Title VI	5,059	7,064	(2,005)
Drug Free Schools	19,744	19,844	(100)
Preschool	3,715	7,142	(3,427)
Class Size Reduction	178,036	178,246	(210)
Permanent Improvement	1,023,772	1,156,943	(133,171)

Official's Response:

The District with the utilization of advances or transfers does not exceed appropriations.

FINDING NUMBER 2008-006

Material Noncompliance Finding

Negative Cash and Fund Balances

Ohio Revised Code Section 5705.10(h), states that money paid into any fund shall be used only for the purposes for which such fund is established. A negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

During our testing we noted that various funds had negative cash balances at year end:

**WARRENSVILLE HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2008
(Continued)**

FINDING NUMBER 2008-006 (Continued)

Fund	Negative Cash Balance
Food Service	(\$277,284)
Recreation	(303,454)
Entry Year Programs	(23,740)
Ohio Reads	(49,065)
Student Reading Intervention	(937)
Title VI-B	(94,712)
Title I	(221,422)
Drug Free Schools	(22,928)
Class Size Reduction	(37,748)

We recommend the District utilize cash advances to these funds, request reimbursements, or other appropriate measures to ensure negative cash balances do not exist during or at the end of the fiscal year.

Official's Response:

The District is attempting, through reorganization and restructuring, to bring the negative balance in the Recreation and Food Service funds to a positive balance with interfund transfers from the General fund approved by the Board of Education.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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Finding Number	2008-007
CFDA Title and Number	Title I (84.010)
Federal Award Number / Year	School Improvement (C1SK-2008) Schoolwide (C1S1-2008)
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Title I - Material Noncompliance (*Eligibility and Period of Availability*) and Material Weakness

34 CFR 80.23 provides that where a funding period is specified, a grantee may charge to the award only costs resulting from obligations of the funding period unless carryover of unobligated balances is permitted, in which case the carryover balances may be charged for costs resulting from obligations of the subsequent funding period. The Ohio Department of Education has specified that the funding period for the Title I federal grant ends on June 30 of the grant year, unless carryover balances are approved.

34 CFR 80.42 (c) generally provides that records must be retained for three years from the day the grantee or subgrantee submits to the awarding agency its single or last expenditure report for that period.

During our testing of the grant year 2008 Title I period of availability, we noted \$4,898 in obligations that were incurred, encumbered, and spent after June 30, 2008. These expenditures were reported on the District's final expenditure report. The District did not have a carryover approved for this grant.

WARRENSVILLE HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2008
(Continued)

FINDING NUMBER 2008-007 (Continued)

We also noted the District did not maintain supporting documentation for the number of pupils who were economically disadvantaged. This amount is utilized on the District's funding application to determine the eligibility of each school building to participate in the Title I program. Adequate internal controls to help assure supporting documentation for the number of pupils who were economically disadvantaged were not in place.

We recommend the District review all grant expenditures to ensure they are allowable expenditures and that expenditures are incurred during the period of availability. The District should also maintain all required documentation for the grant in accordance with the above.

Official's Response:

Better record keeping is taking place in special education.

Finding Number	2008-008
CFDA Title and Number	Special Education Cluster (84.027 and 84.173)
Federal Award Number / Year	Title VI-B (6BSF-2007 and 6BSF-2008) Special Education-Preschool Grants (PGS1-2007 and PGS1-2008)
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Special Education Cluster - Material Noncompliance (*Eligibility*) and Material Weakness

34 CFR 300.342(a) states that at the beginning of each school year, each public agency shall have an Individualized Education Program (IEP) in effect for each child with a disability within its jurisdiction. Parents are to be consulted regarding a child's IEP in a timely manner and IEP's are required to be reevaluated every three years.

During our testing of IEP's and related student files for the 2008 Special Education Cluster grant year we noted the following:

- Six out of 40 (15%) of the individual ETR's (Evaluation Team Reports) were not completed within the prescribed three year timeframe.
- Two out of 40 (5%) of the IEP's did not have a parent's signature indicating they had received a copy of the parent's notice of their rights and the procedural safeguards.

Lack of complete IEP's could result in reduced future special education funding.

We recommend the District properly complete and retain IEP's for all students receiving special education services. The IEP's should be completed in a timely manner and contain all the proper signatures and the individual ETR should be reevaluated every three years.

Official's Response:

Completion and maintenance of accurate student records are priorities under the new director of special education.

**WARRENSVILLE HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	ORC 149.43(B)(1) and 149.351(A) – Missing supporting documentation. Finding for Recovery – Credit Cards	No	Repeated as Finding Number 2008-001.
2007-002	Finding for Recovery R.L. Thomas Transportation	No	Finding no Longer Valid.
2007-003	ORC 149.43(B)(1) and 149.351(A) – Missing supporting documentation.	No	Repeated as Finding Number 2008-002.
2007-004	ORC 5705.41(D)(1) – Proper Encumbering – 16 out of 60 expenditures were not properly encumbered.	No	Repeated as Finding Number 2008-003.
2007-005	ORC 5705.39 – Final Appropriations Limited by Estimated Resources – Seven funds were in violation at 6/30/07.	No	Repeated as Finding Number 2008-004.
2007-006	ORC 5705.41(B)(D) – Expenditures plus Encumbrances Exceeded Appropriations – 14 funds in violation at 6/30/07	No	Repeated as Finding Number 2008-005.
2007-007	ORC 5705.10(H) – Negative Fund Balances	No	Repeated as Finding Number 2008-006.
2007-008	Nutrition Cluster – Lack of documentation in support of the Claim for Reimbursement process, lack of proper application verification testing.	Yes	
2007-009	Title I - Missing documentation and obligations after the period of availability.	No	Repeated as Finding Number 2008-007.
2007-010	Individualized Education Programs (IEP) – Numerous incomplete and missing IEPs .	No	Repeated as Finding Number 2008-008.



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 22, 2012