



Dave Yost • Auditor of State

**CUYAHOGA HEIGHTS LOCAL SCHOOL DISTRICT
CUYAHOGA COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Cuyahoga Heights Local School District
Cuyahoga County
4820 East 71st Street
Cuyahoga Heights, Ohio 44125

To the Board of Education:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2014, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

April 30, 2014

Cuyahoga Heights Local School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2013

Unaudited

The discussion and analysis of the Cuyahoga Heights Local School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2013 are as follows:

- ❑ During fiscal year 2012, the taxpayers of the School District approved a 7.9 mill continuing operating levy. Collections on the approved levy started in fiscal year 2013.
- ❑ Both unions in the School District agreed to a total wage freeze for fiscal year 2013 and 2014 and agreed to pay 12 and 15 percent of their health care premiums in 2013 and 2014, respectively.

Using this Financial Report

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

The Statement of Net Position and the Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate and longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements explain how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the Cuyahoga Heights Local School District, the general fund is the most significant fund.

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While these statements contain information about the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2013?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all non-fiduciary assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting, similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net position and changes in that position. This change in net position is important because it tells the reader that, for the School District as a whole the financial position of the School District has improved or diminished. The causes of this change

Cuyahoga Heights Local School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2013

Unaudited

may be the result of many factors, some financial, some not. Non-financial factors include the School District's current property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Position and the Statement of Activities, all of the School District's activities are classified as governmental. All of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, operation of food services and extracurricular activities.

Reporting the School District's Most Significant Funds

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 on the School District's most significant funds. The School District's major governmental fund is the general fund.

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

Proprietary Funds The School District maintains one proprietary fund. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Internal service funds are an accounting device used to accumulate and allocate costs internally among the School District's various functions. The School District maintains such funds for its self-insurance of dental and vision related employee benefits.

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.

The School District as a Whole

Recall that the statement of net position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for the fiscal year 2013 compared to fiscal year 2012:

Cuyahoga Heights Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

Table 1
Net Position
Governmental Activities

	2013	2012 Restated	Change
Assets			
Current and Other Assets	\$14,935,404	\$11,556,220	\$3,379,184
Capital Assets, Net	4,187,396	4,631,729	(444,333)
<i>Total Assets</i>	<u>19,122,800</u>	<u>16,187,949</u>	<u>2,934,851</u>
Liabilities			
Current Liabilities	1,408,247	1,548,067	(139,820)
Long-Term Liabilities			
Due Within One Year	791,629	928,937	(137,308)
Due In More Than One Year	1,795,690	2,177,265	(381,575)
<i>Total Liabilities</i>	<u>3,995,566</u>	<u>4,654,269</u>	<u>(658,703)</u>
Deferred Inflows of Resources	<u>7,857,254</u>	<u>7,240,814</u>	<u>616,440</u>
Net Position			
Net Investment in Capital Assets	2,622,271	2,772,330	(150,059)
Restricted for:			
Debt Service	297,802	698,505	(400,703)
Capital Projects	448,998	90,783	358,215
Set Asides	51,309	45,676	5,633
Other Purposes	647,024	511,115	135,909
Unrestricted	3,202,576	174,457	3,028,119
<i>Total Net Position</i>	<u>\$7,269,980</u>	<u>\$4,292,866</u>	<u>\$2,977,114</u>

The increase in net position is attributable to the increase in property taxes compared to fiscal year 2012. Management continues to diligently plan expenses, staying carefully within the School District's revenues in an effort to extend the durations between its levy requests.

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for the current fiscal year. Table 2 shows total revenues, expenses and changes in net position for the fiscal years 2013 and 2012.

Cuyahoga Heights Local School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2013

Unaudited

Table 2
Governmental Activities

	2013	2012 Restated	Change
Program Revenues			
Charges for Services and Sales	\$1,148,867	\$1,147,057	\$1,810
Operating Grants and Contributions	208,206	238,244	(30,038)
Capital Grants and Interest	570,317	17,300	553,017
<i>Total Program Revenues</i>	<u>1,927,390</u>	<u>1,402,601</u>	<u>524,789</u>
General Revenues			
Property Taxes	10,146,755	7,705,413	2,441,342
Grants and Entitlements	4,309,649	4,616,838	(307,189)
Payment in Lieu of Taxes	91,100	91,138	(38)
Investment Earnings	1,853	4,301	(2,448)
Miscellaneous	91,176	23,479	67,697
<i>Total General Revenues</i>	<u>14,640,533</u>	<u>12,441,169</u>	<u>2,199,364</u>
<i>Total Revenues</i>	<u>16,567,923</u>	<u>13,843,770</u>	<u>2,724,153</u>
Program Expenses			
Instruction			
Regular	5,772,625	6,152,999	(380,374)
Special	1,323,606	1,402,884	(79,278)
Vocational	9,569	6,980	2,589
Support Services			
Pupil	707,274	838,251	(130,977)
Instructional Staff	521,341	563,961	(42,620)
Board of Education	54,092	55,666	(1,574)
Administration	1,339,982	1,295,693	44,289
Fiscal	450,402	591,973	(141,571)
Business	3,782	107,537	(103,755)
Operation and Maintenance of Plant	1,404,064	1,515,808	(111,744)
Pupil Transportation	759,243	817,775	(58,532)
Central	331,201	319,509	11,692
Operation of Food Service	311,034	379,884	(68,850)
Operation of Non-Instructional Services	91,530	131,237	(39,707)
Extracurricular Activities	710,688	790,083	(79,395)
Interest and Fiscal Charges	108,974	112,287	(3,313)
<i>Total Program Expenses</i>	<u>13,899,407</u>	<u>15,082,527</u>	<u>(1,183,120)</u>
<i>Special Item - Settlement</i>	<u>308,598</u>	<u>0</u>	<u>308,598</u>
<i>Change in Net Position</i>	2,977,114	(1,238,757)	4,215,871
<i>Net Position Beginning of Year (Restated)</i>	<u>4,292,866</u>	<u>5,531,623</u>	<u>(1,238,757)</u>
<i>Net Position End of Year</i>	<u>\$7,269,980</u>	<u>\$4,292,866</u>	<u>\$2,977,114</u>

Cuyahoga Heights Local School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2013

Unaudited

Governmental Activities

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

Thus school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service.

Overall instructional expenses decreased from the prior fiscal year. Supporting services including pupils, instructional staff, board of education, fiscal, business, pupil transportation and central expenses decreased due to the constant efforts of management to implement cost cutting measures that are part of the School District's continued commitment to fiscal responsibility.

The School District actively pursues grants and controls expenses while still maintaining the high academic standards the residents expect of the School District. Revenue from grants increased in fiscal year 2013, due to more grant dollars received compared to prior fiscal year.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, 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.

The majority of the programs listed below rely on general revenues for financing. Clearly, the communities that comprises the School District are the greatest source of financial support for the students of the Cuyahoga Heights Local School District.

Cuyahoga Heights Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

Table 3
 Total and Net Cost of Program Services
 Governmental Activities

	2013		2012	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction:				
Regular	\$5,772,625	(\$5,560,200)	\$6,152,999	(\$5,853,575)
Special	1,323,606	(1,181,560)	1,402,884	(1,250,244)
Vocational	9,569	(9,204)	6,980	(6,682)
Support Services:				
Pupil	707,274	(628,093)	838,251	(787,592)
Instructional Staff	521,341	(483,689)	563,961	(519,635)
Board of Education	54,092	(52,027)	55,666	(53,288)
Administration	1,339,982	(1,288,943)	1,295,693	(1,240,628)
Fiscal	450,402	(433,206)	591,973	(566,774)
Business	3,782	(3,782)	107,537	(103,177)
Operation and Maintenance of Plant	1,404,064	(1,035,771)	1,515,808	(1,457,492)
Pupil Transportation	759,243	(732,067)	817,775	(784,554)
Central	331,201	(62,566)	319,509	(268,976)
Operation of Food Service	311,034	(41,569)	379,884	(61,610)
Operation of Non-Instructional Services	91,530	46,992	131,237	(51,164)
Extracurricular Activities	710,688	(397,358)	790,083	(562,248)
Interest and Fiscal Charges	108,974	(108,974)	112,287	(112,287)
Total	\$13,899,407	(\$11,972,017)	\$15,082,527	(\$13,679,926)

The dependence upon general revenues for governmental activities is apparent. 94.94 percent of total expenses are supported through taxes and other general revenues. Program revenues support 13.87 percent of expenses.

The School District's Funds

Information regarding the School District's major funds begins on page 15. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$14,949,757 and expenditures of \$13,972,602. The general fund had an increase in fund balance mainly due to increases in property taxes. As one can see from the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds, property taxes comprise the School District largest revenue source, accounting for 57.17 percent of total governmental revenue.

General Fund Budgeting Highlights

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

During the course of fiscal year 2013, the School District amended its general fund budget several times. The School District uses an operational unit budget process and has in place systems that are designed to tightly control expenses but provide flexibility for program based decision and management.

Cuyahoga Heights Local School District

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

Due to optimistic estimates for property taxes and intergovernmental revenue, the original budget basis revenue amount was higher than final budget revenues. The School District's actual expenditures were \$377,252 lower than the final budget basis expenditures. This is due in large part to the School District's continued commitment to provide a quality education while still controlling the costs of that quality education.

Capital Assets and Debt Administration

Capital Assets

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

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

	2013	2012 Restated
Land	\$798,600	\$798,600
Land Improvements	379,688	431,611
Buildings and Improvements	2,333,967	2,430,674
Furniture and Equipment	570,107	818,692
Vehicles	105,034	152,152
<i>Total Capital Assets</i>	<u>\$4,187,396</u>	<u>\$4,631,729</u>

All capital assets, except land, are reported net of depreciation. The decrease in capital assets was due to current year depreciation outpacing acquisitions of capital assets. See Note 12 for additional capital asset information. For fiscal year 2013, Ohio law required school districts to expend or otherwise reserve three percent of qualifying revenues only for the purpose of capital improvements. For fiscal year 2013, this amounted to \$152,025. See Note 13 for additional set-aside information.

Debt

Table 5 summarizes the bonds outstanding as of June 30, 2013.

Table 5
Outstanding Long-term Debt at June 30
Governmental Activities

	2013	2012
2004 School Improvement Refunding Bonds	\$0	\$358,021
Capital Leases	1,565,125	1,745,427
Total	<u>\$1,565,125</u>	<u>\$2,103,448</u>

Cuyahoga Heights Local School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2013

Unaudited

The 2004 current interest construction refunding general obligation bonds were issued to advance refund the 1993 current interest construction bonds, which were originally issued for the acquisition and construction of equipment and facilities in the School District. These bonds include capital bonds in the amount of \$110,000. The bonds were paid in full during fiscal year 2013. The School District has entered into capital leases for synthetic turf playing field, goal posts and various improvements to School District buildings, bus, printers and phone system. See Note 18 to the basic financial statements for additional information on the School District's long-term obligations.

School District Outlook

The School District relies heavily on its local property taxpayers. The School District has been affected by declining tax base, changes in the personal property tax structure and commercial business uncertainties, and rising cost of goods and services due to inflation. The effects of a bankruptcy in 2000 by the second largest taxpayer in the School District are still being felt in the trend of decreasing tax revenues. The overall tax valuation has decreased from \$522,191,973 in 2002 to \$329,583,250 in 2013. One mil of tax valuation is generating less and less revenue for the School District. Although House Bill 66 is reimbursing the School District on the loss of personal property tax revenue, the potential growth in this tax revenue is still reduced since the reimbursements are based on the 2004 tax base. House Bill 66 greatly reduces and eliminates the potential growth in personal property tax during the phase out years. By 2018, an annual revenue stream of approximately \$4,000,000 will be eliminated from the revenue sources of the School District. The School District will lose \$18,000,000 in the phase-out years due to House Bill 66. The State of Ohio has yet to declare the new commercial revenue tax will be allocated to school districts. Presently, the commercial activity tax is funding the hold-harmless reimbursement payments for HB 66. As a result, the School District cannot count on the commercial activity tax as a future revenue source. Furthermore, the current housing market decline is affecting the historical average of 8 to 11 percent increases in value for revaluation years. Due to the housing environment, real estate taxes are not projected to grow. As of the last known information from the Governor's office the tangible personal property tax loss make-up payments will decrease dramatically over the duration of the State's biennium budget and beyond. Also, included is the complete phase-out of reimbursements to the School District for revenues lost due to utilities deregulation. All of these factors make it increasingly difficult for the School District to meet educational programming needs, rising utility costs, and increased special education services required for our students in the future.

House Bill 264

The School District has utilized the House Bill 264 program with the State of Ohio to reduce utility and maintenance expenditures through energy performance projects within the HB 264 program. The HB 264 program is a State House Bill that allows special financing opportunities for energy conservation permanent improvements in school districts. A phase of projects initiated in 2007 encompasses \$970,000 of heating, air condition, and lighting improvements. This project saved the School District \$110,000 annually, which was higher than projection, and more than paying the annual lease. The savings are expected to increase over the next fifteen years. Completing necessary building improvements under the HB 264 program improves the cash flow of the School District and also reduces expenditures.

Cuyahoga Heights Local School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2013

Unaudited

The future of State funding may greatly affect the financial horizon of the School District. The State of Ohio was found by the Ohio Supreme Court to be operating an unconstitutional education system in regards to the funding formula. Currently, an initiative is actively seeking a restructuring of the State Funding formula and Cuyahoga Heights Local School District is one of the multiple districts in Ohio that passed a board resolution supporting the campaign. However, the future is uncertain and there may be a risk of a redistribution of tax revenues for school districts in Ohio. This would be catastrophic to the School District since tax revenues are the primarily source of revenue. The 2010-11 biennial budget (Am. Sub. H.B. 1 of the 128th General Assembly), established a new funding formula called the Evidence-Based Model (EBM). Am. Sub. H.B. 153 of the 129th General Assembly repealed the EBM and implemented a temporary funding formula for the 2012-13 biennial budget as a new school funding formula is developed. The temporary formula is called the Bridge formula. The Bridge formula provides for a simplified approach to fund distribution based on fiscal year 2011 total calculated amounts on per pupil basis for both fiscal year 2012 and fiscal year 2013.

Possibly the most critical piece of funding is the uncertainty of the replacement dollars for tangible personal property tax. Over \$3.3 million were received from the State of Ohio in fiscal year 2013 to offset the loss of tangible personal property tax. There is no guarantee that this will continue. The loss of this stream of revenue would be financially devastating. All scenarios require management to plan carefully and prudently to provide the resources to meet student needs over the next several years. The due diligence of the Board of Education, Administration, Treasurer, Superintendent, community and finance committee contributes to the financial success of the School District and prudent financial decisions for the School District.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Joy Clickenger, Treasurer, at Cuyahoga Heights Local School District, 4820 E. 71st Street, Cuyahoga Heights, Ohio 44125-1095, or call (216) 429-5800 Treasurer's office.

Basic Financial Statements

Cuyahoga Heights Local School District

Statement of Net Position

June 30, 2013

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$3,099,397
Accounts Receivable	33,561
Intergovernmental Receivable	74,145
Materials and Supplies Inventory	5,609
Inventory Held for Resale	3,954
Property Taxes Receivable	11,627,638
Payments in Lieu of Taxes Receivable	91,100
Non-depreciable Capital Assets	798,600
Depreciable Capital Assets, Net	<u>3,388,796</u>
<i>Total Assets</i>	<u>19,122,800</u>
Liabilities	
Accounts Payable	72,270
Accrued Wages and Benefits	1,021,997
Intergovernmental Payable	213,637
Matured Compensated Absences Payable	34,639
Accrued Interest Payable	53,831
Claims Payable	11,873
Long-Term Liabilities:	
Due Within One Year	791,629
Due In More Than One Year	<u>1,795,690</u>
<i>Total Liabilities</i>	<u>3,995,566</u>
Deferred Inflows of Resources	
Property Taxes	<u>7,857,254</u>
Net Position	
Net Investment in Capital Assets	2,622,271
Restricted for:	
Debt Service	297,802
Capital Projects	448,998
Music and Athletics	617,952
Set Asides	51,309
Other Purposes	29,072
Unrestricted	<u>3,202,576</u>
<i>Total Net Position</i>	<u><u>\$7,269,980</u></u>

See accompanying notes to the basic financial statements

Cuyahoga Heights Local School District

Statement of Activities

For the Fiscal Year Ended June 30, 2013

	Program Revenues				Net (Expense)
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
Governmental Activities					
Instruction:					
Regular	\$5,772,625	\$212,425	\$0	\$0	(\$5,560,200)
Special	1,323,606	47,455	94,591	0	(1,181,560)
Vocational	9,569	365	0	0	(9,204)
Support Services:					
Pupil	707,274	58,877	20,304	0	(628,093)
Instructional Staff	521,341	18,878	18,774	0	(483,689)
Board of Education	54,092	2,065	0	0	(52,027)
Administration	1,339,982	51,039	0	0	(1,288,943)
Fiscal	450,402	17,196	0	0	(433,206)
Business	3,782	0	0	0	(3,782)
Operation and Maintenance of Plant	1,404,064	53,083	0	315,210	(1,035,771)
Pupil Transportation	759,243	27,176	0	0	(732,067)
Central	331,201	8,128	5,400	255,107	(62,566)
Operation of Non-Instructional Services:					
Food Service Operations	311,034	204,220	65,245	0	(41,569)
Other Non-Instructional Services	91,530	138,522	0	0	46,992
Extracurricular Activities	710,688	309,438	3,892	0	(397,358)
Interest and Fiscal Charges	108,974	0	0	0	(108,974)
Totals	\$13,899,407	\$1,148,867	\$208,206	\$570,317	(11,972,017)
General Revenues					
Property Taxes Levied for General Purposes					10,146,755
Grants and Entitlements not Restricted to Specific Programs					4,309,649
Payment in Lieu of Taxes					91,100
Investment Earnings					1,853
Miscellaneous					91,176
Total General Revenues					14,640,533
Special Item - Settlement					308,598
Total General Revenues and Special Item					14,949,131
Change in Net Position					2,977,114
<i>Net Position Beginning of Year - Restated (See Note 3)</i>					4,292,866
<i>Net Position End of Year</i>					\$7,269,980

See accompanying notes to the basic financial statements

Cuyahoga Heights Local School District

Balance Sheet

Governmental Funds

June 30, 2013

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$1,599,914	\$1,398,665	\$2,998,579
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	51,309	0	51,309
Accounts Receivable	17,205	16,356	33,561
Intergovernmental Receivable	46,752	27,393	74,145
Materials and Supplies Inventory	4,554	1,055	5,609
Inventory Held for Resale	0	3,954	3,954
Interfund Receivable	82,063	0	82,063
Property Taxes Receivable	11,627,638	0	11,627,638
Payments in Lieu of Taxes Receivable	0	91,100	91,100
<i>Total Assets</i>	<u>\$13,429,435</u>	<u>\$1,538,523</u>	<u>\$14,967,958</u>
Liabilities			
Accounts Payable	\$64,682	\$7,588	\$72,270
Accrued Wages and Benefits	1,020,107	1,890	1,021,997
Intergovernmental Payable	212,792	845	213,637
Matured Compensated Absences Payable	34,639	0	34,639
Interfund Payable	0	82,063	82,063
<i>Total Liabilities</i>	<u>1,332,220</u>	<u>92,386</u>	<u>1,424,606</u>
Deferred Inflows of Resources			
Unavailable Revenue	2,432,591	111,895	2,544,486
Property Taxes	7,857,254	0	7,857,254
<i>Total Deferred Inflows of Resources</i>	<u>10,289,845</u>	<u>111,895</u>	<u>10,401,740</u>
Fund Balances			
Nonspendable	4,554	1,055	5,609
Restricted	51,309	1,370,023	1,421,332
Assigned	139,135	0	139,135
Unassigned (Deficit)	1,612,372	(36,836)	1,575,536
<i>Total Fund Balances</i>	<u>1,807,370</u>	<u>1,334,242</u>	<u>3,141,612</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$13,429,435</u>	<u>\$1,538,523</u>	<u>\$14,967,958</u>

See accompanying notes to the basic financial statements

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

Total Governmental Fund Balances	\$3,141,612
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	4,187,396
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable in the funds.	
Delinquent Property Taxes	2,432,591
Payment in Lieu of Taxes	91,100
Intergovernmental	<u>20,795</u>
Total	2,544,486
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.	37,636
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(53,831)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Capital Leases	(1,565,125)
Compensated Absences	<u>(1,022,194)</u>
Total	<u>(2,587,319)</u>
<i>Net Position of Governmental Activities</i>	<u><u>\$7,269,980</u></u>

See accompanying notes to the basic financial statements

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

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property Taxes	\$8,547,325	\$0	\$8,547,325
Payment in Lieu of Taxes	0	91,138	91,138
Intergovernmental	4,309,649	735,553	5,045,202
Interest	1,818	35	1,853
Tuition and Fees	480,120	0	480,120
Extracurricular Activities	37,057	68,106	105,163
Contributions and Donations	19,954	4,242	24,196
Charges for Services	136,881	270,423	407,304
Rentals	2,647	153,633	156,280
Miscellaneous	80,400	10,776	91,176
<i>Total Revenues</i>	<u>13,615,851</u>	<u>1,333,906</u>	<u>14,949,757</u>
Expenditures			
Current:			
Instruction:			
Regular	5,565,889	0	5,565,889
Special	1,233,331	91,478	1,324,809
Vocational	9,585	0	9,585
Support Services:			
Pupil	656,536	39	656,575
Instructional Staff	495,841	20,737	516,578
Board of Education	54,181	0	54,181
Administration	1,334,826	0	1,334,826
Fiscal	453,747	0	453,747
Operation and Maintenance of Plant	1,324,048	71,493	1,395,541
Pupil Transportation	705,316	0	705,316
Central	213,102	63,261	276,363
Operation of Non-Instructional Services	44,127	310,043	354,170
Extracurricular Activities	529,897	172,020	701,917
Capital Outlay	0	5,284	5,284
Debt Service:			
Principal Retirement	15,910	274,392	290,302
Interest and Fiscal Charges	1,339	61,180	62,519
Capital Appreciation Bond Interest	0	265,000	265,000
<i>Total Expenditures</i>	<u>12,637,675</u>	<u>1,334,927</u>	<u>13,972,602</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>978,176</u>	<u>(1,021)</u>	<u>977,155</u>
Other Financing Sources (Uses)			
Transfers In	0	110,000	110,000
Transfers Out	(110,000)	0	(110,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(110,000)</u>	<u>110,000</u>	<u>0</u>
Special Item - Settlement	<u>308,598</u>	<u>0</u>	<u>308,598</u>
<i>Net Change in Fund Balances</i>	1,176,774	108,979	1,285,753
<i>Fund Balances Beginning of Year</i>	<u>630,596</u>	<u>1,225,263</u>	<u>1,855,859</u>
<i>Fund Balances End of Year</i>	<u><u>\$1,807,370</u></u>	<u><u>\$1,334,242</u></u>	<u><u>\$3,141,612</u></u>

See accompanying notes to the basic financial statements

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

Net Change in Fund Balances - Total Governmental Funds \$1,285,753

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 is allocated over their estimated useful lives as depreciation expense.

This is the amount by which depreciation exceeded capital outlay in the current period.

Capital Asset Additions	7,189	
Current Year Depreciation	(451,522)	
Total		(444,333)

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

Property Taxes	1,599,430	
Payment in Lieu of Taxes	(38)	
Intergovernmental	18,774	
Total		1,618,166

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 555,302

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

Accrued Interest	(25,703)	
Amortization of Premium	(16,979)	
Amortization of Issuance Costs	(3,773)	
Total		(46,455)

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (19,440)

The internal service fund used by management to charge the costs of insurance to individual funds are not reported in the district-wide statements of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. 28,121

Change in Net Position of Governmental Activities \$2,977,114

See accompanying notes to the basic financial statements

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

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	\$7,955,900	\$8,300,000	\$8,048,925	(\$251,075)
Intergovernmental	4,638,770	4,232,137	4,262,897	30,760
Interest	15,000	15,000	1,818	(13,182)
Tuition and Fees	561,600	565,200	477,930	(87,270)
Extracurricular Activities	2,650	2,650	1,178	(1,472)
Contributions and Donations	2,000	2,000	0	(2,000)
Charges for Services	82,200	84,200	136,881	52,681
Rentals	2,000	2,000	2,647	647
Miscellaneous	779,462	(225,787)	80,916	306,703
<i>Total Revenues</i>	<u>14,039,582</u>	<u>12,977,400</u>	<u>13,013,192</u>	<u>35,792</u>
Expenditures				
Current:				
Instruction:				
Regular	6,761,946	5,698,768	5,640,965	57,803
Special	1,291,010	1,360,208	1,272,377	87,831
Vocational	3,000	9,595	9,585	10
Support Services:				
Pupil	509,033	623,630	661,849	(38,219)
Instructional Staff	354,461	512,211	509,355	2,856
Board of Education	54,500	59,781	55,480	4,301
Administration	976,995	1,361,015	1,299,476	61,539
Fiscal	443,798	492,970	459,042	33,928
Business	51,318	51,501	5,916	45,585
Operation and Maintenance of Plant	1,170,574	1,477,147	1,371,766	105,381
Pupil Transportation	654,521	758,183	743,261	14,922
Central	182,867	195,043	230,941	(35,898)
Operation of Non-Instructional Services	38,703	50,147	49,619	528
Extracurricular Activities	429,722	592,338	555,653	36,685
<i>Total Expenditures</i>	<u>12,922,448</u>	<u>13,242,537</u>	<u>12,865,285</u>	<u>377,252</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,117,134</u>	<u>(265,137)</u>	<u>147,907</u>	<u>413,044</u>
Other Financing Sources (Uses)				
Transfers In	25,000	25,000	0	(25,000)
Advances In	254,976	0	0	0
Transfers Out	(350,000)	(150,000)	(110,000)	40,000
Advances Out	0	0	(42,067)	(42,067)
<i>Total Other Financing Sources (Uses)</i>	<u>(70,024)</u>	<u>(125,000)</u>	<u>(152,067)</u>	<u>(27,067)</u>
<i>Special Item - Settlement</i>	<u>0</u>	<u>0</u>	<u>308,598</u>	<u>308,598</u>
<i>Net Change in Fund Balance</i>	<u>1,047,110</u>	<u>(390,137)</u>	<u>304,438</u>	<u>694,575</u>
<i>Fund Balance Beginning of Year</i>	<u>959,591</u>	<u>959,591</u>	<u>959,591</u>	<u>0</u>
<i>Prior Year Encumbrances Appropriated</i>	<u>203,697</u>	<u>203,697</u>	<u>203,697</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$2,210,398</u>	<u>\$773,151</u>	<u>\$1,467,726</u>	<u>\$694,575</u>

See accompanying notes to the basic financial statements

Cuyahoga Heights Local School District

Statement of Fund Net Position

Internal Service Fund

June 30, 2013

	<u>Employee Benefit Self Insurance</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$49,509
Liabilities	
Claims Payable	<u>11,873</u>
Net Position	
Unrestricted	<u><u>\$37,636</u></u>

See accompanying notes to the basic financial statements

Cuyahoga Heights Local School District
*Statement of Revenues,
Expenses and Changes in Fund Net Position
Internal Service Fund
For the Year Ended June 30, 2013*

	Employee Benefit Self Insurance
Operating Revenues	
Charges for Services	\$127,834
Operating Expenses	
Purchased Services	11,325
Claims	88,388
<i>Total Operating Expenses</i>	99,713
<i>Change in Net Position</i>	28,121
<i>Net Position Beginning of Year</i>	9,515
<i>Net Position End of Year</i>	\$37,636

See accompanying notes to the basic financial statements

Cuyahoga Heights Local School District

Statement of Cash Flows

Internal Service Fund

For the Year Ended June 30, 2013

	<u>Employee Benefit Self Insurance</u>
<i>Increase (Decrease) in Cash and Cash Equivalents</i>	
Cash Flows from Operating Activities	
Cash Received from Interfund Services Provided	\$127,834
Cash Payments for Goods and Services	(11,325)
Cash Payments for Claims	<u>(98,215)</u>
<i>Net Increase in Cash and Cash Equivalents</i>	18,294
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>31,215</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$49,509</u></u>
 <i>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</i>	
<i>Operating Income</i>	\$28,121
Increase in Claims Payable	<u>(9,827)</u>
<i>Net Cash Provided by Operating Activities</i>	<u><u>\$18,294</u></u>

See accompanying notes to the basic financial statements

Cuyahoga Heights Local School District

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2013

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	<u>\$362,108</u>	<u>\$110,338</u>
Liabilities		
Intergovernmental Payable	0	\$4,991
Due to Students	<u>0</u>	<u>105,347</u>
<i>Total Liabilities</i>	<u>0</u>	<u>\$110,338</u>
Net Position		
Held in Trust for Scholarships	<u>\$362,108</u>	

See accompanying notes to the basic financial statements

Cuyahoga Heights Local School District
Statement of Changes in Fiduciary Net Position
Private Purpose Trust Funds
For the Fiscal Year Ended June 30, 2013

	Scholarship
Additions	
Interest	\$2,343
Contributions and Donations	14,405
<i>Total Additions</i>	16,748
Deductions	
Scholarships Awarded	15,752
<i>Change in Net Position</i>	996
<i>Net Position Beginning of Year</i>	361,112
<i>Net Position End of Year</i>	\$362,108

See accompanying notes to the basic financial statements

Cuyahoga Heights Local School District

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

Note 1 – Description of the School District

The Cuyahoga Heights Local School District (the School District) is located in Cuyahoga County in the Village of Cuyahoga Heights. The School District also serves the Villages of Brooklyn Heights and Valley View. The School District serves an area of approximately 11.3 square miles.

The School District is organized under Sections 2 and 3, Article VI of the Constitution of the State of Ohio. Under such laws, there is no authority for a school district to have a charter or adopt local laws. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at large for staggered four-year terms.

The School District ranks as the 112th smallest by enrollment among the 612 public school districts in the State. It currently operates one elementary school, one middle school and one comprehensive high school. The School District employs 62 certified (including administrative) and 68 non-certified full-time and part-time employees to provide services to approximately 890 students from pre-school (age 4) to grade 12 and various community groups.

Reporting Entity

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the 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 has no component units.

The School District participates in three jointly governed organizations and two public entity risk pools, the Northeast Ohio Network for Educational Technology, Ohio Schools Council, the Cuyahoga Valley Career Center and the Ohio School Boards Association Workers' Compensation Group Rating Plan and the Suburban Health Consortium. These organizations are presented in Notes 20 and 21 to the basic financial statements.

Cuyahoga Heights Local School District

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

Note 2 – Summary of Significant Accounting Policies

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

Basis of Presentation

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

Government-wide Financial Statements The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. These statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type. The School District, however, has no business-type activities.

The statement of net position presents the financial condition of the governmental activities of the School District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore 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 function is self-financing or draws from the general revenues of the School District.

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

Fund Accounting

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

Cuyahoga Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

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 and deferred inflows of resources is reported as fund balance. The School District's only major governmental fund is the general fund.

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

The other governmental funds of the School District account for activities relating to the repayment of general long-term debt principal, interest and related costs and grants and other resources whose use is restricted, committed or assigned to a particular purpose.

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

Internal Service Fund The internal service fund accounts for and reports the financing of services provided by one fund, department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund is a self insurance fund that accounts for dental and vision insurance benefits of School District employees.

Fiduciary Funds Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's trust funds are private purpose trust funds which account for and report college scholarship programs for students. The School District has two agency funds which account for and report resources that belong to the School District agency services and the student bodies of the various schools.

Measurement Focus

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

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

Cuyahoga Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

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

The private purpose trust fund is reported using the economic resources measurement focus.

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 and the statement presented for proprietary and fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows of resources and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year-end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 8). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes

Cuyahoga Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

represent amounts for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance fiscal year 2014 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District unavailable revenue includes delinquent property taxes, payments in lieu of taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

Budgetary Data

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original 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.

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

Cash and Cash Equivalents

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

Cuyahoga Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

The School District has invested in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2013. 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 net asset value per share which is the price the investment could be sold at June 30, 2013.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2013 amounted to \$1,818, which includes \$961 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 reported as cash equivalents.

Restricted Assets

Assets are reported as restricted when limitations on their use change the nature of normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or the laws of other governments, or imposed by law through constitutional provisions. Restricted assets on the balance sheet represent monies required by State statute to be set aside for the acquisition or construction of capital assets. See Note 22 for additional information regarding set-asides.

Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventories consist of expendable supplies held for consumption, donated food and purchased food. Inventories are accounted for using the consumption method.

Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of assets by backtrending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of twenty-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.

Cuyahoga Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

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

Description	Estimated Lives
Land Improvements	20 years
Buildings and Improvements	25 - 50 years
Furniture and Equipment	5 - 20 years
Vehicles	5 - 10 years

Interfund Balances

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

Compensated Absences

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive severance benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave after twenty years of current service with the School District or at least 50 years of age.

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

For governmental funds, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees who have resigned or retired will be paid. The non-current portion of the liability is not reported.

Operating Revenues and Expenses

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

Cuyahoga Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements and all payables, accrued liabilities and long-term obligations payable from the proprietary fund are reported on the proprietary fund 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 payment during the current fiscal year.

Fund Balance

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

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

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

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

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

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

Cuyahoga Heights Local School District

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

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

Net Position

Net Position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for food services and federal grant programs.

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

Internal Activity

Transfers between governmental activities are eliminated on the government-wide financial statements. Internal events that are allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Interfund payments for 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.

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. During fiscal year 2013, the School District received \$308,598 for a settlement from an audit finding.

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.

Bond Premiums

On the government-wide financial statements, bond premiums are deferred and amortized for the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method. Bond premiums are presented as an increase of the face amount of the bonds payable. On governmental fund statements, bond premiums are reported in the year the bonds are issued.

Cuyahoga Heights Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 3 – Change in Accounting Principles and Restatement of Net Position

Changes in Accounting Principles

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

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

GASB Statement No. 61 modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, the display of component units presentation and certain disclosure requirements. The implementation of this statement did not result in any change in the School District’s financial statements.

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

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

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

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

Restatement of Prior Year’s Net Position

During the year it was determined that payment in lieu of taxes receivable was overstated by \$750,835. It was also determined that capital assets were overstated by \$1,177,792. This restatement decreased net position at June 30, 2012 from \$6,221,493 to \$4,292,866.

Cuyahoga Heights Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 4 – Accountability

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

Fund	Fund Balance
<i>Special Revenue Funds:</i>	
Alternative Schools	\$49
Title II-A	36,787

The deficits in the special revenue funds are due to adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and provides transfers when cash is required, rather than when accruals occur.

Note 5 – Fund Balances

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

Fund Balances	General	Other Governmental Funds	Total
<u><i>Nonspendable:</i></u>			
Inventory	\$4,554	\$1,055	\$5,609
<u><i>Restricted for:</i></u>			
Support Services	0	24,063	24,063
Music and Athletics	0	617,952	617,952
Food Service	0	18,477	18,477
Debt Service	0	351,633	351,633
Capital Improvements	51,309	357,898	409,207
<i>Total Restricted</i>	51,309	1,370,023	1,421,332
<u><i>Assigned to:</i></u>			
Uniform School Supplies	6,696	0	6,696
Purchases on Order	132,439	0	132,439
<i>Total Assigned</i>	139,135	0	139,135
Unassigned (Deficit)	1,612,372	(36,836)	1,575,536
Total Fund Balances	\$1,807,370	\$1,334,242	\$3,141,612

Cuyahoga Heights Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 6 – 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 Balance - Budget (Non-GAAP Basis) and Actual presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and GAAP basis are as follows:

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 restricted, committed, or assigned fund balance (GAAP basis).
4. Unrecorded cash, which consists of unrecorded interest, is not reported by the School District on the budget basis operating statements, but is reported on the GAAP basis operating statements.
5. Budgetary revenues and expenditures of the uniform school supplies, adult education and public school support funds are reclassified to the general fund for GAAP reporting.
6. Advances in and Advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

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

Net Change in Fund Balance	
GAAP Basis	\$1,176,774
Net Adjustment for Revenue Accruals	(663,382)
Net Adjustment for Expenditure Accruals	(26,113)
Advances Out	(42,067)
Beginning Unrecorded Cash	4,788
Perspective Differences:	
Uniform School Supplies	542
Public School Support	(3,912)
Adjustments for Encumbrances	(142,192)
Budget Basis	\$304,438

Cuyahoga Heights Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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

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.

Cuyahoga Heights Local School District

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

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$620,384 of the School District's bank balance of \$1,111,337 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

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

Investments

Investments are reported at fair value. As of June 30, 2013, the School District had \$2,286,233 invested in STAR Ohio, which had an average maturity of 57.5 days.

Interest Rate Risk The School District has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk STAR Ohio carries a rating of AAAM 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 investment policy that addresses credit risk.

Note 8 – Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2013 represents collections of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed value listed as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State law at 35 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.

Cuyahoga Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

Public utility property tax revenue received in calendar year 2013 represents collections of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien December 31, 2011, were levied after April 1, 2012 and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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

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

The amount available as an advance at June 30, 2013, was \$1,337,793 in the general fund. The amount available as an advance at June 30, 2012, was \$839,393 in the general 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 reported as deferred inflows of resources - unavailable revenue.

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

	2012 Second		2013 First	
	Half Collections		Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$312,586,860	90.96 %	\$296,201,150	89.87 %
Public Utility	31,061,710	9.04	33,382,100	10.13
	<u>\$343,648,570</u>	<u>100.00 %</u>	<u>\$329,583,250</u>	<u>100.00 %</u>
Full Tax rate per \$1,000 of assessed valuation		\$27.80		\$35.70

On March 6, 2012, the residents of the School District approved a 7.9 mill continuous operating levy. Tax revenue from this levy was received beginning January 1, 2013.

Note 9 – Receivables

Receivables at June 30, 2013, consisted of taxes, accounts (billings for user charged services and student fees), interfund, 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, except delinquent property taxes, are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected in one year.

Cuyahoga Heights Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

A summary of the principal items of intergovernmental receivable follows:

<u>Governmental Activities</u>	<u>Amount</u>
Workers' Compensation Refund	\$26,071
Improving Teacher Quality	20,795
Superintendent Grant	12,401
Tax Evaluations	8,281
Alternative Education Grant	<u>6,597</u>
Total Governmental Activities	<u><u>\$74,145</u></u>

Payments in Lieu of Taxes

According to state law, the School District has established several tax incremental financing districts within the School District under which the School District has granted property tax exemptions and agreed to construct certain infrastructure improvements. The property owners have agreed to make payments to the School District to help pay the costs of the infrastructure improvements. The amount of those payments generally reflects all or a portion of the property taxes which the property owners would have paid if the property had not been declared exempt. The property owners' contractual promise to make these payments in lieu of taxes generally continues until the costs of the improvement have been paid or the agreement expires, whichever occurs first. Future development by these owners or others may result in subsequent agreements to make payments in lieu of taxes and may therefore spread the costs of the improvements to a larger number of property owners.

Note 10 – Contingencies

Grants

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

Litigation

The School District is party to various legal proceedings. The outcomes of these proceedings are indeterminable at this time.

Theft Loss

In a report dated October 8, 2012, Auditor of State Dave Yost's Office issued findings for recovery for public money totaling \$4.2 million in favor of the School District. According to the findings, former IT Director Joseph Palazzo authorized 436 payments, totaling \$3,844,155, to seven companies in which the District received no goods or services. Ten findings for recovery were issued against various vendors and individuals in this amount. An additional 179 transactions, totaling \$336,495, were found to be made for goods or services that cannot be located by the School District. A finding for recovery was issued against Palazzo in this amount, with additional individuals held jointly and severally liable for portions of the

Cuyahoga Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

amount. Additionally, a review of bank records revealed payments totaling \$1,308,194 made directly to Palazzo from four of the seven vendors after they received their payments from the School District. Legal action is being taken against all parties involved in the above findings for recovery. The School District anticipates funds will be recovered, but is unable to determine the actual amount. The School District recovered \$357,469 during fiscal year 2013. Furthermore, the School District is in the process of adjusting its capital asset listing to accurately reflect the assets in its possession.

Note 11 – Risk Management

Workers' Compensation

For fiscal year 2013, the School District participated in the Ohio Association of School Business Officials Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 20). The intent of the GRP is to achieve the benefits of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate of the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

Property and Liability

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. During fiscal year 2013, the School District contracted for the following insurance coverage:

<u>Company</u>	<u>Type of Coverage</u>	<u>Coverage Amount</u>
Arenda Insurance	Treasurer's Bond	\$100,000
	Blanket Bond (per employee)	5,000
Todd Associates	Blanket Property	58,628,677
Ohio Casualty	Inland Marine	4,005,490
	General Liability:	
	Limit	1,000,000
	Aggregate	2,000,000
	Flood and Earthquake:	
	Flood Limit	1,000,000
	Earthquake Limit	1,000,000
	Employee Dishonesty	160,000
	Fleet, Combined Single Unit	1,000,000
	Uninsured Motorists	1,000,000
	Law Enforcement	1,000,000
	Umbrella	6,000,000
	Employee Benefits, Aggregate	3,000,000
	Employee Benefits Limit	1,000,000
	Boiler and Machinery	50,000,000
	School Leaders Errors and Omissions:	
	Aggregate	1,000,000
Limit	1,000,000	

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Notes to the Basic Financial Statements
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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 last year.

Self-Insurance

Dental and vision insurance is offered to employees through a self-insurance internal service fund. The School District's monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. The School District utilizes the services of Mutual Health Services Inc., the third party administrator, to review, process, and pay employee claims. The claims liability of \$11,873 reported in the internal service fund at June 30, 2013, is based on an estimate provided by the third party administrator.

The claims liability of \$11,873 reported in the internal service fund at June 30, 2013 is based on the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

The change in claims activity for the current fiscal year and prior year is as follows:

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2012	\$17,100	\$142,461	\$137,861	\$21,700
2013	21,700	88,388	98,215	11,873

Employee Medical Benefits

The School District participates in the Suburban Health Consortium, a shared risk pool (Note 20) to provide group health insurance coverage. Rates are set or determined by the Board of Directors. The School District pays a monthly contribution which is placed in a reserve fund from which the claims payments are made for all participating districts.

Note 12 – Significant Commitments

Encumbrances

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

General	\$142,192
Other Governmental Funds	<u>37,705</u>
Total	<u><u>\$179,897</u></u>

Cuyahoga Heights Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 13 – Capital Assets

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

	Balance 6/30/12 <u>Restated</u>	<u>Additions</u>	<u>Deletions</u>	Balance 6/30/13
<i>Capital Assets, not being depreciated:</i>				
Land	\$798,600	\$0	\$0	\$798,600
<i>Capital Assets, being depreciated:</i>				
Land Improvements	1,126,979	0	0	1,126,979
Buildings and Improvements	11,452,307	0	0	11,452,307
Furniture and Equipment	4,676,707	7,189	0	4,683,896
Vehicles	999,045	0	0	999,045
<i>Total Capital Assets, being depreciated</i>	<u>18,255,038</u>	<u>7,189</u>	<u>0</u>	<u>18,262,227</u>
Less Accumulated Depreciation:				
Land Improvements	(695,368)	(51,923)	0	(747,291)
Buildings and Improvements	(9,021,633)	(96,707)	0	(9,118,340)
Furniture and Equipment	(3,858,015)	(255,774)	0	(4,113,789)
Vehicles	(846,893)	(47,118)	0	(894,011)
<i>Total Accumulated Depreciation</i>	<u>(14,421,909)</u>	<u>(451,522)</u>	<u>0</u>	<u>(14,873,431)</u>
<i>Total Capital Assets, being depreciated, net</i>	<u>3,833,129</u>	<u>(444,333)</u>	<u>0</u>	<u>3,388,796</u>
Governmental Activities Capital Assets, Net	<u>\$4,631,729</u>	<u>(\$444,333)</u>	<u>\$0</u>	<u>\$4,187,396</u>

Depreciation expense was charged to governmental functions as follows:

	<u>Amount</u>
Instruction:	
Regular	\$213,036
Special	1,000
Support Services:	
Pupil	49,331
Instructional Staff	3,952
Administration	3,491
Business	3,782
Operation and Maintenance of Plant	12,035
Pupil Transportation	52,090
Central	55,200
Non-Instructional Services	50,818
Extracurricular Activities	6,787
Total Depreciation Expense	<u>\$451,522</u>

Cuyahoga Heights Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 14 – Interfund Transactions

Interfund Balances

As of June 30, 2013, the School District had the following interfund balances:

Interfund Payable	Interfund Receivable General Fund
Alternative Schools	\$6,604
Race to the Top	15,197
Improving Teacher Quality	36,996
Permanent Improvements	23,266
	\$82,063

The advances from the general fund to the special revenue funds were to support the funds programs pending the receipts of grant money. The advance from the general fund to the permanent improvement capital projects fund was to support its activities due to prior year’s improvement projects associated with High School lap top and smart boards program. All advances are payable to the general fund and are expected to be repaid in fiscal year 2014.

Interfund Transfers

During fiscal year 2013, the general fund transferred \$60,000 and \$50,000 to food service and music and athletics special revenue funds, respectively. The transfers were to move unrestricted balances to support programs and projects accounted for in other funds.

Note 15 – Defined Benefit Pension Plans

School Employees Retirement System

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2013, the allocation to pension and

Cuyahoga Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

death benefits was 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2013, 2012, and 2011 were \$278,393, \$300,980, and \$292,258, respectively. For fiscal year 2013, 96.80 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

State Teachers Retirement System

Plan Description – The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that can 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 multiplied by 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 DB Plan and the DC 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 payment or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

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

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The statutory maximum employee contribution rate will be increased one percent each year beginning July 1, 2013, until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2013, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$677,251 and \$8,269 for the fiscal year ended June 30, 2013, \$755,524 and \$8,304 for the fiscal year ended June 30, 2012, and \$775,999 and \$15,681 for the fiscal year ended June 30, 2011. For fiscal year 2013, 83.92 percent has been contributed for the DB plan and

Cuyahoga Heights Local School District

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

83.92 percent has been contributed for the Combined Plan, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

Contributions made to STRS Ohio for the DC Plan and for fiscal year 2013 were \$126 made by the School District and \$90 made by the plan members. In addition, member contributions of \$5,907 were made for fiscal year 2013 for the defined contribution portion of the Combined Plan.

Social Security System

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

Note 16 – Postemployment Benefits

School Employees Retirement System

Plan Description – The School District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2013, 0.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2013, this amount was \$20,525. During fiscal year 2013, the School District paid \$36,385 in surcharge.

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

The School District's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$3,400, \$13,035, and \$18,807, respectively. For fiscal year 2013, 96.80 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of

Cuyahoga Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011, were \$15,726, \$17,774, and \$72,690 respectively. For fiscal year 2013, 96.80 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$52,096, \$58,117, and \$59,692 respectively. For fiscal year 2013, 83.92 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

Note 17 – Employee Benefits

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws.

Classified Employees Classified employees earn ten to twenty five days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Classified employees earn sick leave at the rate of one and one-quarter day per month to a maximum of fifteen days in any one year. The accumulation of unused sick leave is unlimited. Eligibility for severance pay shall be defined as qualifying for retirement benefits from the School Employees Retirement System providing the employee has eight or more consecutive years of service in the employment of the Cuyahoga Heights Local School District. When eligibility for severance pay has been established, the employee will be paid 30 percent of accumulated sick leave to his/her credit as of his/her last day of service, to a maximum severance pay of seventy-six days. Payment will be made within one hundred and twenty days from their last month of service, within the calendar year of retirement.

Certified Employees Teachers and administrators do not earn vacation time. Teachers earn sick leave at the rate of one and one-quarter day per month to a maximum of fifteen days in any one year. The accumulation of unused sick leave is unlimited. Eligibility for severance pay shall be defined as qualifying for retirement benefits from the State Teachers Retirement System providing the teacher has had five years of consecutive teaching experience in the Cuyahoga Heights Local School District. When eligibility for severance pay has been established, the teacher will be paid 30 percent of accumulated sick leave to his/her credit as of his/her last day of service, to a maximum severance pay of seventy-six days. Payment will be computed on the

Cuyahoga Heights Local School District
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For the Fiscal Year Ended June 30, 2013

teacher's daily rate of pay in the last year of service, exclusive of supplemental pay. Payment will be made within one hundred and twenty days from their last month of service, within the calendar year of retirement.

Note 18 – Long-Term Obligations

The changes in the School District's long-term obligations during the year consist of the following:

	Amount Outstanding 6/30/12	Additions	Reductions	Amount Outstanding 6/30/13	Amount Due in One Year
General Obligation Bonds:					
2004 Current Interest Construction Bonds					
Capital Appreciation Bonds	\$110,000	\$0	(\$110,000)	\$0	\$0
Accretion	240,276	24,724	(265,000)	0	0
Premium	7,745	0	(7,745)	0	0
<i>Total General Obligation Bonds</i>	<u>358,021</u>	<u>24,724</u>	<u>(382,745)</u>	<u>0</u>	<u>0</u>
Other Long-term Obligations:					
Capital Leases	1,745,427	0	(180,302)	1,565,125	356,731
Compensated Absences	1,002,754	67,328	(47,888)	1,022,194	434,898
<i>Total Other Long-term Obligations</i>	<u>2,748,181</u>	<u>67,328</u>	<u>(228,190)</u>	<u>2,587,319</u>	<u>791,629</u>
<i>Total Governmental Activities</i>					
<i>Long-Term Liabilities</i>	<u>\$3,106,202</u>	<u>\$92,052</u>	<u>(\$610,935)</u>	<u>\$2,587,319</u>	<u>\$791,629</u>

The 2004 current interest construction refunding general obligation bonds were issued to advance refund the 1993 current interest construction bonds, which were originally issued for the acquisition and construction of equipment and facilities in the School District. These bonds include capital appreciation bonds in the amount of \$110,000. The bonds were paid in full in 2013, from the bond retirement debt service fund.

Compensated absences will be paid from the general fund and the food service special revenue fund.

The School District's overall debt margin was \$30,014,126 with an unvoted debt margin of \$329,583 at June 30, 2013.

Note 19 - Capital Leases

In previous years, the School District entered into capitalized lease obligations for the purchase of a new synthetic turf playing field, goal posts, various improvements to School District buildings, bus, phone system and printers. The leases meet the criteria for capital leases and have been recorded on the government-wide statements. The original amounts capitalized for the capital leases and their book values as of June 30, 2013 are as follows:

Cuyahoga Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

	<u>Amounts</u>
Assets:	
Land Improvements	\$668,150
Buildings and Improvements	1,553,000
Vehicles	78,690
Equipments	<u>69,540</u>
Total Assets	2,369,380
Less: Accumulated Depreciation	<u>(346,145)</u>
Current Book Value	<u><u>\$2,023,235</u></u>

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2013.

	<u>Amounts</u>
2014	\$412,599
2015	505,084
2016	152,708
2017	152,708
2018	152,708
2019-2023	<u>394,043</u>
Total Minimum Lease Payments	1,769,850
Less: Amount Representing Interest	<u>(204,725)</u>
Present Value of Minimum Lease Payments	<u><u>\$1,565,125</u></u>

Note 20 – Jointly Governed Organizations

Northeast Ohio Network for Educational Technology

The Northeast Ohio Network for Educational Technology (NEONET) is the computer service organization or Information Technology Center (ITC) used by the School District. NEONET is an association of public school districts in a geographic area determined by the Ohio Department of Education. The Summit County Educational Service Center acts as the fiscal agent for the consortium. The purpose of the consortium is to develop and employ a computer system efficiently and effectively for the needs of the member Boards of Education. All districts in the consortium are required to pay fees, charges, and assessments as charged. A board made up of superintendents from all of the participating districts governs NEONET. The Board exercises total control over the operations of NEONET including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the Board. An elected Executive Board consisting of five members of the governing board is the managerial body of the consortium and meets on a monthly basis. Payments to NEONET are made from the general fund. The School District paid \$46,744 in contributions to NEONET in fiscal year 2013. Financial information can be obtained by contacting the Treasurer at the Summit County Educational Service Center, who serves as the fiscal agent, at 420 Washington Avenue, Suite 200, Cuyahoga Falls, Ohio 44221.

Ohio Schools Council

The Ohio Schools Council (Council) is a jointly governed organization among 198 school districts. The jointly governed organization was created by school districts for the purpose of saving money through

Cuyahoga Heights Local School District

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

volume purchases. Each district supports the Council by paying an annual participation fee. Each school district member's superintendent serves as a representative of the Assembly. The Assembly elects five of the Council's Board members and the remaining four are representatives of the Greater Cleveland School Superintendents' Association. The Assembly exercises total control over the operations of the Ohio Schools Council including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the Assembly. The Council operates under a nine-member Board of Directors (the Board). The Board is the policy making authority of the Council. The Board meets monthly September to June. The Board appoints an Executive Director who is responsible for receiving and disbursing funds, investing available funds, preparing financial reports for the Board and Assembly and carrying out such other responsibilities as designated by the Board. In fiscal year 2013, the School District paid \$2,489 to the Council. Financial information can be obtained by contacting Dr. William Zelei, the Executive Director at the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

The School District participates in the natural gas purchase program. This program allows the School District to purchase natural gas at reduced rates. Compass Energy has been selected as the new supplier and program manager for the period from October 1, 2010 through March 31, 2013. There are currently 151 participants in the program including the Cuyahoga Heights Local School District. The participants make monthly payments based on estimated usage. Each September, these estimated payments are compared to their actual usage for the year (July to June). Districts that paid more in estimated billings than their actual billings are issued credits on future billings beginning in September until the credits are exhausted and districts that did not pay enough on estimated billings are invoiced for the difference on the September monthly estimated billing.

The School District also participates in the Council's current electric purchase program. In September/October 2009, 110 school districts joined a new OSC electricity discount program, Power for Schools. The Program provides a fixed price rate for electricity supplied by First Energy Solutions of \$0.051 per kwh for the generation of electricity which cannot be increased until June 2011 meter reading. School districts are not charged a fee by OSC to participate in this program. School districts pay the utility (Ohio Edison, Toledo Edison or Cleveland Electric Illuminating Co.) directly and receive a discount for the fixed price of generation.

Cuyahoga Valley Career Center

The Cuyahoga Valley Career Center (a joint vocational school) is a district political subdivision of the State of Ohio operated under the direction of a Board, consisting of representatives from each participating school district's elected board, which possess its own budgeting and taxing authority. The Board exercises total control over the operations of the Cuyahoga Valley Career Center including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the Board. Accordingly, the Cuyahoga Valley Career Center is not part of the School District and its operations are not included as part of the reporting entity. The School District made no contributions to the Cuyahoga Valley Career Center during fiscal year 2013. Financial information can be obtained by contacting the Treasurer at the Cuyahoga Valley Career Center, 8001 Brecksville Road, Brecksville, Ohio 44141.

Cuyahoga Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

Note 21 - Public Entity Risk Pools

Ohio School Boards Association Workers' Compensation Group Rating Plan

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), and insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio Schools Boards Association (OSBA). The Executive Director of OSBA, or designee, serves as coordinator of the program. Each year the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Suburban Health Consortium

The Suburban Health Consortium ("the Consortium") is a shared health risk pool created on October 1, 2001, formed by the Boards of Education of several school districts in northeast Ohio, for the purposes of maximizing benefits and/or reducing costs of group health, life, dental and/or other insurance coverages for their employees and the eligible dependents and designated beneficiaries of such employees. The Consortium was formed and operates as a legally separate entity under Ohio Revised Code Section 9.833. The Board of Directors is the governing body of the Consortium. The Board of Education of each Consortium Member appoints its Superintendent or such Superintendent's designee to be its representative on the Board of Directors. The officers of the Board of Directors consist of a Chairman, Vice-Chairman and Recording Secretary, who are elected at the annual meeting of the Board of Directors and serve until the next annual meeting. All of the authority of the Consortium is exercised by or under the direction of the Board of Directors. The Board of Directors also sets all premiums and other amounts to be paid by the Consortium Members, and the Board of Directors have the authority to waive premiums and other payments. All members of the Board of Directors serve without compensation.

The Fiscal Agent shall be the Board of Education responsible for administering the financial transactions of the Consortium (Orange City School District). The Fiscal Agent shall carry out the responsibilities of the Consortium Fund, enter into contracts on behalf of the Consortium as authorized by the Directors and carry out such other responsibilities as approved by the Directors and agreed to by the Fiscal Agent. Each District Member enrolled in a benefit program may require contributions from its employees toward the cost of any benefit program being offered by such District Member, and such contributions shall be included in the payments from such District Member to the Fiscal Agent for such benefit program. Contributions are to be submitted by each District Member, to the Fiscal Agent, required under the terms of the Consortium Agreement and any benefit program in which such District Member is enrolled to the Fiscal Agent on a monthly basis, or as otherwise required in accordance with any benefit program in which such District Member is enrolled. All general administrative costs incurred by the Consortium that are not covered by the premium payments shall be shared equally by the Consortium Members as approved by the Directors, and shall be paid by each Consortium Member upon receipt of notice from the Fiscal Agent that such payment is due. It is the express intention of the Consortium Members that the Consortium Agreement and the Consortium shall continue for an indefinite term, but may be terminated as provided in the Consortium Agreement.

Any Consortium Member wishing to withdraw from participation in the Consortium or any benefit program shall notify the Fiscal Agent at least one hundred eighty (180) days prior to the effective date of withdrawal. Upon withdrawal of a Consortium Member, the Consortium shall pay the run out of all claims for such Consortium Member provided such Consortium Member has paid to the Consortium, prior to the effective date of withdrawal a withdrawal fee in the amount equal to two months' premiums at the Consortium Member's current rate. Payment of the withdrawal fee does not extend insurance

Cuyahoga Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

coverage for two months. Upon automatic withdrawal, for non-payment of premiums required by the Consortium Agreement, the Consortium shall pay the run out of all claims for such Consortium Member provided that the Consortium has received from such Consortium Member all outstanding and unpaid premiums and other amounts and the withdrawal fee equal to two months' premiums at the Consortium Member's current rates. Any Consortium Member which withdraws from the Consortium pursuant to the Consortium Agreement shall have no claim to the Consortium's assets. Financial information for the Consortium can be obtained from the Treasurer of the Orange City School District (the Fiscal Agent) at 32000 Chagrin Boulevard, Pepper Pike, Ohio 44124.

Note 22 – Set-Asides

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by fiscal year end or offset by similarly restricted resources received during the year must be held in cash at fiscal year end and carried forward to be used for the same purposes in future years. At June 30, 2013, capital improvements continue to be set-aside.

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

	<u>Capital Improvements</u>
Set-Aside Balance as of June 30, 2012	\$44,561
Current Year Set-Aside Requirement	152,025
Qualifying Disbursements	<u>(145,277)</u>
Totals	<u>\$51,309</u>
Set-Aside Balance Carried Forward to Future Fiscal Years	<u>\$51,309</u>
Set-Aside Balance as of June 30, 2012	<u>\$51,309</u>

The total balance for the capital improvement set-aside at the end of the fiscal year was \$51,309.



Dave Yost • Auditor of State

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

Cuyahoga Heights Local School District
Cuyahoga County
4820 East 71st Street
Cuyahoga Heights, Ohio 44125

To the Board of Education:

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

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Dave Yost
Auditor of State
Columbus, Ohio

April 30, 2014



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

Cuyahoga Heights Local School District
Cuyahoga County
4820 East 71st Street
Cuyahoga Heights, Ohio 44125

To the Board of Education:

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on March 16, 2011 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

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

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

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

Dave Yost
Auditor of State

April 30, 2014

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Dave Yost • Auditor of State

CUYAHOGA HEIGHTS LOCAL SCHOOL DISTRICT

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 3, 2014**