



**Auditor of State
Betty Montgomery**

**WARRENSVILLE HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2003 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying federal awards expenditures schedule is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

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

Betty Montgomery
Auditor of State

May 5, 2003

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Warrensville Heights City School District

Combined Balance Sheet

All Fund Types and Account Groups

June 30, 2002

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<i>Assets and Other Debits</i>				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$2,409,342	\$645,667	\$542,897	\$11,324,407
Receivables:				
Taxes	19,012,317	63,852	2,087,507	242,636
Accounts	5,130	2,120	0	0
Intergovernmental	12,706	300,803	0	0
Interfund	318,208	0	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	0	0	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	431,456	0	0	0
Fixed Assets (net, where applicable, of accumulated depreciation)	0	0	0	0
Other Debits				
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
<i>Total Assets and Other Debits</i>	<u>\$22,189,159</u>	<u>\$1,012,442</u>	<u>\$2,630,404</u>	<u>\$11,567,043</u>

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$282,500	\$41,339	\$0	\$0	\$15,246,152
0	0	0	0	21,406,312
0	0	0	0	7,250
45,363	0	0	0	358,872
0	0	0	0	318,208
27,369	0	0	0	27,369
3,130	0	0	0	3,130
0	0	0	0	431,456
1,160	0	37,070,919	0	37,072,079
0	0	0	988,957	988,957
0	0	0	27,712,869	27,712,869
<u>\$359,522</u>	<u>\$41,339</u>	<u>\$37,070,919</u>	<u>\$28,701,826</u>	<u>\$103,572,654</u>

(continued)

Warrensville Heights City School District
Combined Balance Sheet
All Fund Types and Account Groups (continued)
June 30, 2002

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Liabilities, Fund Equity and Other Credits				
Liabilities				
Accounts Payable	\$214,744	\$16,511	\$0	\$1,444,034
Accrued Wages	2,388,917	480,971	0	0
Compensated Absences Payable	8,392	0	0	0
Interfund Payable	0	78,208	0	5,000
Intergovernmental Payable	702,219	45,012	0	0
Deferred Revenue	15,396,337	164,170	1,641,447	179,158
Due to Students	0	0	0	0
Energy Conservation Bonds	0	0	0	0
Early Retirement Incentive Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
<i>Total Liabilities</i>	<u>18,710,609</u>	<u>784,872</u>	<u>1,641,447</u>	<u>1,628,192</u>
Fund Equity and Other Credits				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved, Undesignated	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	487,854	39,425	0	7,296,176
Reserved for Property Taxes	2,749,958	10,682	379,814	40,593
Reserved for Budget Stabilization	151,627	0	0	0
Reserved for Textbooks	279,829	0	0	0
Unreserved, Undesignated (Deficit)	(190,718)	177,463	609,143	2,602,082
<i>Total Fund Equity and Other Credits</i>	<u>3,478,550</u>	<u>227,570</u>	<u>988,957</u>	<u>9,938,851</u>
<i>Total Liabilities, Fund Equity and Other Credits</i>	<u>\$22,189,159</u>	<u>\$1,012,442</u>	<u>\$2,630,404</u>	<u>\$11,567,043</u>

See accompanying notes to the general purpose financial statements

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$2,398	\$0	\$0	\$0	\$1,677,687
2,033	0	0	0	2,871,921
3,133	0	0	1,961,155	1,972,680
235,000	0	0	0	318,208
34,047	0	0	366,068	1,147,346
0	0	0	0	17,381,112
0	41,339	0	0	41,339
0	0	0	451,907	451,907
0	0	0	97,696	97,696
0	0	0	25,825,000	25,825,000
<u>276,611</u>	<u>41,339</u>	<u>0</u>	<u>28,701,826</u>	<u>51,784,896</u>
0	0	37,070,919	0	37,070,919
82,911	0	0	0	82,911
0	0	0	0	7,823,455
0	0	0	0	3,181,047
0	0	0	0	151,627
0	0	0	0	279,829
0	0	0	0	3,197,970
<u>82,911</u>	<u>0</u>	<u>37,070,919</u>	<u>0</u>	<u>51,787,758</u>
<u>\$359,522</u>	<u>\$41,339</u>	<u>\$37,070,919</u>	<u>\$28,701,826</u>	<u>\$103,572,654</u>

Warrensville Heights City School District
*Combined Statement of Revenues, Expenditures
and Changes in Fund Balances
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2002*

	General	Special Revenue
Revenues		
Taxes	\$18,491,166	\$100,746
Intergovernmental	11,466,575	2,223,584
Interest	75,621	0
Tuition and Fees	39,553	33,840
Extracurricular Activities	38,871	88,562
Contributions and Donations	0	1,600
Miscellaneous	47,980	17,187
	30,159,766	2,465,519
<i>Total Revenues</i>		
Expenditures		
Current:		
Instruction:		
Regular	14,179,181	1,702,844
Special	1,332,779	645,210
Vocational	569,871	0
Support Services:		
Pupils	874,355	421,228
Instructional Staff	896,373	266,188
Board of Education	212,919	0
Administration	2,782,576	1,415
Fiscal	906,649	0
Business	689,053	0
Operation and Maintenance of Plant	3,312,050	396,165
Pupil Transportation	1,607,380	0
Central	155,180	33,997
Operation of Non-Instructional Services	4,899	135,523
Extracurricular Activities	288,236	80,121
Capital Outlay	62,046	0
Debt Service:		
Principal Retirement	0	0
Interest and Fiscal Charges	0	0
	27,873,547	3,682,691
<i>Total Expenditures</i>		
<i>Excess of Revenues Over (Under) Expenditures</i>	2,286,219	(1,217,172)
Other Financing Sources (Uses)		
Proceeds of Sale of Fixed Assets	2,500	0
Operating Transfers In	0	217,447
Operating Transfers Out	(471,748)	0
	(469,248)	217,447
<i>Total Other Financing Sources (Uses)</i>		
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	1,816,971	(999,725)
<i>Fund Balances Beginning of Year</i>	1,661,579	1,227,295
<i>Fund Balances End of Year</i>	\$3,478,550	\$227,570

See accompanying notes to the general purpose financial statements

Debt Service	Capital Projects	Totals (Memorandum Only)
\$1,610,587	\$629,515	\$20,832,014
165,372	25,627	13,881,158
0	415,335	490,956
0	0	73,393
0	0	127,433
0	0	1,600
0	0	65,167
<u>1,775,959</u>	<u>1,070,477</u>	<u>35,471,721</u>
0	0	15,882,025
0	0	1,977,989
0	0	569,871
0	0	1,295,583
0	0	1,162,561
0	0	212,919
0	0	2,783,991
0	0	906,649
0	0	689,053
0	0	3,708,215
0	0	1,607,380
0	0	189,177
0	0	140,422
0	0	368,357
0	14,413,394	14,475,440
416,796	0	416,796
1,520,727	0	1,520,727
<u>1,937,523</u>	<u>14,413,394</u>	<u>47,907,155</u>
<u>(161,564)</u>	<u>(13,342,917)</u>	<u>(12,435,434)</u>
0	0	2,500
174,301	0	391,748
0	0	(471,748)
<u>174,301</u>	<u>0</u>	<u>(77,500)</u>
12,737	(13,342,917)	(12,512,934)
<u>976,220</u>	<u>23,281,768</u>	<u>27,146,862</u>
<u>\$988,957</u>	<u>\$9,938,851</u>	<u>\$14,633,928</u>

Warrensville Heights City School District
*Combined Statement of Revenues, Expenditures and Changes
in Fund Balances - Budget (Non-GAAP Basis) and Actual
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2002*

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$16,066,594	\$16,265,166	\$198,572
Intergovernmental	11,459,151	11,459,421	270
Interest	150,786	150,786	0
Tuition and Fees	34,423	34,423	0
Extracurricular Activities	38,871	38,871	0
Contributions and Donations	0	0	0
Miscellaneous	40,176	52,126	11,950
<i>Total Revenues</i>	<u>27,790,001</u>	<u>28,000,793</u>	<u>210,792</u>
Expenditures			
Current:			
Instruction:			
Regular	14,520,756	14,145,597	375,159
Special	1,379,323	1,306,733	72,590
Vocational	573,769	559,947	13,822
Support Services:			
Pupils	918,347	900,276	18,071
Instructional Staff	890,907	890,904	3
Board of Education	367,721	238,422	129,299
Administration	3,294,206	3,034,508	259,698
Fiscal	941,965	941,965	0
Business	694,212	693,212	1,000
Operation and Maintenance of Plant	4,148,663	3,515,623	633,040
Pupil Transportation	1,843,685	1,812,989	30,696
Central	150,475	150,475	0
Operation of Non-Instructional Services	6,392	6,392	0
Extracurricular Activities	327,328	290,445	36,883
Capital Outlay	116,501	66,287	50,214
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<i>Total Expenditures</i>	<u>30,174,250</u>	<u>28,553,775</u>	<u>1,620,475</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(2,384,249)</u>	<u>(552,982)</u>	<u>1,831,267</u>
Other Financing Sources (Uses)			
Proceeds from Sale of Fixed Assets	2,500	2,500	0
Advances In	400,000	210,358	(189,642)
Advances Out	(150,000)	(1,153)	148,847
Operating Transfers In	1,914,364	0	(1,914,364)
Operating Transfers Out	(529,475)	(471,748)	57,727
<i>Total Other Financing Sources (Uses)</i>	<u>1,637,389</u>	<u>(260,043)</u>	<u>(1,897,432)</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	<u>(746,860)</u>	<u>(813,025)</u>	<u>(66,165)</u>
<i>Fund Balance Beginning of Year</i>	1,689,031	1,689,031	0
Prior Year Encumbrances Appropriated	1,318,742	1,318,742	0
<i>Fund Balance End of Year</i>	<u>\$2,260,913</u>	<u>\$2,194,748</u>	<u>(\$66,165)</u>

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$91,579	\$90,944	(\$635)	\$1,651,198	\$1,326,366	(\$324,832)
2,096,634	2,043,250	(53,384)	165,372	165,372	0
0	0	0	0	0	0
31,720	31,720	0	0	0	0
88,562	88,562	0	0	0	0
1,600	1,600	0	0	0	0
17,187	17,187	0	0	0	0
<u>2,327,282</u>	<u>2,273,263</u>	<u>(54,019)</u>	<u>1,816,570</u>	<u>1,491,738</u>	<u>(324,832)</u>
2,025,054	1,609,975	415,079	0	0	0
742,738	583,606	159,132	0	0	0
0	0	0	0	0	0
381,081	351,746	29,335	0	0	0
258,785	273,809	(15,024)	0	0	0
0	0	0	0	0	0
4,086	1,415	2,671	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
362,387	398,537	(36,150)	0	0	0
0	0	0	0	0	0
3,351	33,997	(30,646)	0	0	0
134,036	133,867	169	0	0	0
80,122	86,056	(5,934)	0	0	0
0	0	0	0	0	0
0	0	0	419,337	416,796	2,541
0	0	0	<u>1,518,186</u>	<u>1,520,727</u>	<u>(2,541)</u>
<u>3,991,640</u>	<u>3,473,008</u>	<u>518,632</u>	<u>1,937,523</u>	<u>1,937,523</u>	<u>0</u>
<u>(1,664,358)</u>	<u>(1,199,745)</u>	<u>464,613</u>	<u>(120,953)</u>	<u>(445,785)</u>	<u>(324,832)</u>
0	0	0	0	0	0
1,153	1,153	0	0	0	0
(61,666)	(210,358)	(148,692)	0	0	0
217,447	217,447	0	174,301	174,301	0
0	0	0	0	0	0
<u>156,934</u>	<u>8,242</u>	<u>(148,692)</u>	<u>174,301</u>	<u>174,301</u>	<u>0</u>
(1,507,424)	(1,191,503)	315,921	53,348	(271,484)	(324,832)
1,727,190	1,727,190	0	814,381	814,381	0
56,355	56,355	0	0	0	0
<u>\$276,121</u>	<u>\$592,042</u>	<u>\$315,921</u>	<u>\$867,729</u>	<u>\$542,897</u>	<u>(\$324,832)</u>

(continued)

Warrensville Heights City School District
*Combined Statement of Revenues, Expenditures and Changes
in Fund Balances - Budget (Non-GAAP Basis) and Actual
All Governmental Fund Types (continued)
For the Fiscal Year Ended June 30, 2002*

	Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$348,000	\$592,266	\$244,266
Intergovernmental	40,627	25,627	(15,000)
Interest	406,694	406,694	0
Tuition and Fees	0	0	0
Extracurricular Activities	0	0	0
Contributions and Donations	0	0	0
Miscellaneous	0	0	0
<i>Total Revenues</i>	<u>795,321</u>	<u>1,024,587</u>	<u>229,266</u>
Expenditures			
Current:			
Instruction:			
Regular	64,000	68,857	(4,857)
Special	0	0	0
Vocational	0	0	0
Support Services:			
Pupils	0	0	0
Instructional Staff	0	0	0
Board of Education	0	0	0
Administration	16,878	16,878	0
Fiscal	0	0	0
Business	0	0	0
Operation and Maintenance of Plant	0	0	0
Pupil Transportation	64,453	64,453	0
Central	0	0	0
Operation of Non-Instructional Services	0	0	0
Extracurricular Activities	0	0	0
Capital Outlay	20,318,665	22,244,137	(1,925,472)
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<i>Total Expenditures</i>	<u>20,463,996</u>	<u>22,394,325</u>	<u>(1,930,329)</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(19,668,675)</u>	<u>(21,369,738)</u>	<u>(1,701,063)</u>
Other Financing Sources (Uses)			
Proceeds from Sale of Fixed Assets	0	0	0
Advances In	0	0	0
Advances Out	0	0	0
Operating Transfers In	0	0	0
Operating Transfers Out	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	<u>(19,668,675)</u>	<u>(21,369,738)</u>	<u>(1,701,063)</u>
<i>Fund Balance Beginning of Year</i>	12,058,473	12,058,473	0
Prior Year Encumbrances Appropriated	<u>11,913,996</u>	<u>11,913,996</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$4,303,794</u></u>	<u><u>\$2,602,731</u></u>	<u><u>(\$1,701,063)</u></u>

See accompanying notes to the general purpose financial statements

Totals (Memorandum Only)

Revised Budget	Actual	Variance Favorable (Unfavorable)
\$18,157,371	\$18,274,742	\$117,371
13,761,784	13,693,670	(68,114)
557,480	557,480	0
66,143	66,143	0
127,433	127,433	0
1,600	1,600	0
57,363	69,313	11,950
<u>32,729,174</u>	<u>32,790,381</u>	<u>61,207</u>
16,609,810	15,824,429	785,381
2,122,061	1,890,339	231,722
573,769	559,947	13,822
1,299,428	1,252,022	47,406
1,149,692	1,164,713	(15,021)
367,721	238,422	129,299
3,315,170	3,052,801	262,369
941,965	941,965	0
694,212	693,212	1,000
4,511,050	3,914,160	596,890
1,908,138	1,877,442	30,696
153,826	184,472	(30,646)
140,428	140,259	169
407,450	376,501	30,949
20,435,166	22,310,424	(1,875,258)
419,337	416,796	2,541
1,518,186	1,520,727	(2,541)
<u>56,567,409</u>	<u>56,358,631</u>	<u>208,778</u>
<u>(23,838,235)</u>	<u>(23,568,250)</u>	<u>269,985</u>
2,500	2,500	0
401,153	211,511	(189,642)
(211,666)	(211,511)	155
2,306,112	391,748	(1,914,364)
(529,475)	(471,748)	57,727
<u>1,968,624</u>	<u>(77,500)</u>	<u>(2,046,124)</u>
(21,869,611)	(23,645,750)	(1,776,139)
16,289,075	16,289,075	0
<u>13,289,093</u>	<u>13,289,093</u>	<u>0</u>
<u>\$7,708,557</u>	<u>\$5,932,418</u>	<u>(\$1,776,139)</u>

Warrensville Heights City School District
*Combined Statement of Revenues,
Expenses and Changes in Retained Earnings
Proprietary Fund Type
For the Fiscal Year Ended June 30, 2002*

	<u>Enterprise</u>
Operating Revenues	
Sales	<u>\$317,303</u>
Operating Expenses	
Salaries and Wages	159,143
Fringe Benefits	142,176
Purchased Services	10,941
Materials and Supplies	104,268
Cost of Sales	267,912
Depreciation	344
Other	<u>750</u>
<i>Total Operating Expenses</i>	<u>685,534</u>
<i>Total Operating Loss</i>	<u>(368,231)</u>
Non-Operating Revenues	
Donated Commodities	42,771
Operating Grants	<u>362,623</u>
<i>Total Non-Operating Revenues</i>	<u>405,394</u>
<i>Net Income before Operating Transfers</i>	37,163
Operating Transfers In	<u>80,000</u>
<i>Net Income</i>	117,163
<i>Retained Earnings (Deficit) Beginning of Year</i>	<u>(34,252)</u>
<i>Retained Earnings End of Year</i>	<u><u>\$82,911</u></u>

See accompanying notes to the general purpose financial statements

Warrensville Heights City School District
*Combined Statement of Revenues, Expenses and Changes
in Fund Equity - Budget (Non-GAAP Basis) and Actual
Proprietary Fund Type
For the Fiscal Year Ended June 30, 2002*

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Sales	\$316,492	\$316,492	\$0
Operating Grants	317,259	317,259	0
<i>Total Revenues</i>	633,751	633,751	0
Expenses			
Salaries and Wages	235,410	235,410	0
Fringe Benefits	106,096	106,096	0
Purchased Services	14,272	14,272	0
Materials and Supplies	309,472	373,666	(64,194)
Other	750	750	0
<i>Total Expenses</i>	666,000	730,194	(64,194)
<i>Excess of Revenues Under Expenses</i>	(32,249)	(96,443)	(64,194)
Operating Transfers In	80,000	80,000	0
<i>Excess of Revenues and Transfers Over (Under) Expenses</i>	47,751	(16,443)	(64,194)
<i>Fund Equity Beginning of Year</i>	139,280	139,280	0
Prior Year Encumbrances Appropriated	90,905	90,905	0
<i>Fund Equity End of Year</i>	\$277,936	\$213,742	(\$64,194)

See accompanying notes to the general purpose financial statements

Warrensville Heights City School District
Combined Statement of Cash Flows
Proprietary Fund Type
For the Fiscal Year Ended June 30, 2002

	<u>Enterprise</u>
<i>Increase (Decrease) in Cash and Cash Equivalents</i>	
Cash Flows from Operating Activities	
Cash Received from Customers	\$317,709
Cash Payments to Suppliers for Goods and Services	(320,397)
Cash Payments to Employees for Services	(235,410)
Cash Payments for Employee Benefits	(106,096)
Cash Payments for Other Operating Uses	(750)
	<u>(344,944)</u>
 Cash Flows from Noncapital Financing Activities	
Operating Grants Received	317,259
Operating Transfers In	80,000
	<u>397,259</u>
 <i>Net Cash Provided by Noncapital Financing Activities</i>	 <u>397,259</u>
 <i>Net Increases in Cash and Cash Equivalents</i>	 <u>52,315</u>
 <i>Cash and Cash Equivalents Beginning of Year</i>	 <u>230,185</u>
 <i>Cash and Cash Equivalents End of Year</i>	 <u>\$282,500</u>

(continued)

Warrensville Heights City School District
Combined Statement of Cash Flows
Proprietary Fund Type (continued)
For the Fiscal Year Ended June 30, 2002

	<u>Enterprise</u>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities	
Operating Loss	(\$368,231)
<i>Adjustments:</i>	
Depreciation	344
Donated Commodities Used During Year	38,451
(Increase) Decrease in Assets:	
Accounts Receivable	406
Materials and Supplies Inventory	(3,130)
Inventory Held for Resale	25,005
Increase (Decrease) in Liabilities:	
Accounts Payable	682
Accrued Wages	(37)
Compensated Absences Payable	(40,615)
Intergovernmental Payable	2,181
<i>Total Adjustments</i>	23,287
<i>Net Cash Used for Operating Activities</i>	(\$344,944)

Non-Cash Non Capital Activity:

Federal donated commodities in the amount of \$42,771 were recorded as revenue during the fiscal year in the food service enterprise fund.

See accompanying notes to the general purpose financial statements

Warrensville Heights City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 1 – Description of the School District and Reporting Entity

Warrensville Heights City School District (the “School District”) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five-members elected at-large for staggered four year terms. The School District provides educational services as authorized by State statute and federal guidelines. The Board controls the School District's six instructional facilities, staffed by 266 classified employees, 260 certificated full-time teaching personnel and 22 administrators who provide services to students and other community members.

The School District is located in Warrensville Heights, Ohio, Cuyahoga County. The enrollment for the School district during the 2002 fiscal year was 2,996. The School District operated three elementary schools (K-4), one lower middle school (5-6), one upper middle school (7-8), and one high school (9-12).

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Warrensville Heights City School District, this includes general operations, food service 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 deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District does not have any component units.

The School District participates in two jointly governed organizations and an insurance purchasing pool. These organizations are the Lake Geauga Educational Computer Association, the Ohio Schools Council and the Ohio Schools Council insurance purchasing consortium. These organizations are presented in Note 14 to the general purpose financial statements.

Note 2 - Summary of Significant Accounting Policies

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

Warrensville Heights City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

A. Basis of Presentation - Fund Accounting

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

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

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

Governmental Fund Types

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

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

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

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

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

Proprietary Fund Type

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. Following is the School District's proprietary fund type:

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

Warrensville Heights City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

Fiduciary Fund Type

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. There are two types of fiduciary funds, trust and agency. The School District has no trust funds. The School District's agency fund is custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups

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

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

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

B. Measurement Focus and Basis of Accounting

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

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

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental and agency funds. The full accrual basis of accounting is followed for the proprietary funds.

Revenue Recognition 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 year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility

Warrensville Heights City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2002, but which were levied to finance fiscal year 2003 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

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

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The Treasurer maintains budgetary information at the object level and has the authority to allocate appropriations at the function and object level without resolution by the Board of Education. The legal level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Tax Budget

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Cuyahoga County Budget Commission for rate determination.

Warrensville Heights City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements as the final budgeted amounts reflect the amounts in the amended certificate in effect when the final appropriations were passed.

Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certification saying no new certificate is necessary, the annual appropriation resolution is enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenditures of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission.

The Board may pass supplemental fund appropriations provided the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions.

Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations at the legal level of control. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

Lapsing of Appropriations

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

Warrensville Heights City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

D. Cash and Cash Equivalents

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

During fiscal year 2002, investments were limited to repurchase agreements, STAROhio and the Victory Federal Money Market Mutual Fund.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2002.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2002 amounted to \$75,621 which includes \$57,282 assigned from other School District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, 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 considered to be cash equivalents.

E. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used. The governmental funds did not have any significant inventory on hand at June 30, 2002.

F. Restricted Assets

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation. Restricted assets in the general fund include unexpended revenues restricted for the purchase of textbooks and amounts required by State statute to be set aside to create a reserve for budget stabilization. See Note 18 for additional information regarding set-asides.

Warrensville Heights City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

G. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$500. 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 capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of fifteen years. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

H. Interfund Assets and Liabilities

Short-term interfund loans are classified as "interfund receivables/payables." Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet.

I. Compensated Absences

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

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

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

J. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgements, compensated absences and contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year-end are generally considered not to have been paid with current available financial resources. Bonds are reported as a liability of the general long-term obligations account group until due or until resources have been accumulated in the fund for payment early in the following year.

Warrensville Heights City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

K. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

L. Fund Balance Reserves

The School District records reservations for portions of fund equity which are legally segregated for a specific future use or which do not represent available spendable resources and therefore are not available for appropriations for expenditures. Undesignated fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, property taxes, budget stabilization and textbooks.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The reserve for budget stabilization represents money set-aside as required by statute to protect against cyclical fluctuations in revenues and expenditures.

M. Estimates

The preparation of the 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.

N. Total Columns on General Purpose Financial Statements

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

Note 3 – Accountability and Compliance

A. Fund Deficits

Fund balances at June 30, 2002, included the following individual fund balance deficits:

<u>Fund</u>	<u>Deficit</u>
Special Revenue Funds	
Recreation	\$29,354
DPIA	311,214
Reducing Class Size	4,154

Warrensville Heights City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

The special revenue fund deficit balances resulted from the conversion to generally accepted accounting principles and adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and provides operation transfers when cash is required, not when accruals occur.

B. Legal Compliance

Contrary to ORC Section 5705.41(B)(D), the following funds had expenditures plus encumbrances in excess of appropriations:

	<u>Appropriations</u>	<u>Expenditures Plus Encumbrances</u>	<u>Excess</u>
Special Revenue Funds:			
Athletic and Music	\$ 27,829	\$ 29,739	\$ (1,910)
Management Information System	5,480	33,997	(28,517)
School Account Network	16,715	37,620	(20,905)
Preschool Grant	11,165	16,292	(5,127)
Goals 2000	45,545	48,082	(2,537)
Title VI-B	255,000	256,477	(1,477)
Title I	738,324	745,893	(7,569)
Capital Projects Fund:			
Permanent Improvement	20,418,003	22,325,468	(1,907,465)

Contrary to ORC Section 5705.39, the following funds had appropriations in excess of estimated revenue:

	<u>Estimated Revenue</u>	<u>Appropriations</u>	<u>Excess</u>
Special Revenue Funds:			
Cleveland State Grant	\$ 7,121	\$ 9,462	\$ (2,341)
Capital Projects Fund:			
School Net	41,296	64,000	(22,704)

The District was also in violation of ORC Section 5705.41(D).

Note 4 - Budgetary Basis of Accounting

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).
4. For the proprietary fund, the acquisition and construction of capital assets are reported on the operating statement (budget) rather than as balance sheet transactions (GAAP).

Warrensville Heights City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

5. 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.

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
All Governmental Fund Types

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	\$1,816,971	(\$999,725)	\$12,737	(\$13,342,917)
Net Adjustment for Revenue Accruals	(2,065,077)	(188,237)	(284,221)	(54,531)
Advance In	210,358	1,153	0	0
Unrecorded Cash	0	0	0	8,641
Net Adjustment for Expenditure Accruals	(128,074)	259,290	0	732,104
Advance Out	(1,153)	(210,358)	0	0
Adjustment for Encumbrances	(646,050)	(53,626)	0	(8,713,035)
Budget Basis	<u>(\$813,025)</u>	<u>(\$1,191,503)</u>	<u>(\$271,484)</u>	<u>(\$21,369,738)</u>

Net Income/Excess of Revenues
Over (Under) Expenses
Proprietary Fund Type

	Enterprise
GAAP Basis	\$117,163
Net Adjustment for Revenue Accruals	(67,071)
Donated Commodities	(21,875)
Net Adjustment for Expense Accruals	24,442
Depreciation Expense	(344)
Adjustment for Encumbrances	(68,758)
Budget Basis	<u>(\$16,443)</u>

Note 5 - Deposits and Investments

State statutes classify monies held by the School District into three categories.

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

Warrensville Heights City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

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

Interim 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.

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

Interim monies may be deposited or invested in the following securities:

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

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

Warrensville Heights City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

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

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements."

Unrecorded Cash: At year-end, the School District had \$8,641 in undeposited cash on hand which is included on the balance sheet of the School District as part of equity in pooled cash and cash equivalents.

Deposits: At year-end, the carrying amount of the School District's deposits was \$99,381 and the bank balance was \$338,948. Of the bank balance:

1. \$288,948 was covered by federal depository insurance; and
2. \$50,000 was uninsured and uncollateralized. Although the securities were held by the pledging institutions' trust department in the School District's name and all statutory requirements for the investment of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

Investments: The School District's investments are categorized below to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. STAROhio and the Victory Federal Money Market Mutual Fund are unclassified investment since they are not evidenced by securities that exist in physical or book entry form.

	Category 3	Carrying Value	Fair Value
Repurchase Agreements	\$4,016,914	\$4,016,914	\$4,016,914
STAROhio	0	1,398,012	1,398,012
Victory Federal Money Market Mutual Fund	0	10,154,660	10,154,660
Total	\$4,016,914	\$15,569,586	\$15,569,586

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

Warrensville Heights City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

	Cash and Cash Equivalents/Deposit	Investments
GASB Statement No. 9	\$15,677,608	\$0
Investments of the Cash Management Pool:		
Repurchase Agreements	(4,016,914)	4,016,914
STAROhio	(1,398,012)	1,398,012
Victory Federal Money Market Mutual Fund	(10,154,660)	10,154,660
Unrecorded Cash	(8,641)	0
GASB Statement No. 3	\$99,381	\$15,569,586

Note 6 - Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2002 for real and public utility property taxes represents collections of calendar 2001 taxes. Property tax payments received during calendar 2002 for tangible personal property (other than public utility property) are for calendar 2002 taxes.

2002 real property taxes are levied after April 1, 2002, on the assessed value as of January 1, 2002, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2002 public utility property taxes became a lien December 31, 2001, are levied after April 1, 2002 and are collected in 2003 with real property taxes.

2002 tangible personal property taxes are levied after April 1, 2001, on the value as of December 31, 2001. Collections are made in 2002. Tangible personal property assessments are twenty-five percent of true value.

The assessed values upon which fiscal year 2002 taxes were collected are:

	2001 Second- Half Collections		2002 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$253,502,720	77.99 %	\$279,423,320	79.90 %
Public Utility Personal	18,290,760	5.63	15,269,550	4.37
Tangible Personal Property	53,254,089	16.38	55,009,331	15.73
Total Assessed Value	\$325,047,569	100.00 %	\$349,702,201	100.00 %
Tax rate per \$1,000 of assessed valuation	\$80.50		\$80.50	

Warrensville Heights City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

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

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. This year, the June 2002 tangible personal property tax settlement was not received until July of 2002.

The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2002, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding, the late settlement of personal property taxes and real property, personal property and public utility taxes which became measurable as of June 30, 2002 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current fiscal year operations.

The amount available as an advance at June 30, 2002, was \$2,749,958 in the general fund, \$379,814 in the bond retirement debt service fund, \$40,593 in the permanent improvements capital projects fund and \$10,682 in the recreation special revenue fund. The amount available as an advance at June 30, 2001, was \$900,179 in the general fund, \$3,496 in the recreation special revenue fund, \$124,371 in the bond retirement debt service fund and \$13,286 in the permanent improvement capital projects fund.

Note 7 - Receivables

Receivables at June 30, 2002, consisted of property taxes, accounts (rent and student fees) and intergovernmental grants. All receivables are considered collectible in full.

A summary of the principal items of intergovernmental receivables follows:

	Amounts
General Fund:	
Cleveland Heights University CSD	\$12,706
Special Revenue Funds:	
Eisenhower Grant	1,968
Title VI-B	61,769
Title I	122,012
Title VI	14,834
Drug Free Schools	23,841
Class Size Reduction	76,379
Total Special Revenue Funds	300,803
Enterprise Fund:	
Food Service	45,363
Grand Total	\$358,872

Warrensville Heights City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 8 - Fixed Assets

A summary of the enterprise funds' fixed assets at June 30, 2002, follows:

	Enterprise
Furniture and Equipment	\$1,504
Less: Accumulated Depreciation	(344)
Net Fixed Assets	\$1,160

A summary of the changes in general fixed assets during fiscal year 2002 follows:

	Balance 6/30/01	Additions	Deletions	Balance 6/30/02
Land	\$416,349	\$0	\$0	\$416,349
Buildings and Improvements	15,277,087	2,684,601	0	17,961,688
Vehicles	983,862	0	142,181	841,681
Furniture, Fixtures and Equipment	4,153,065	455,645	0	4,608,710
Construction in Progress	3,373,719	11,760,148	1,891,376	13,242,491
Total	\$24,204,082	\$14,900,394	\$2,033,557	\$37,070,919

Note 9 - Risk Management

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 2002, the School District contracted with several carriers for property, casualty and boiler and machinery insurance.

Professional liability is protected by Nationwide Insurance Company with \$2,000,000 single occurrence and \$5,000,000 annual aggregate with no deductible.

The vehicular fleet is protected by Nationwide Insurance Company with \$100 deductible for comprehensive and \$250 deductible for collision. Fleet liability has a combined single limit of \$5,000,000.

The Boiler and Machinery insurance is provided by the Travelers. Boiler and Machinery limits are \$30,000,000 with \$1,000 deductible. Crime insurance is provided by the Hartford Group. The Property and Casualty insurance is purchased through the Ohio Schools Council insurance purchasing consortium and is provided by Northbrook Property and Casualty (See Note 14).

Settlements have not exceeded coverage in any of the last three fiscal years. There has not been a significant reduction in coverage from the prior year.

The School District pays the State Workers' Compensation System a premium based on a rate of salaries. This rate is calculated based on accident history and administration cost.

Warrensville Heights City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 10 - Defined Benefit Pension Plans

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension system. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 300, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2001, 4.2 percent of annual covered salary was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$273,233, \$188,770 and \$237,118 respectively; 52.55 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$143,580 representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

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

For the fiscal year ended June 30, 2002, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001 and 2000 were \$1,432,545, \$1,306,096 and \$800,591, respectively; 81.87 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. \$259,665 representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2002, one member of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages paid.

Warrensville Heights City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 11 - Postemployment Benefits

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS) and to retired non-certificated employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2002, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$678,574 for fiscal year 2002.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2001, (the latest information available) the balance in the Fund was \$3.256 billion. For the year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000 and STRS had 102,132 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2002, employer contributions to fund health care benefits were 8.54 percent of covered payroll, a decrease of 1.26 percent from fiscal year 2001. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay has been established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2002 fiscal year equaled \$500,608.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2001, (the latest information available), were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants receiving health care benefits.

Note 12 - Other Employee Benefits

A. Compensated Absences

The criteria for determining vacation, personal and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn five to twenty days of vacation per year,

Warrensville Heights City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators do not earn vacation time.

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated with no maximum. Upon retirement, payment is made for one-fourth of the total sick leave accumulation, up to a maximum accumulation of 240 days.

B. Insurance

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

C. Special Termination Benefits

In addition to severance benefits and STRS pension benefits, the certified employees will be offered a special termination benefit. To receive this benefit, the employee must retire within the first three years of being eligible to retire. Those who retire within the first year will receive twenty-five percent of their final annual salary. If the employee retires within two years the employee will receive fifteen percent and if the employee retires within three years, the employee is eligible for ten percent. The benefit is paid in the next calendar year following the year of retirement.

Note 13 - Long-Term Obligations

The changes in the School District's long-term obligations during fiscal year 2002 were as follows:

	Outstanding 6/30/01	Issued	Retired	Outstanding 6/30/02
General Obligation Bonds				
1995 \$1,300,000 6.05%				
Energy Conservation Bonds	\$593,703	\$0	\$141,796	\$451,907
2000 \$26,100,000 4.44%				
School Improvement Bonds	26,100,000	0	275,000	25,825,000
Total General Obligation Bonds	26,693,703	0	416,796	26,276,907
Special Termination Benefits Payable	74,771	97,696	74,771	97,696
Compensated Absences	1,537,076	424,079	0	1,961,155
Intergovernmental Payable	582,594	366,068	582,594	366,068
Total General Long-Term Obligations	\$28,888,144	\$887,843	\$1,074,161	\$28,701,826

On May 18, 1995, the School District issued \$1,300,000 in general obligation bonds for the purpose of providing energy conservation measures for the School District, under the authority of Ohio Revised Code section 133.06(G). The bonds were issued for a ten year period with final maturity during fiscal year 2005. The bonds will be retired out of the debt service fund.

On May 2, 2000, the School District issued \$26,100,000 in general obligation bonds for the purpose of school improvements. The bonds were issued for a twenty-five year period with final maturity during fiscal year 2005. The bonds will be retired out of the debt service fund.

Warrensville Heights City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

Compensated absences and special termination benefits and the pension obligation will be paid from the governmental fund from which the employee's salaries are paid. The intergovernmental payable represents pension obligations paid outside the available period and will be paid from the fund from which the person is paid.

The School District's overall legal debt margin was \$6,955,026 with an unvoted debt margin of \$349,702 at June 30, 2002. Principal and interest requirements to retire energy conservation and school improvement bonds outstanding at June 30, 2002, are as follows:

Fiscal Year Ending June 30,	Energy Conservation Bonds	School Improvement Bonds	Total
2003	\$174,298	\$1,848,269	\$2,022,567
2004	174,301	1,879,056	2,053,357
2005	144,954	1,907,350	2,052,304
2006	0	1,957,612	1,957,612
2007	0	1,979,575	1,979,575
2008-2012	0	10,507,850	10,507,850
2013-2017	0	10,506,078	10,506,078
2018-2022	0	10,502,047	10,502,047
2023-2025	0	6,284,594	6,284,594
Total Principal and Interest	493,553	47,372,431	47,865,984
Less: Interest	41,646	21,547,431	21,589,077
Total Principal Outstanding	<u>\$451,907</u>	<u>\$25,825,000</u>	<u>\$26,276,907</u>

Note 14 - Jointly Governed Organizations

A. Lake Geauga Educational Computer Association

The Lake Geauga Education Computer Association (the "LGCA") is a jointly governed organization that was formed for the purpose of providing computer services for accounting, grading, scheduling, EMIS and other applications to its 18 member school districts. Each of the districts support LGCA based upon a per pupil charge. The executive committee (governing board) consists of the superintendents and treasurers of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the governing board. LGCA's continued existence is not dependent on the School District's continued participation. In fiscal year 2002, the School District paid \$103,112 to the association. Financial information can be obtained from the Lake Geauga Computer Association, 8140 Auburn Road, Painesville, Ohio, 44077.

B. Ohio Schools Council

The Ohio Schools Council Association (Council) is a jointly governed organization among ninety-one School Districts. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to the member districts. The council sponsors an insurance purchasing plan in which the School District participates. Each district supports the Council by paying an annual participation fee. The Council's Board consists of seven superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 2002, the School District paid \$750 to the council. Financial information can be obtained by contacting Albert G. Vasek, the Executive Secretary/Treasurer of the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

Warrensville Heights City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

The School District participates in the Council's electric purchase program which was implemented during fiscal year 1998 and the natural gas program which was implemented during fiscal year 2001. The electric purchase program allows school districts to purchase electricity at reduced rates, if the school districts will commit to participating for an eight year period. The participants make monthly payments based on estimated usage. Each June these estimated payments are compared to their actual usage for the year and any necessary adjustments are made.

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

The natural gas program allows school districts to purchase natural gas at reduced rates, if the school districts will commit to participating for a twelve year period. The participants make monthly payments based on estimated usage. Each November these estimates are compared to their actual usage for the year and any necessary adjustments are made.

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

Note 15 - Contingencies

A. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The disbursement of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2002.

B. Litigation

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

Warrensville Heights City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 16 - Interfund Transactions

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

	Interfund Receivable	Interfund Payable
General Fund	\$318,208	\$0
Special Revenue Funds:		
Recreation	0	70,000
Venture Capital	0	5,000
Alternative Schools	0	392
EESA	0	1,663
Goals 2002	0	1,153
Total Special Revenue Funds	0	78,208
Capital Projects Fund:		
Capital Improvements	0	5,000
Enterprise Fund:		
Food Service	0	235,000
Total	\$318,208	\$318,208

Note 17 - Segment Information for Enterprise Funds

The School District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects in a summarized format the more significant financial data relating to the enterprise funds of the School District as of and for the fiscal year ended June 30, 2002.

	Food Service	Uniform School Supplies	Total Enterprise Funds
Operating Revenues	\$309,258	\$8,045	\$317,303
Depreciation	344	0	344
Operating Loss	(365,613)	(2,618)	(368,231)
Donated Commodities	42,771	0	42,771
Operating Grants	362,623	0	362,623
Net Income (Loss)	119,781	(2,618)	117,163
Net Working Capital	50,930	33,954	84,884
Total Assets	325,519	34,003	359,522
Long-Term Compensated Absences	3,133	0	3,133
Total Equity	48,957	33,954	82,911
Encumbrances June 30, 2002	68,758	0	68,758

Warrensville Heights City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 18 - 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 purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year end or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years. In prior years, the School District was also required to set aside money for budget stabilization. At June 30, 2002, only the unspent portion of certain workers' compensation refunds continues to be required to be set aside.

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

	Textbooks	Capital Improvements	Budget Stabilization
Set-Aside Reserve Balance as of June 30, 2001	\$837,199	(\$25,812,858)	\$151,627
Current Year Set-Aside Requirement	431,817	431,817	0
Current Year Offset	0	(373,626)	0
Qualifying Disbursements	(989,187)	(209,437)	0
Totals	<u>\$279,829</u>	<u>(\$25,964,104)</u>	<u>\$151,627</u>
Set-Aside Balance Carried Forward to Future Fiscal Years	<u>\$279,829</u>	<u>(\$25,964,104)</u>	<u>\$151,627</u>
Set-Aside Reserve Balance as of June 30, 2002	<u>\$279,829</u>	<u>\$0</u>	<u>\$151,627</u>

The School District had qualifying disbursements and offsets during the fiscal year that reduced the capital improvement set-aside amount below zero. This extra amount may be used to reduce the set-aside requirements of future fiscal years. The total reserve balance at the end of the fiscal year was \$431,456.

Note 19 – State School Funding Decision

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

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

Warrensville Heights City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 20 – Contractual Commitments

At June 30, 2002, the following contractual commitments have been entered into for the middle school renovation.

<u>Contractor</u>	<u>Amount of Contract</u>
Cleveland	\$47,000
Precision	238,600
E.B. Katz, Inc.	358,100
Commerce	38,600
Patrician	163,000
Fortney Weygandt	897,800
J.Z.E. Electric	5,700,000
East-West	<u>728,500</u>
Total	<u><u>\$8,171,600</u></u>

**WARRENSVILLE HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

Federal Grantor Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Federal Receipts	Federal Non-Cash Receipts	Federal Expenditures	Federal Non-Cash Expenditures
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through State Department of Education:</i>						
Special Education Cluster:						
Title VI-B	84.027	6B-SF 01P	\$ -	\$ -	\$ 57,525	\$ -
Title VI-B	84.027	6B-SF 02P	155,978	0	147,864	0
Total Title VI-B			155,978	0	205,389	0
Preschool Grant	84.173	PG-S1 01P	0	0	5,158	0
Preschool Grant	84.173	PG-S1 02P	7,485	0	4,296	0
Preschool Grant	84.173	PG-SC 02P	4,470	0	0	0
Total Preschool Grant			11,955	0	9,454	0
Total Special Education Cluster			167,933	0	214,843	0
Title I	84.010	C1-S1 01	29,253	0	85,045	0
Title I	84.010	C1-S1 01-C	54,751	0	54,751	0
Title I	84.010	C1-S1 02	415,506	0	356,017	0
Total Title I			499,510	0	495,813	0
Title VI (Innovative Ed)	84.298	C2-S1 02	6,059	0	0	0
Total Title VI (Innovative Ed)			6,059	0	0	0
Eisenhower Professional Development State Grant	84.281	MS-S1 01	0	0	6,406	0
Eisenhower Professional Development State Grant	84.281	MS-S1 02	17,712	0	3,255	0
Total Eisenhower Professional Development Grant			17,712	0	9,661	0
Safe and Drug Free Schools	84.186	DR-S1 01	21,067	0	11,235	0
Safe and Drug Free Schools	84.186	DR-S1 02	6,724	0	6,712	0
Total Safe and Drug Free Schools			27,791	0	17,947	0
Goals 2000	84.276	G2-S2 00	0	0	15,880	0
Goals 2000	84.276	G2-S1 01	0	0	23,681	0
Goals 2000	84.276	G2-S3 01	4,369	0	0	0
Total Goals 2000			4,369	0	39,561	0
Class Size Reduction Grant	84.340	CR-S1 01	64,688	0	64,413	0
Class Size Reduction Grant	84.340	CR-S1 02	29,703	0	18,078	0
Total Class Size Reduction Grant			94,391	0	82,491	0
Special Education - State Program Improvement Grants	84.323	ST-S1 00	0	0	24,077	0
Special Education - State Program Improvement Grants	84.323	ST-S1 01	25,000	0	25,000	0
Total Special Education - State Program Improvement Grant			25,000	0	49,077	0
Teacher Quality Enhancement Grant	84.336	QE-S1 02	7,500	0	5,289	0
Total Teacher Quality Enhancement Grant			7,500	0	5,289	0
TOTAL U.S. DEPARTMENT OF EDUCATION			850,265	0	914,682	0
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through State Department of Education:</i>						
Nutrition Cluster:						
Food Distribution	10.550	N/A	0	38,451	0	35,059
School Breakfast Program	10.553	05-PU 01	11,535	0	11,535	0
School Breakfast Program	10.553	05-PU 02	23,960	0	23,960	0
Total School Breakfast Program			35,495	0	35,495	0
National School Lunch Program	10.555	LLP1-01	45,994	0	45,994	0
National School Lunch Program	10.555	LLP4-01	35,770	0	35,770	0
National School Lunch Program	10.555	LLP4-02	167,553	0	167,553	0
Total National School Lunch Program			249,317	0	249,317	0
Special Milk Program for Children	10.556	02-PU 01	1,246	0	1,246	0
Special Milk Program for Children	10.556	02-PU 02	6,883	0	6,883	0
Total Special Milk Program			8,129	0	8,129	0
TOTAL U.S. DEPARTMENT OF AGRICULTURE - Nutrition Cluster			292,941	38,451	292,941	35,059
TOTAL FEDERAL ASSISTANCE			\$ 1,143,206	\$ 38,451	\$ 1,207,623	\$ 35,059

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

**WARRENSVILLE HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY
FISCAL YEAR ENDED JUNE 30, 2002**

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B--FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2002, the District had no significant food commodities in inventory.



Auditor of State Betty Montgomery

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

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

We have audited the financial statements of Warrensville Heights City School District, Cuyahoga County, Ohio, (the "District") as of and for the year ended June 30, 2002, and have issued our report thereon dated May 5, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2002-001 to 2002-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated May 5, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the District in a separate letter dated May 5, 2003.

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

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

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

Betty Montgomery
Auditor of State

May 5, 2003



Auditor of State Betty Montgomery

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

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

Compliance

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

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

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

Internal Control Over Compliance

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

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying schedule of findings as items 2002-004 and 2002-005.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness. We also noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated May 5, 2003.

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



Betty Montgomery
Auditor of State

May 5, 2003

**WARRENSVILLE HEIGHTS CITY SCHOOL DISTRICT
 CUYAHOGA COUNTY
 JUNE 30, 2002
 SCHEDULE OF FINDINGS
 OMB CIRCULAR A -133 §.505**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Nutrition Cluster: CFDA# 10.550 – Food Distribution 10.553 – School Breakfast Program 10.555 – National School Lunch Program 10.556 – Special Milk Program for Children
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**WARRENSVILLE HEIGHTS CITY SCHOOL DISTRICT
 CUYAHOGA COUNTY
 JUNE 30, 2002
 SCHEDULE OF FINDINGS
 OMB CIRCULAR A -133 § .505**

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

Finding Number	2002-001
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Ohio Rev. Code § 5705.41(D) states no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

This section also provides two exceptions to the above requirements:

- If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was appropriated and free of any previous encumbrances, the Board of Education may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate (a then and now certificate), if such expenditure is otherwise valid.
- If the amount involved is less than one thousand dollars, the fiscal officer may authorize it to be paid without the affirmation of the Board of Education.

A test of expenditures disclosed that 30% of the purchase orders were dated after the invoice date and the instances noted did not fall within any exceptions to this Section. As a result, the District did not record a reservation of the applicable appropriation (encumber) at the time a commitment for the expenditure of funds was made and encumbrances were understated at year end. Failure to encumber commitments could result in deficit fund balances.

Finding Number	2002-002
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Ohio Rev. Code § 5705.41(B), prohibits a subdivision from making an expenditure unless it has been appropriated. Ohio Rev. Code § 5705.41(D), provides that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditure lacking prior certification shall be declared void. As of June 30, 2002, the following funds had expenditures plus encumbrances in excess of appropriations:

	Appropriations	Expenditures Plus Encumbrances	Excess
Special Revenue Funds:			
Athletic and Music	\$ 27,829	\$ 29,739	\$ (1,910)
Management Information System	5,480	33,997	(28,517)
School Account Network	16,715	37,620	(20,905)
Preschool Grant	11,165	16,292	(5,127)
Goals 2000	45,545	48,082	(2,537)
Capital Projects Fund:			
Permanent Improvement	20,418,003	22,325,468	(1,907,465)

**WARRENSVILLE HEIGHTS CITY SCHOOL DISTRICT
 CUYAHOGA COUNTY
 JUNE 30, 2002
 SCHEDULE OF FINDINGS
 OMB CIRCULAR A -133 § .505**

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

Finding Number	2002-003
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Ohio Rev. Code § 5705.39, prohibits a subdivision from appropriating more than their estimated revenues. The following funds had appropriations in excess of estimated revenues as of June 30, 2002:

	<u>Estimated Revenues</u>	<u>Appropriations</u>	<u>Variance</u>
Special Revenue Fund:			
Cleveland State Grant	\$7,121	\$9,462	(\$2,341)
Capital Projects Fund:			
School Net	41,296	64,000	(22,704)

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	2002-004
CFDA Title and Number	Nutrition Cluster (CFDA # 10.550, 10.553, 10.555, 10.556)
Federal Award Number / Year	2002
Federal Agency	U.S. Department of Agriculture
Pass-Through Agency	Ohio Department of Education

7 C.F.R. Section 245.6 - Verification of Free and Reduced Price Applications, states that by December 15th of each school year, the District must verify the information presented on a sample of the applications that it has approved for free or reduced price meals. The verification sample size is based on the number of approved applications on file on October 31st. The District may select the sample by either (1) random sampling (the lesser of 3,000 approved applications or 3 percent of total approved applications on file, all randomly selected), or (2) focused sampling. The District must follow-up on children determined ineligible for free and reduced price meals and change the category of such children determined ineligible.

The District was required to perform an audit during fiscal year 2002 on applications received during October 2001. While the District stated they performed the required audit no documentation could be located which verified their assertion.

We recommend that the District retain all documentation regarding free and reduced lunches so that it is easily obtainable and in compliance with federal regulations.

**WARRENSVILLE HEIGHTS CITY SCHOOL DISTRICT
 CUYAHOGA COUNTY
 JUNE 30, 2002
 SCHEDULE OF FINDINGS
 OMB CIRCULAR A -133 § .505**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	2002-005
CFDA Title and Number	Nutrition Cluster (CFDA # 10.550, 10.553, 10.555, 10.556)
Federal Award Number / Year	2002
Federal Agency	U.S. Department of Agriculture
Pass-Through Agency	Ohio Department of Education

Free and reduced lunch/milk applications are utilized to determine the eligibility of students. During a test of 60 applications the following weaknesses were noted:

- Ten instances where the application was not signed by the Business Manager; and
- Eight instances where the letter to the parent/guardian indicating eligibility and/or approval was not attached to the application.

The Business Manager's signature indicates review of the application and approval/disapproval of the student to receive free or reduced lunch/milk. The letter sent to the parent/guardian indicates the student and family were made aware of the student's eligibility and/or approval to receive free or reduced lunch/milk.

We recommend the District follow their procedures by having the Business Manager sign the application after his review and approval/disapproval of the application. In addition, the District should retain all documentation indicating the student and family were notified of the student's eligibility and/or approval.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

WARRENSVILLE HEIGHTS CITY SCHOOL DISTRICT

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 29, 2003**