



**WARRENSVILLE HEIGHTS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2005**



**Mary Taylor, CPA**  
Auditor of State



**Warrensville Heights City School District**

*Basic Financial Statements*

*For the Year Ended June 30, 2005*

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Warrensville Heights City School District, Cuyahoga County, Ohio, (the District) as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Warrensville Heights City School District, Cuyahoga County, Ohio, as of June 30, 2005, and the respective changes in financial position thereof and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2008, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management

regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

**Mary Taylor, CPA**  
Auditor of State

March 7, 2008

## Warrensville Heights City School District

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005  
Unaudited*

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The discussion and analysis of the Warrensville Heights City School District's (The School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

### **Financial Highlights**

Key financial highlights for fiscal year 2005 are as follows:

- In total, net assets increased \$3,566,593 in fiscal year 2005 which represents a 101.66 percent increase over fiscal year 2004.
- General revenues accounted for \$35,090,208, or 88.63 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$4,501,371 or 11.37 percent of total revenues of \$39,591,579.
- Total assets of governmental activities increased by \$7,453,020 as cash and cash equivalents increased by \$880,573, receivables increased by \$7,349,075, capital assets decreased by \$762,566, and other assets decreased \$14,062.
- The School District had \$36,024,986 in expenses; only \$4,501,371 of these expenses was offset by program specific charges for services, operating and capital grants and contributions. General revenues (primarily taxes supplemented by grants and entitlements) of \$35,090,208 were available to provide for these programs.
- The general fund had \$30,559,135 in revenues and \$29,187,423 in expenditures. The general fund's ending balance increased \$1,246,240 over fiscal year 2004.

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

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

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

## Warrensville Heights City School District

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005  
Unaudited*

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### Reporting the School District as a Whole

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

While this document contains all of the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the question "How did we perform financially during 2005?" The *Statement of Net Assets* and the *Statement of Activities* answer this question. These statements include *all assets and liabilities* using the *accrual basis of accounting* similar to the accounting used by most private sector companies. Accrual accounting takes into account all of the current year's revenue and expenses regardless of when cash is received or paid.

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

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

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

#### *Fund Financial Statements*

The analysis of the School District's major funds begins on page 15. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus upon the School District's most significant funds. The School District's only major governmental fund is the general fund.

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



## Warrensville Heights City School District

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005  
Unaudited

### The School District as a Whole

You may recall that the *Statement of Net Assets* provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for fiscal year 2005 compared to the prior year:

**Table 1**  
**Net Assets**

	Governmental Activities		Change
	2005	2004	
<b>Assets</b>			
Current and Other Assets	\$29,023,972	\$20,808,386	\$8,215,586
Capital Assets, Net	28,641,785	29,404,351	(762,566)
<i>Total Assets</i>	<u>57,665,757</u>	<u>50,212,737</u>	<u>7,453,020</u>
<b>Liabilities</b>			
Current Liabilities	23,423,347	19,109,711	4,313,636
Long-Term Liabilities:			
Due Within One Year	743,026	973,365	(230,339)
Due in More than One Year	26,424,377	26,621,247	(196,870)
<i>Total Liabilities</i>	<u>50,590,750</u>	<u>46,704,323</u>	<u>3,886,427</u>
<b>Net Assets</b>			
Invested in Capital Assets	3,595,793	3,928,180	(332,387)
Restricted For:			
Capital Projects	1,133,083	815,294	317,789
Debt Service	1,643,264	1,175,137	468,127
Other Purposes	576,045	138,115	437,930
Unrestricted (Deficit)	126,822	(2,548,312)	2,675,134
<i>Total Net Assets</i>	<u>\$7,075,007</u>	<u>\$3,508,414</u>	<u>\$3,566,593</u>

As shown above, total governmental assets increased \$7,453,020. The major factor contributing to the increase is due to the passage of a 9.5 mill continuous operating levy in November 2004, which began generating additional property tax revenue in fiscal year 2005.

Total liabilities increased by \$3,886,427. The increase is due mainly to an increase in deferred revenue of \$3,329,786 resulting from the passage of the levy and a change in the timing of federal grants.

## Warrensville Heights City School District

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2005*

*Unaudited*

Table 2 shows the change in net assets for fiscal year 2005 for Governmental Activities compared to the prior year.

**Table 2**  
**Governmental Activities**

	2005	2004	Change
<i>Program Revenues</i>			
Charges for Services	\$572,790	\$498,267	\$74,523
Operating Grants and Contributions	3,892,630	2,607,332	1,285,298
Capital Grants	35,951	95,810	(59,859)
<b>Total Program Revenues</b>	<b>4,501,371</b>	<b>3,201,409</b>	<b>1,299,962</b>
<i>General Revenues</i>			
Property Taxes	22,672,947	20,637,187	2,035,760
Grants and Entitlements	12,339,946	9,178,812	3,161,134
Investment Earnings	1,812	23,868	(22,056)
Gain on Sale of Assets	0	712,362	(712,362)
Miscellaneous	75,503	7,027	68,476
<b>Total General Revenues</b>	<b>35,090,208</b>	<b>30,559,256</b>	<b>4,530,952</b>
<b>Total Revenues</b>	<b>39,591,579</b>	<b>33,760,665</b>	<b>5,830,914</b>
<i>Program Expenses</i>			
Instruction	18,892,618	18,009,824	882,794
Support Services			
Pupil	1,234,967	1,462,200	(227,233)
Instructional Staff	1,683,353	1,924,873	(241,520)
Board of Education	50,943	68,526	(17,583)
Administration	3,372,797	3,339,199	33,598
Fiscal	846,386	1,233,830	(387,444)
Business	1,117,826	699,969	417,857
Operation and Maintenance of Plant	3,620,844	4,031,042	(410,198)
Pupil Transportation	1,656,371	1,549,908	106,463
Central	428,754	550,273	(121,519)
Operation of Non-Instructional Services			
Food Services	1,103,657	912,375	191,282
Other Non-Instructional Services	248,642	1,098	247,544
Extracurricular Activities	319,928	490,377	(170,449)
Interest and Fiscal Charges	1,447,900	1,481,463	(33,563)
<b>Total Program Expenses</b>	<b>36,024,986</b>	<b>35,754,957</b>	<b>270,029</b>
Increase (Decrease) in Net Assets	3,566,593	(1,994,292)	5,560,885
<i>Net Assets Beginning of Year</i>	3,508,414	5,502,706	(1,994,292)
<i>Net Assets End of Year</i>	<b>\$7,075,007</b>	<b>\$3,508,414</b>	<b>\$3,566,593</b>

## Warrensville Heights City School District

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005  
Unaudited*

### **Governmental Activities**

Several revenue sources primarily fund the School District's governmental activities. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval to finance the school District operations. Property taxes made up 57.26 percent of revenues for governmental activities for the Warrensville Heights City School District for fiscal year 2005.

The tax rate currently paid by the School District voters is 89.40 mills per \$1,000 of assessed valuation. In 1995, voters approved a 9.5 mill continuing operating levy and another one in 2004, and in 2000 the School District voters renewed an emergency levy for operating purposes at 5.9 mills and again in 2004 to generate \$1,850,000. All tax levies combined have devalued to collect at the effective rate of 48.20 mills. This is attributed to the rollback factors under House Bill 920, which literally eliminates inflation from real property valuations. The School District monitors both of these revenue sources closely for fluctuations that would impact upon its activities.

Instruction expenses comprise 52.44 percent of governmental program expenses. Building operations, administration, pupil support, staff support, food service, extracurricular activities and interest and fiscal charges make up the remaining 47.56 percent of governmental program expenses. The Board believes that the main focus of the School District should be to provide the best instruction to its pupils as possible and therefore a majority of the expenses of the School District are in the area of instruction, which increased \$882,794 over fiscal year 2004 mainly due to increases in salaries and related benefits as well as increases in instructional materials purchased.

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

**Table 3  
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2005	2004	2005	2004
Instruction	\$18,892,618	\$18,009,824	(\$16,266,268)	(\$15,740,270)
Support Services:				
Pupil	1,234,967	1,462,200	(1,227,640)	(1,433,548)
Instructional Staff	1,683,353	1,924,873	(1,183,523)	(1,924,873)
Board of Education	50,943	68,526	(49,723)	(68,526)
Administration	3,372,797	3,339,199	(3,368,897)	(3,339,199)
Fiscal	846,386	1,233,830	(844,280)	(1,233,830)
Business	1,117,826	699,969	(1,117,826)	(699,969)
Operation and Maintenance of Plant	3,620,844	4,031,042	(3,445,936)	(3,967,115)
Pupil Transportation	1,656,371	1,549,908	(1,636,383)	(1,206,578)
Central	428,754	550,273	(338,693)	(550,273)
Operation of Non-Instructional Services				
Food Service	1,103,657	912,375	(161,601)	(510,795)
Other Non-Instructional Services	248,642	1,098	(214,333)	(1,098)
Extracurricular Activities	319,928	490,377	(220,612)	(396,011)
Interest and Fiscal Charges	1,447,900	1,481,463	(1,447,900)	(1,481,463)
Total Expenses	<u>\$36,024,986</u>	<u>\$35,754,957</u>	<u>(\$31,523,615)</u>	<u>(\$32,553,548)</u>

## Warrensville Heights City School District

*Management's Discussion and Analysis  
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Unaudited*

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

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

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

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

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

Operation of non-instructional services includes the preparation, delivery, and servicing of lunches, snacks and other incidental meals to students and school staff in connection with school activities.

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

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

The dependence upon general revenues for governmental activities is apparent. Program revenues support 13.90 percent instructional activities. The remaining 86.10 percent of instructional activities is supported through taxes and other general revenues. Program revenues support 10.94 percent of all other activities and the remaining 89.06 percent is supported through taxes and other general revenues. The community, as a whole, is the primary support for the Warrensville Heights City School District.

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

Information regarding the School District's major funds starts on page 15. These funds are accounted for using the modified accrual basis of accounting. For fiscal year 2005, the School District had two major funds, the general fund and the bond retirement debt service fund. The general fund had total revenues of \$30,559,135 and expenditures of \$29,187,423. The net change in fund balance for the year in the general fund was an increase of \$1,246,240, primarily due to the new levy.

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

## Warrensville Heights City School District

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During the course of fiscal year 2005, the School District amended its general fund budget seven times by the end of the fiscal year. For the general fund, the final budget basis revenue was \$30,964,799 representing a \$601,594 decrease from the original budget estimates of \$31,566,393. There was no difference between the final budget basis revenue and the actual revenue at the end of the fiscal year.

The final budgeted expenditures totaled \$28,413,666 compared to original estimates of \$27,758,055. Actual expenditures of \$28,412,293 were \$1,373 lower than the final budgeted expenditures. The School District's unencumbered cash balance totaled (\$2,848) which is lower than that in the final budget.

### Capital Assets

At the end of fiscal year 2005, the School District had \$28,641,785 invested in land, buildings, furniture, fixtures and equipment, and vehicles. Table 4 details fiscal year 2005 balances compared to the prior fiscal year.

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

	Governmental Activities	
	2005	2004
Land	\$414,153	\$414,153
Buildings	26,796,774	27,334,692
Furniture, Fixtures and Equipment	1,101,635	1,255,964
Vehicles	329,223	399,542
Totals	<u>\$28,641,785</u>	<u>\$29,404,351</u>

Overall capital assets decreased \$762,566 from fiscal year 2004 to fiscal year 2005. Additions to capital assets (primarily furniture, fixtures and equipment) were offset by depreciation expense for the year. For more information on capital assets, see Note 10 of the basic financial statements.

### Debt

At June 30, 2005, the School District had \$25,045,992 in general obligation bonds, notes and capital leases, with \$611,182 due within one year. Table 5 summarizes the School District's outstanding debt.

**Table 5**  
Outstanding Debt at Fiscal Year End

	2005	2004
School Improvement Bonds		
Series 2000	\$24,550,000	\$25,025,000
Energy Conservation Loan	0	141,236
Notes Payable	275,000	0
Capital Leases	220,992	309,935
Totals	<u>\$25,045,992</u>	<u>\$25,476,171</u>

## **Warrensville Heights City School District**

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In 1995, the School District issued a \$1,300,000 Energy Conservation Improvement Loan for the purpose of paying costs of installation, modification, and remodeling of school buildings in order to conserve energy. The final loan payment was made in fiscal year 2005.

At June 30, 2005, the School District's overall legal debt margin was \$9,092,767, and the unvoted debt margin was \$363,158. A more detailed presentation is included in Note 15 of the notes to the basic financial statements.

### **Current Financial Related Activities**

The Warrensville Heights City School District is financially vulnerable. The Board of Education, administration and staff are committed to improving the financial condition of the School District. Due to the budget constraints, the School District requested additional support from the community. The community has been supportive of the education system. The change in our financial status is expected to look better because the levies needed were passed at the end of calendar year 2004. These levies are the 9.5 mill continuous operating levy and the renewal of the \$1,850,000 emergency levy.

The ongoing legislative effort to support the existence of community (charter) schools comes at the expense of our current State foundation subsidy. During fiscal year 2005, \$600,566 was deducted from our State subsidy and redirected to local community schools. The School District has also been impacted by the continuing national trend of rapidly escalating employee health care benefit costs, and the ever increasing costs associated with the education of special needs students and special needs transportation costs.

Several significant legislative and judicial actions have occurred that will have a major impact on the School District. The Ohio Supreme Court has issued its fourth decision regarding school funding reform in Ohio. All indicators point to the fact that the ultimate resolution of school funding reform is still some time away. Since 1997, the State has directed its tax revenue growth toward school districts with little property tax wealth. The legislators and government officials continue to negotiate the plan for improvement of the financing of public schools in the State of Ohio.

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

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

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

# Warrensville Heights City School District

## Statement of Net Assets

June 30, 2005

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$2,264,649
Accounts Receivable	34
Intergovernmental Receivable	567,470
Materials and Supplies Inventory	2,910
Inventory Held for Resale	15,005
Taxes Receivable	26,173,904
Nondepreciable Capital Assets	414,153
Depreciable Capital Assets, Net	28,227,632
<i>Total Assets</i>	<u>57,665,757</u>
<b>Liabilities</b>	
Accounts Payable	493,694
Accrued Wages and Benefits	3,554,272
Intergovernmental Payable	1,074,032
Accrued Interest Payable	118,413
Matured Compensated Absences Payable	112,979
Special Termination Benefit Payable	16,000
Deferred Revenue	18,053,957
Long-Term Liabilities:	
Due Within One Year	743,026
Due In More Than One Year	26,424,377
<i>Total Liabilities</i>	<u>50,590,750</u>
<b>Net Assets</b>	
Invested in Capital Assets	3,595,793
Restricted for:	
Capital Projects	1,133,083
Debt Service	1,643,264
Public School Support	22,387
Ohio Reads Program	37,573
Title I	135,847
Set-Aside for Textbooks	224,817
Miscellaneous Federal Grants	40,260
Other Purposes	115,161
Unrestricted	126,822
<i>Total Net Assets</i>	<u><u>\$7,075,007</u></u>

See accompanying notes to the basic financial statements

**Warrensville Heights City School District**

*Statement of Activities*

*For the Fiscal Year Ended June 30, 2005*

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>					
Instruction:					
Regular	\$14,764,983	\$212,659	\$1,107,911	\$25,200	(\$13,419,213)
Special	3,625,470	0	1,280,580	0	(2,344,890)
Vocational	502,165	0	0	0	(502,165)
Support Services:					
Pupil	1,234,967	6,590	737	0	(1,227,640)
Instructional Staff	1,683,353	0	499,830	0	(1,183,523)
Board of Education	50,943	0	1,220	0	(49,723)
Administration	3,372,797	3,900	0	0	(3,368,897)
Fiscal	846,386	0	2,106	0	(844,280)
Business	1,117,826	0	0	0	(1,117,826)
Operation and Maintenance of Plant	3,620,844	0	174,908	0	(3,445,936)
Pupil Transportation	1,656,371	0	9,237	10,751	(1,636,383)
Central	428,754	0	90,061	0	(338,693)
Operation of Non-Instructional Services:					
Food Service Operations	1,103,657	240,900	701,156	0	(161,601)
Other Non-Instructional Services	248,642	9,425	24,884	0	(214,333)
Extracurricular Activities	319,928	99,316	0	0	(220,612)
Interest and Fiscal Charges	1,447,900	0	0	0	(1,447,900)
<b>Totals</b>	<b>\$36,024,986</b>	<b>\$572,790</b>	<b>\$3,892,630</b>	<b>\$35,951</b>	<b>(31,523,615)</b>
<b>General Revenues</b>					
Property Taxes Levied for:					
General Purposes					19,628,854
Debt Service					2,206,054
Capital Projects					663,449
Other Purposes					174,590
Grants and Entitlements not Restricted to Specific Programs					12,339,946
Investment Earnings					1,812
Miscellaneous					75,503
<b>Total General Revenues</b>					<b>35,090,208</b>
Change in Net Assets					3,566,593
<i>Net Assets Beginning of Year</i>					<u>3,508,414</u>
<i>Net Assets End of Year</i>					<u><u>\$7,075,007</u></u>

See accompanying notes to the basic financial statements



**Warrensville Heights City School District**

*Balance Sheet*

*Governmental Funds*

*June 30, 2005*

	General	Bond Retirement Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$0	\$750,848	\$1,288,984	\$2,039,832
Accounts Receivable	34	0	0	34
Intergovernmental Receivable	0	0	567,470	567,470
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	224,817	0	0	224,817
Materials and Supplies Inventory	0	0	2,910	2,910
Inventory Held for Resale	0	0	15,005	15,005
Interfund Receivable	683,908	0	30,630	714,538
Taxes Receivable	22,852,267	2,404,485	917,152	26,173,904
<i>Total Assets</i>	<u>\$23,761,026</u>	<u>\$3,155,333</u>	<u>\$2,822,151</u>	<u>\$29,738,510</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	\$403,046	\$0	\$90,648	\$493,694
Accrued Wages and Benefits	3,189,570	0	364,702	3,554,272
Intergovernmental Payable	924,331	0	149,701	1,074,032
Matured Compensated Absences Payable	106,360	0	6,619	112,979
Special Termination Benefits Payable	16,000	0	0	16,000
Interfund Payable	0	0	714,538	714,538
Deferred Revenue	19,382,059	1,921,825	1,020,866	22,324,750
<i>Total Liabilities</i>	<u>24,021,366</u>	<u>1,921,825</u>	<u>2,347,074</u>	<u>28,290,265</u>
<b>Fund Balances</b>				
Reserved for Encumbrances	653,760	0	358,590	1,012,350
Reserved for Property Taxes	2,592,374	418,798	151,935	3,163,107
Reserved for Textbooks	242,556	0	0	242,556
Reserved for Bus Purchases	44,601	0	0	44,601
Reserved for Budget Stabilization	151,627	0	0	151,627
Unreserved, Undesignated (Deficit)				
Reported in:				
General Fund	(3,945,258)	0	0	(3,945,258)
Special Revenue Funds	0	0	(749,286)	(749,286)
Debt Service Funds	0	814,710	0	814,710
Capital Projects Funds	0	0	713,838	713,838
<i>Total Fund Balances (Deficit)</i>	<u>(260,340)</u>	<u>1,233,508</u>	<u>475,077</u>	<u>1,448,245</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$23,761,026</u>	<u>\$3,155,333</u>	<u>\$2,822,151</u>	<u>\$29,738,510</u>

**Warrensville Heights City School District**  
*Reconciliation of Total Governmental Fund Balances to*  
*Net Assets of Governmental Activities*  
*June 30, 2005*

<b>Total Governmental Fund Balances</b>		<b>\$1,448,245</b>
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		28,641,785
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Delinquent Property Taxes	3,989,166	
Grants	281,627	
Total		4,270,793
In the statement of activities, interest is accrued on outstanding loans, whereas in governmental funds, an interest expenditure is reported when due.		(118,413)
Long-term liabilities including compensated absences, capital leases, and general obligation bonds are not due and payable in the current period and therefore are not reported in the funds.		
General Obligation Bonds	(24,550,000)	
Notes	(275,000)	
Capital Leases	(220,992)	
Compensated Absences	(2,121,411)	
Total		(27,167,403)
<i>Net Assets of Governmental Activities</i>		<b>\$7,075,007</b>

See accompanying notes to the basic financial statements

**Warrensville Heights City School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2005*

	General	Bond Retirement Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$18,166,405	\$1,965,401	\$752,999	\$20,884,805
Intergovernmental	12,076,708	198,974	3,699,712	15,975,394
Interest	1,812	0	0	1,812
Tuition and Fees	208,482	0	0	208,482
Extracurricular Activities	31,708	0	81,210	112,918
Contributions and Donations	0	0	11,506	11,506
Charges for Services	6,590	0	240,900	247,490
Rentals	3,900	0	0	3,900
Miscellaneous	63,530	0	11,973	75,503
<i>Total Revenues</i>	<u>30,559,135</u>	<u>2,164,375</u>	<u>4,798,300</u>	<u>37,521,810</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	13,140,590	0	1,008,985	14,149,575
Special	2,673,641	0	1,028,674	3,702,315
Vocational	529,271	0	0	529,271
Support Services:				
Pupil	1,281,017	0	17,045	1,298,062
Instructional Staff	1,028,310	0	562,053	1,590,363
Board of Education	47,452	0	0	47,452
Administration	3,233,054	0	36,332	3,269,386
Fiscal	807,031	30,904	2,384	840,319
Business	1,164,006	0	0	1,164,006
Operation and Maintenance of Plant	3,159,003	0	241,946	3,400,949
Pupil Transportation	1,509,195	0	16,082	1,525,277
Central	267,630	0	83,431	351,061
Operation of Non-Instructional Services				
Food Service Operations	0	0	958,328	958,328
Other Non-Instructional Services	1,034	0	247,608	248,642
Extracurricular Activities	243,940	0	62,357	306,297
Capital Outlay	0	0	430,247	430,247
Debt Service:				
Principal Retirement	88,943	616,236	0	705,179
Interest and Fiscal Charges	13,306	1,435,544	0	1,448,850
<i>Total Expenditures</i>	<u>29,187,423</u>	<u>2,082,684</u>	<u>4,695,472</u>	<u>35,965,579</u>
<i>Excess of Revenues Over Expenditures</i>	<u>1,371,712</u>	<u>81,691</u>	<u>102,828</u>	<u>1,556,231</u>
<b>Other Financing Sources (Uses)</b>				
Notes Issued	275,000	0	0	275,000
Transfers In	0	144,833	255,639	400,472
Transfers Out	(400,472)	0	0	(400,472)
<i>Total Other Financing Sources (Uses)</i>	<u>(125,472)</u>	<u>144,833</u>	<u>255,639</u>	<u>275,000</u>
<i>Net Change in Fund Balances</i>	1,246,240	226,524	358,467	1,831,231
<i>Fund Balances (Deficit) Beginning of Year</i>	<u>(1,506,580)</u>	<u>1,006,984</u>	<u>116,610</u>	<u>(382,986)</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>(\$260,340)</u>	<u>\$1,233,508</u>	<u>\$475,077</u>	<u>\$1,448,245</u>

See accompanying notes to the basic financial statements

**Warrensville Heights City School District**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2005*

**Net Change in Fund Balances - Total Governmental Funds** \$1,831,231

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

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

Capital Asset Additions	284,835
Current Year Depreciation	<u>(1,047,401)</u>

Total (762,566)

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

Delinquent Property Taxes	1,788,142
Grants	<u>281,627</u>

Total 2,069,769

Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 705,179

In the statement of activities, interest is accrued on outstanding loans, whereas in governmental funds, an interest expenditure is reported when due. 950

Some expenses reported in the statement of activities, such as compensated absences payable do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (2,970)

Other financing sources in the governmental funds, such as bond anticipation notes, that increase long-term liabilities in the statement of net assets are not reported as revenues in the statement of activities. (275,000)

*Change in Net Assets of Governmental Activities* \$3,566,593

See accompanying notes to the basic financial statements

**Warrensville Heights City School District**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2005*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Taxes	\$18,104,492	\$17,768,523	\$16,660,127	(\$1,108,396)
Intergovernmental	13,124,322	12,880,170	12,076,708	(803,462)
Interest	0	1,330	1,330	0
Tuition and Fees	226,226	208,482	208,482	0
Extracurricular Activities	35,049	31,708	31,708	0
Charges for Services	3,020	6,590	6,590	0
Rentals	3,186	3,900	3,900	0
Miscellaneous	70,098	64,096	64,096	0
<i>Total Revenues</i>	<u>31,566,393</u>	<u>30,964,799</u>	<u>29,052,941</u>	<u>(1,911,858)</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	12,733,935	12,799,058	12,799,056	2
Special	2,510,616	2,519,945	2,519,945	0
Vocational	481,004	485,030	485,030	0
Support Services:				
Pupil	1,220,207	1,228,272	1,228,272	0
Instructional Staff	875,022	891,868	891,868	0
Board of Education	42,459	46,011	46,011	0
Administration	3,053,648	3,213,126	3,213,126	0
Fiscal	690,607	783,047	783,047	0
Business	1,090,098	1,157,257	1,157,257	0
Operation and Maintenance of Plant	2,835,433	2,983,385	2,983,385	0
Pupil Transportation	1,633,648	1,680,735	1,680,735	0
Central	258,179	267,193	267,193	0
Operation of Non-Instructional Services	1,030	1,030	1,030	0
Extracurricular Activities	332,169	357,709	356,338	1,371
<i>Total Expenditures</i>	<u>27,758,055</u>	<u>28,413,666</u>	<u>28,412,293</u>	<u>1,373</u>
<i>Excess of Revenues Over Expenditures</i>	<u>3,808,338</u>	<u>2,551,133</u>	<u>640,648</u>	<u>(1,910,485)</u>
<b>Other Financing Sources (Uses)</b>				
Notes Issued	299,511	275,000	275,000	0
Transfers Out	(1,898,629)	(400,513)	(400,472)	41
Advances Out	(390,000)	(390,000)	(390,038)	(38)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,989,118)</u>	<u>(515,513)</u>	<u>(515,510)</u>	<u>3</u>
<i>Net Change in Fund Balance</i>	1,819,220	2,035,620	125,138	(1,910,482)
<i>Fund Balance (Deficit) Beginning of Year</i>	(871,595)	(871,595)	(871,595)	0
Prior Year Encumbrances Appropriated	743,609	743,609	743,609	0
<i>Fund Balance End of Year</i>	<u>\$1,691,234</u>	<u>\$1,907,634</u>	<u>(\$2,848)</u>	<u>(\$1,910,482)</u>

See accompanying notes to the basic financial statements

**Warrensville Heights City School District**

*Statement of Fiduciary Assets and Liabilities*

*Agency Fund*

*June 30, 2005*

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**Assets**

Equity in Pooled Cash and Cash Equivalents

\$52,638

**Liabilities**

Due to Students

\$52,638

See accompanying notes to the basic financial statements

## **Warrensville Heights City School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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

The Warrensville Heights City School District (School District) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five-members elected at-large for staggered four year terms. The School District provides educational services as authorized and mandated by State statute and federal guidelines. The Board controls the School District's six instructional facilities, staffed by 177 classified employees, 215 certificated full-time teaching personnel and 21 administrators who provide services to students and other community members.

The School District is located in Cuyahoga County, Ohio, including all of the territory of the City of Warrensville Heights, the Village of Highland Heights, and the Village of North Randall. The enrollment for the School District during the 2005 fiscal year was 2,745. The School District operated three elementary schools (K-4), one lower school (5-6), one upper middle school (7-8), and one high school (9-12).

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

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes. The School District does not have any component units.

The School District participates in two jointly governed organizations and a risk sharing pool. These organizations are the Lake Geauga Computer Association (LGCA), the Ohio Schools Council Association and the Suburban Health Consortium. These organizations are presented in Note 16 and 17 of the basic financial statements.

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

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

## Warrensville Heights City School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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### **A. Basis of Presentation**

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

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

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

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

### **B. Fund Accounting**

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

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

**General Fund** The general fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund.

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



## Warrensville Heights City School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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

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

### ***C. Measurement Focus***

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

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

### ***D. Basis of Accounting***

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

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year

## Warrensville Heights City School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

### ***E. Budgetary Data***

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

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

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated resources by fund. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year,

## Warrensville Heights City School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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including amounts automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year which significantly matched appropriations to final expenditures plus encumbrances.

### ***F. Cash and Cash Equivalents***

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

During fiscal year 2005, investments were limited to a Money Market Mutual Fund Investment Sweep Account and STAROhio. Investments are reported at fair value which is based on current share price.

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, 2005.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2005 amounted to \$1,812 which includes \$1,635 assigned from other School District funds.

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

### ***G. Restricted Assets***

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

### ***H. Prepaids***

Payments made to vendors for services that will benefit periods beyond June 30, 2005, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

### ***I. Inventory***

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used.

Inventories consist of donated food, purchased food and school supplies held for resale, and materials and supplies held for consumption.

**Warrensville Heights City School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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***J. Capital Assets***

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

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

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

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

***K. Interfund Balances***

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

***L. Compensated Absences***

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

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due to each period upon the occurrence of employee resignations and retirements. These amounts are reported as “matured compensated absences payable” in the funds from which the employees who have resigned or retired will be paid.

**Warrensville Heights City School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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***M. Accrued Liabilities and Long-Term Obligations***

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

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

***N. Net Assets***

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed by law on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The government-wide statement of net assets reports \$3,352,392 of restricted net assets, none of which is restricted by enabling legislation. Net assets restricted for other purposes include resources restricted for food service, uniform school supplies and student activities.

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

***O. Interfund Activity***

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

***P. Fund Balance Reserves***

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

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

## Warrensville Heights City School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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### ***Q. Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. There were no extraordinary or special items.

### ***R. Estimates***

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

### **Note 3 – Change in Accounting Principles**

For 2005, the School District has implemented GASB Statement No. 39, “Determining Whether Certain Organizations are Component Units”, GASB Statement No. 40, “Deposit and Investment Risk Disclosures,” GASB Statement No. 46, “Net Assets Restricted by Enabling Legislation” and GASB Technical Bulletin No. 2004-2, “Recognition of Pension and Other Postemployment Benefit Expenditures/Expense and Liabilities by Cost-Sharing Employers.”

GASB Statement No. 39 states that entities for which a primary organization is not financially accountable may still be reported as a component unit based on the nature and significance of their relationship with the primary government.

GASB Statement No. 40 establishes new disclosure requirements for risk associated with deposits and investments.

GASB Statement No. 46 clarifies when net assets should be considered restricted based upon enabling legislation.

GASB Technical Bulletin No. 2004-2 addresses the amount that should be recognized as expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other postemployment benefit (OPEB) plans.

The implementation of GASB Statement No. 39, GASB Statement No. 40, GASB Statement No. 46 and GASB Technical Bulletin No. 2004-2 did not materially affect the presentation of the financial statements of the School District.

**Warrensville Heights City School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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**Note 4 – Accountability and Compliance**

**A. Accountability**

At June 30, 2005, the following funds had deficit fund balances:

	<u>Amount</u>
<b>Major Fund</b>	
General Fund	\$260,340
<b>Non-Major Funds</b>	
Food Service	345,171
Recreation	43,045
Termination Benefits	1,336
Disadvantaged Pupil	
Impact Aid	231,647
Ohio Reads	5,327
Alternative Schools	392
Title I	71,149

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

**B. Legal Compliance**

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

	<u>Appropriations</u>	<u>Estimated Resources Plus Carryover</u>	<u>Excess</u>
<b>Non-Major Funds</b>			
Termination Benefits	\$248,903	\$150,629	\$98,274

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

**Warrensville Heights City School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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

	<u>Appropriations</u>	<u>Estimated Resources Plus Carryover</u>	<u>Variance</u>
<b><i>Non-major Funds</i></b>			
Termination Benefits	\$948,902	\$150,629	\$798,273
EMIS	17,632	13,418	4,214
Entry Year Program	3,070	1,761	1,309
Disadvantaged Pupil Impact Aid	1,233,005	1,200,512	32,493
Network Connectivity Subsidy	7,290	0	7,290
School Improvement Model	1,858	0	1,858
School Net	25,200	5,000	20,200

Contrary to 5705.14 and 5705.10, Ohio Revised Code, the District did not properly approve 14 out of 20 transfers and 9 out of 11 advances. The District also has old outstanding interfund payables.

Contrary to 5705.41(D), Ohio Revised Code, the District did not properly encumber all expenditures.

Contrary to 5705.10, Ohio Revised Code, the general fund had a negative fund balance of \$2,848.

Contrary to 5705.13(A) and 5705.17(A), Ohio Revised Code, the District does not have enough cash in the general fund to cover the budget stabilization and textbook reserves.

**Note 5 - Budgetary Basis of Accounting**

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

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



**Warrensville Heights City School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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

Net Change in Fund Balance	
GAAP Basis	\$1,246,240
Net Adjustment for Revenue Accruals	(1,506,194)
Net Adjustment for Expenditure Accruals	1,584,058
Advances Out	(390,038)
Adjustment for Encumbrances	<u>(808,928)</u>
Budget Basis	<u><u>\$125,138</u></u>

**Note 6 - Deposits and Investments**

Monies held by the School District are classified by State statute into three categories.

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

Inactive deposits are public deposits that the Board 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.

Interim monies held by the School District can 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;

**Warrensville Heights City School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAROhio); and,
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

***Deposits***

***Custodial Credit Risk*** Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year-end, \$3,039,296 of the School District's bank balance of \$3,139,296 was uninsured and uncollateralized. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

***Investments***

Investments are reported at fair value. All investments are in an internal investment pool. As of June 30, 2005, the School District had investments in a KeyBank Victory Federal Money Market mutual fund investment sweep account and STAROhio.

	<u>Fair Value</u>	<u>Average Maturity</u>
Victory Federal Money Market Mutual Fund Investment Sweep Account	\$275,000	Daily
STAROhio	<u>7,914</u>	39 days
Total	<u>\$282,914</u>	

***Interest Rate Risk*** As a means of limiting its exposure to fair value losses caused by rising interest rates, the School District's investment policy requires that operating funds be invested primarily in investments

## Warrensville Heights City School District

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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

**Credit Risk** STAROhio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service.

**Concentration of Credit Risk** is defined by the Governmental Accounting Standards Board as having five percent or more invested in the securities of a single issuer. The School District's investment policy places no limit on the amount it may invest in any one issuer. The following is the School District's allocation as of December 31, 2005:

<u>Investment</u>	<u>Percentage of Investment</u>
Victory Federal Money Market Mutual Fund Investment Sweep Account	97.20%
STAROhio	2.80%

### Note 7 - Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2005 represents collections of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed value listed as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2003, were levied after April 1, 2004 and are collected in 2005 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2005 (other than public utility property) represents the collection of 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, on the value as of December 31, 2004. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30. This year, the June 2005 tangible personal property tax settlement was not received until July 2005.

**Warrensville Heights City School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

The School District receives property taxes from Cuyahoga County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2005, are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2005, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 and the late personal property tax settlement were levied to finance current fiscal year operations and are reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2005, was \$2,592,374 in the general fund, \$418,798 in the bond retirement debt service fund, \$120,282 in the permanent improvement capital projects fund and \$31,653 in the recreation special revenue fund. The amount available as an advance at June 30, 2004, was \$1,963,930 in the general fund, \$317,237 in the bond retirement debt service fund, \$91,123 in the permanent improvement capital projects fund and \$23,980 in the recreation special revenue fund.

The late tax settlement made by the County for fiscal year 2005 was \$877,834 in the general fund, \$63,862 in the bond retirement debt service fund, \$20,566 in the permanent improvement capital projects fund and \$5,412 in the recreation special revenue fund.

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

The assessed values upon which the fiscal year 2005 taxes were collected are:

	2004 Second - Half Collections		2005 First - Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$293,272,480	82.36 %	\$304,352,230	83.81 %
Public Utility	16,477,330	4.63	15,983,080	4.40
Tangible Personal Property	<u>46,323,355</u>	<u>13.01</u>	<u>42,823,123</u>	<u>11.79</u>
Total Assessed Value	<u>\$356,073,165</u>	<u>100.00</u>	<u>\$363,158,433</u>	<u>100.00</u>
 Tax rate per \$1,000 of assessed valuation		\$79.70		\$89.40

In November 2004, the voters passed a 9.5 mill continuing operating levy. The additional .20 mill increase in the tax rate is for the 1999 (\$26,100,000) bond levy. Since bond levies are passed based on the dollar amount of the bond issue, the tax rate will increase or decrease based on increases or decreases in the debt payment for principal and interest. The County Auditor extrapolates the tax rate based on the debt payment information. For fiscal year 2005, the payments for principal and interest increased \$50,263 over the payments for fiscal year 2004.

**Warrensville Heights City School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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**Note 8 - Receivables**

Receivables at June 30, 2005, consisted of taxes, accounts (rent and tuition), and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables are considered to be collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables are expected to be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

<u>Governmental Activities</u>	<u>Amounts</u>
Ohio Reads	\$25,872
Student Intervention	6,588
Title VI-B	107,801
Title I	388,711
Title V	271
Drug Free Schools	2,136
Preschool Grant	7,643
Classroom Size Reduction	20,770
Miscellaneous Federal Grants	7,678
<i>Total</i>	<u><u>\$567,470</u></u>

**Note 9 - Capital Leases**

On October 1, 2002 the School District entered into a lease-purchase agreement with Key Municipal Finance for \$181,851 for providing 160 Valera computers for the School District, under the authority of Ohio Revised Code section 3313.37. The lease was issued for a three year period with final maturity during fiscal year 2006. This was paid from the general fund.

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

These leases meet the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases". The equipment has been capitalized in the amount of \$353,995. The assets acquired through capital leases are as follows:

**Warrensville Heights City School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

	<u>Governmental Activities</u>
<i>Asset:</i>	
Furniture, Fixtures and Equipment	\$505,705
Less: Accumulated Depreciation	<u>(151,710)</u>
Total Book Value as of June 30, 2005	<u><u>\$353,995</u></u>

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

<u>Fiscal Year Ending June 30, 2005</u>	<u>Funds</u>
Total Minimum Lease Payments	\$243,564
Less: Amount Representing Interest	<u>(22,572)</u>
Present Value of Minimum Lease Payments	<u><u>\$220,992</u></u>

**Note 10 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	<u>Balance June 30, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2005</u>
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated:</i>				
Land	<u>\$414,153</u>	<u>\$0</u>	<u>\$0</u>	<u>\$414,153</u>
 <i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	37,340,378	265,659	0	37,606,037
Furniture, Fixtures and Equipment	2,519,006	19,176	0	2,538,182
Vehicles	<u>869,084</u>	<u>0</u>	<u>0</u>	<u>869,084</u>
<i>Total Capital Assets, being depreciated</i>	<u>40,728,468</u>	<u>284,835</u>	<u>0</u>	<u>41,013,303</u>
 Less: Accumulated Depreciation:				
Buildings and Improvements	(10,005,686)	(803,577)	0	(10,809,263)
Furniture, Fixtures and Equipment	(1,263,042)	(173,505)	0	(1,436,547)
Vehicles	<u>(469,542)</u>	<u>(70,319)</u>	<u>0</u>	<u>(539,861)</u>
<i>Total Accumulated Depreciation</i>	<u>(11,738,270)</u>	<u>(1,047,401) *</u>	<u>0</u>	<u>(12,785,671)</u>
 <i>Capital Assets being depreciated, Net</i>	<u>28,990,198</u>	<u>(762,566)</u>	<u>0</u>	<u>28,227,632</u>
 Governmental Activities Capital Assets, Net	<u><u>\$29,404,351</u></u>	<u><u>(\$762,566)</u></u>	<u><u>\$0</u></u>	<u><u>\$28,641,785</u></u>

**Warrensville Heights City School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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

Instruction:	
Regular	\$381,775
Special	35,140
Vocational	6,106
Support Services:	
Pupil	3,669
Instructional Staff	8,694
Board of Education	3,491
Administration	78,848
Fiscal	3,185
Business	3,122
Operation and Maintenance of Plant	389,356
Pupil Transportation	90
Central	552
Non-Operating Services	89,433
Food Service Operations	37,128
Extracurricular Activities	6,812
<i>Total Depreciation Expense</i>	<u>\$1,047,401</u>

**Note 11 - Risk Management**

***A. Insurance***

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

## Warrensville Heights City School District

*Notes to the Basic Financial Statements  
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Company	Type of Coverage	Coverage
Indiana Insurance Company	Property (\$10,000 Deductible)	\$84,103,678
	Inland Marine (\$250 Deductible)	2,026,698
	Crime (\$250 - \$1,000 Deductible)	35,000
	General Liability:	
	In Aggregate	2,000,000
	Per Occurrence (\$5,000 Deductible)	1,000,000
	Automobile Liability - Single Limit	1,000,000
	Umbrella Coverage:	
	Each Occurrence Limit	10,000,000
	Aggregate Limit	10,000,000
Self-Insured Retention	10,000	
Ohio Casualty Insurance Company	Blanket Employee Dishonesty (\$1,000 Deductible)	250,000
Travelers Insurance Company	Boiler/Machinery (\$1,000 Deductible)	30,000,000

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

### ***B. Workers' Compensation***

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

### ***C. Employee Health Benefits***

The School District participates in the Suburban Health Consortium, a shared risk pool (Note 17) to provide employee medical/surgical benefits. Rates are set through an annual calculation process. The School District pays a monthly contribution which is placed in a common fund from which the claim payments are made for all participating districts. The employees share the cost of the monthly premium with the Board.

Claims are paid for all participants regardless of claims flow. Upon termination, all School District claims would be paid without regard to the School District's account balance or the Directors have the right to hold monies for an exiting school district subsequent to the settlement of all expenses and claims.

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

### ***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 plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required



## Warrensville Heights City School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 10.00 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 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, 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, 2005, 2004, and 2003 were \$411,527, \$260,325 and \$393,080 respectively; 69.71 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003.

### ***B. State Teachers Retirement System***

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, Ohio 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2005, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum

## Warrensville Heights City School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2005, 2004, and 2003 were \$1,803,981, \$1,895,478 and \$2,043,073, respectively; 88.09 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003. Contributions to the DC and Combined Plans for fiscal year 2005 were \$3,789 made by the School District and \$7,601 made by the plan members.

### ***C. Social Security System***

Effective July 1, 1991, employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the SERS/STRS of Ohio. As of June 30, 2005, one member of the Board of Education had elected Social Security. The Board's liability is 6.2 percent of wages paid.

### **Note 13 - Postemployment Benefits**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certified 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 on a pay-as-you-go basis.

STRS retirees from the DB and Combined Plan and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All 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 Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2005, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$138,768 for fiscal year 2005.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005, the balance in the Fund was \$3.3 billion. For the year ended June 30, 2005, net health care costs paid by STRS Ohio were \$254,780,000 and STRS Ohio had 115,395 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. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

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, 2005, employer contributions to fund health care benefits were 3.43 percent of covered payroll, a decrease of 1.48 percent from fiscal year 2004. 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 2005, the minimum pay was established at \$27,400. For the School District, the

## Warrensville Heights City School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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amount contributed to fund health care benefits, including the surcharge, during the 2005 fiscal year equaled \$419,132.

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 the projected claims less premium contributions for the next fiscal year. Expenses for health care for the fiscal year ended June 30, 2005 were \$178,221,113. At June 30, 2005, SERS had net assets available for payment of health care benefits of \$267.5 million. SERS has approximately 58,123 participants eligible to receive health care benefits.

### **Note 14 - Other Employee Benefits**

#### ***A. Compensated Absences***

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

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

#### ***B. Insurance***

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

#### ***C. Special Termination Benefits***

The School District offered employees participation in a Special Termination Incentive program. Participation is open to full-time certified employees between July 1, 2004 through June 30, 2006 who qualify for retirement and have 30 years of service (13 of those years must be with the Warrensville Heights City School District). The incentive is \$5,000 for up to 12 employees if the Superintendent is notified in writing by April 30<sup>th</sup> of the retirement year. If notification is given to the Superintendent by February 28<sup>th</sup> of the retirement year, an additional bonus of \$3,000 will be paid. If all of the conditions are met, payment is made in one lump sum within the first 60 days of the following calendar year. At June 30, 2005, the School District had a \$16,000 liability for Special Termination benefits.

**Warrensville Heights City School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

**Note 15 - Long-Term Obligations**

The changes in the School District's long-term obligations during fiscal year 2005 were as follows:

	Balance 6/30/2004	Additions	Deletions	Balance 6/30/2005	Amount Due in One Year
<b>Governmental Activities</b>					
Energy Conservation - Series 1995	\$141,236	\$0	\$141,236	\$0	\$0
School Improvements-Series 2000	25,025,000	0	475,000	24,550,000	550,000
Total General Obligation Bonds	25,166,236	0	616,236	24,550,000	550,000
Long-Term Note	0	275,000	0	275,000	0
Capital Leases	309,935	0	88,943	220,992	61,182
Compensated Absences	2,118,441	485,676	482,706	2,121,411	131,844
<i>Total Governmental Activities Long-Term Obligations</i>	<u>\$27,594,612</u>	<u>\$760,676</u>	<u>\$1,187,885</u>	<u>\$27,167,403</u>	<u>\$743,026</u>

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 a final maturity during fiscal year 2005. These bonds were issued with an interest rate of 4.44 percent and were paid from the bond retirement debt service fund.

On June 2, 2000, the School District issued \$26,100,000 in general obligation bonds for the purpose of school improvement under the authority of Ohio Revised Code, section 133.06(G). The bonds were issued for a twenty-five year period with a final maturity during fiscal year 2025 bearing interest at 4.44 percent per year. The bonds are paid from the bond retirement debt service fund.

During fiscal year 2005, the School District issued \$275,000 in bond anticipation notes with an interest rate of 3.95 percent for the purpose of obtaining office equipment. The notes, which mature June 7, 2007, are backed by the full faith and credit of the Warrensville Heights City School District.

Capital lease payments are paid from the general fund.

Compensated absences will be paid from the general fund and the food service, recreation, DPIA, title VI-B, title I and title VI-R special revenue funds.

**Warrensville Heights City School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

The overall debt margin of the School District as of June 30, 2005, was \$9,092,767 with an unvoted debt margin of \$363,158 at June 30, 2005. Principal and interest requirements for school improvement bonds outstanding at June 30, 2005, are as follows:

Year Ending 6/30	General Obligation Bonds		
	Principal	Interest	Totals
2006	\$550,000	\$1,407,612	\$1,957,612
2007	600,000	1,379,575	1,979,575
2008	675,000	1,348,169	2,023,169
2009	750,000	1,312,713	2,062,713
2010-2014	4,825,000	5,799,594	10,624,594
2015-2019	6,500,000	4,006,344	10,506,344
2020-2024	8,625,000	1,875,531	10,500,531
2025	2,025,000	58,219	2,083,219
	<u>\$24,550,000</u>	<u>\$17,187,757</u>	<u>\$41,737,757</u>

**Note 16 - Jointly Governed Organizations**

***A. Lake Geauga Educational Computer Association***

The Lake Geauga Educational Computer Association (LGCA) is a jointly governed organization that was formed for the purpose of providing computer services for accounting, grading, scheduling EMIS and other applications among its 18 member school districts. Each of the school districts support LGCA based on a per pupil charge. The Executive Committee (governing board) consists of the superintendents and treasurers of the member school districts. The degree of control exercised by any participant is limited to its representation on the governing board. LGCA's continued existence is not dependent on the School District's continued participation. The School District contributed \$103,623 to LGCA during the fiscal year 2005. A copy of LGCA's financial statements may be obtained by contracting the Lake Geauga Educational Computer Association at 8140 Auburn Road, Painsville, Ohio 44077.

***B. Ohio Schools Council***

The Ohio Schools Council Association (Council) is a jointly governed organization among 91 school districts. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to the member districts. 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 2005, the School District paid \$710 to the Council. Financial information can be obtained by contacting Dr. David A. Cottrell, the Executive Director of the Ohio Schools Council at 6133 Rockside Rd., Suite 10, Independence, Ohio 44131.

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 2000.

## Warrensville Heights City School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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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 purchase 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, the district is 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 district will commit to participating for a twelve year period. The participants make monthly payments based on estimated usage. Each month these estimated payments are compared to their actual usage and any necessary adjustments are made.

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

### **Note 17 – Risk Sharing Pool**

The Suburban Health Consortium is a shared health risk pool created pursuant to State statute for the purpose of administering health care benefits. The council is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly elects officers for one year terms to serve on the Board of Directors. The assembly exercises control over the participating school districts, based on the established premiums for the insurance plans. Each school district reserves the right to terminate the plan in whole or in part at any time for their School District. If it is terminated, no further contributions will be made, but the benefits under the insurance contract shall be paid in accordance with the terms of the contract.

**Warrensville Heights City School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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**Note 18 - Interfund Transactions**

***A. Transfers***

During fiscal year 2005, the School District made the following transfers:

<u>Transfer To</u>	<u>Transfer From General</u>
Debt Service	\$144,833
Uniform School Supply	4,220
Termination Benefits	249,534
Athletic and Music	346
Entry Year Teachers Grant	209
Disadvantaged Pupil Impact Aid	<u>1,330</u>
Total	<u><u>\$400,472</u></u>

The transfers from the general fund are to move unrestricted balances to support programs and projects accounted for in other funds.

***B. Balances***

At the end of the fiscal year, the School District advanced \$683,908 from the general fund to other funds to provide additional resources for current operations. Negative cash balances in the general fund and the disadvantaged pupil impact aid special revenue fund were eliminated with interfund receivables from the food service fund and title I special revenue funds, respectively. Interfund balances at June 30, 2005, consist of the following individual fund receivables and payables:

**Warrensville Heights City School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

Interfund Payable	Interfund Receivable		Totals
	General	Title I	
<b>Major Fund</b>			
General	\$0	\$0	\$0
<b>Nonmajor Funds</b>			
Recreation	70,000	0	70,000
Venture Capital	5,000	0	5,000
Athletic Fund	63	0	63
Alternative School	392	0	392
Disadvantaged Pupil Impact Aid	0	30,630	30,630
Food Service	345,442	0	345,442
Public School Support	964	0	964
Class Size Reduction	10,731	0	10,731
Ohio Reads	8,070	0	8,070
Student Reading	7,340	0	7,340
Title I	215,575	0	215,575
Early Childhood	7,753	0	7,753
Miscellaneous Federal Grant	12,578	0	12,578
<i>Total</i>	<u>\$683,908</u>	<u>\$30,630</u>	<u>\$714,538</u>

**Note 19 - Set-Aside Calculations**

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by fiscal year end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end and carried forward to be used for the same purposes in future fiscal years. In prior fiscal years, the School District was also required to set aside money for budget stabilization. At June 30, 2005, only the unspent portion of certain workers' compensation refunds continues to be required to be set-aside.

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



**Warrensville Heights City School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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	Textbooks	Capital Improvements	Budget Stabilization
Set-aside Reserve Balance as of June 30, 2004	\$80,106	\$0	\$151,627
Add: Current Year Set-aside Requirement	422,247	422,247	0
Permanent Improvement Levy Offset During the Fiscal Year	0	(546,400)	0
Qualifying Disbursements	(259,797)	0	0
Total	<u>\$242,556</u>	<u>(\$124,153)</u>	<u>\$151,627</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$242,556</u>	<u>\$0</u>	<u>\$151,627</u>
Set-aside Reserve Balance as of June 30, 2005	<u>\$242,556</u>	<u>\$0</u>	<u>\$151,627</u>

The School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside. This amount may not be used to reduce the set-aside requirement for future fiscal years.

At June 30, 2005, the District did not have enough cash in the general fund to cover the textbook and budget stabilization reserves.

**Note 20 - Contingencies**

***A. Grants***

The School District received financial assistance from federal and State agencies in the form of grants. The disbursements of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2005.

***B. Litigation***

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

**Note 21 – Subsequent Event**

On June 8, 2006, the \$275,000 note was repaid and a new note was issued for \$275,000 at 4.15 percent interest with a maturity date of June 7, 2007. On June 7, 2007 the \$275,000 note was repaid and a new note was issued for \$275,000 at 4.0 percent interest. The note will mature on June 6, 2008.

On April 27, 2007, the School District issued \$16,001,175 in school improvement refunding bonds with interest rates varying from 4.00 to 4.25 percent.

**Warrensville Heights City School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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Proceeds of the school improvement refunding bonds were used to refund \$15,999,977 of outstanding 2000 school improvement bonds. The bonds were issued at a premium of \$1,452,083. Proceeds of \$17,168,235 were deposited in an irrevocable trust with an escrow agent to provide for all future debt payments on the refunded portion of the 2000 school improvement bonds. As a result, \$15,999,977 is considered defeased.

**WARRENSVILLE HEIGHTS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY  
SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR FISCAL YEAR ENDED JUNE 30, 2005**

Federal Grantor Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Food Donation	N/A	10.550	\$0	\$57,382	\$0	\$57,382
Nutrition Cluster:						
School Breakfast Program	05-PU-2004	10.553	25,102	0	25,102	0
School Breakfast Program	05-PU-2005	10.553	84,181	0	84,181	0
Total School Breakfast Program			109,283	0	109,283	0
Afterschool Snack	LL-P1-2004	10.555	161	0	161	0
Afterschool Snack	LL-P1-2005	10.555	2,996	0	2,996	0
Total Afterschool Snack Program			3,157	0	3,157	0
National School Lunch Program	LL-P4-2004	10.555	135,168	0	135,168	0
National School Lunch Program	LL-P4-2005	10.555	398,530	0	398,530	0
Total National School Lunch Program			533,698	0	533,698	0
Total Nutrition Cluster			646,138	0	646,138	0
<b>Total U.S. Department of Agriculture</b>			<b>646,138</b>	<b>57,382</b>	<b>646,138</b>	<b>57,382</b>
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>						
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
Medicaid Assistance Program	N/A	93.778	224,785	0	224,785	0
State Children's Health Insurance Program	N/A	93.767	31,609	0	31,609	0
<b>Total U.S. Department of Health and Human Services</b>			<b>256,394</b>	<b>0</b>	<b>256,394</b>	<b>0</b>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Title VI-B Special Education Grants to States	6B-SF-2002	84.027	(1,988)	0	0	0
Title VI-B Special Education Grants to States	6B-SF-2003	84.027	20,605	0	0	0
Title VI-B Special Education Grants to States	6B-SF-2004	84.027	92,054	0	91,946	0
Title VI-B Special Education Grants to States	6B-SF-2005	84.027	427,527	0	425,078	0
Total Title VI-B			538,198	0	517,024	0
Special Education-Preschool Grants	PG-S1-2004	84.173	(248)	0	138	0
Special Education-Preschool Grants	PG-S1-2005	84.173	2,034	0	8,184	0
Total Special Education-Preschool Grants			1,786	0	8,322	0
Total Special Education Cluster			539,984	0	525,346	0
Title I Grants to Local Educational Services	C1-SK-2004	84.010	(9,623)	0	119	0
Title I Grants to Local Educational Services	C1-SK-2005	84.010	9,623	0	33,107	0
Title I Grants to Local Educational Services	C1-S1-2004	84.010	119,290	0	140,328	0
Title I Grants to Local Educational Services	C1-S1-2005	84.010	360,374	0	415,323	0
Total Title I			479,664	0	588,877	0
Title VI / Innovative Education Program Strategy	C2-S1-2004	84.298	25,394	0	7,803	0
Title VI / Innovative Education Program Strategy	C2-S1-2005	84.298	7,896	0	6,237	0
Total Title VI / Innovative Education Program Strategy			33,290	0	14,040	0
Safe and Drug Free Schools and Communities State Grants	DR-S1-2004	84.186	(50)	0	1,544	0
Safe and Drug Free Schools and Communities State Grants	DR-S1-2005	84.186	1,652	0	708	0
Total Drug Free Schools			1,602	0	2,252	0
Improving Teacher Quality State Grants (Title II, Part A)	TR-S1-2004	84.367	158,948	0	64,583	0
Improving Teacher Quality State Grants (Title II, Part A)	TR-S1-2005	84.367	138,605	0	144,782	0
Total Improving Teacher Quality			297,553	0	209,365	0
Technology Literacy Challenge Funds	TJ-SI-2004	84.318	6,678	0	9,197	0
Technology Literacy Challenge Funds	TJ-SI-2005	84.318	5,436	0	1,133	0
Total Technology Literacy Challenge Funds			12,114	0	10,330	0
<b>Total U.S. Department of Education</b>			<b>1,364,207</b>	<b>0</b>	<b>1,350,210</b>	<b>0</b>
<b>Total Federal Financial Assistance</b>			<b>\$2,266,739</b>	<b>\$57,382</b>	<b>\$2,252,742</b>	<b>\$57,382</b>

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

**WARRENSVILLE HEIGHTS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FISCAL YEAR ENDED JUNE 30, 2005**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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

**NOTE D – NEGATIVE RECEIPTS**

The Ohio Department of Education (ODE) transferred federal monies from grant year 2004 to grant year 2005 for several of the District's federal grants and from grant year 2002 for the Title VI-B grant (CFDA # 84.027). These transfers appear as negative receipts in the 2002 and 2004 grant years and positive receipts in the 2005 grant years. This action by ODE allowed the District to extend the availability period for expenditure of these receipts.

N/A - Not applicable.

CFDA - Catalog of Federal Domestic Assistance.



# Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Warrensville Heights City School District, Cuyahoga County, Ohio, (the District) as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 7, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures to express our opinions on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings and questioned costs as item 2005-007.

A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting 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 material weaknesses. However, we do not believe the reportable condition described above is a material weakness. In a separate letter to the District's management dated March 7, 2008, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

### **Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs items 2005-001 through 2005-006. In a separate letter to the District's management dated March 7, 2008, we reported other matters related to noncompliance we deemed immaterial.

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

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

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

March 7, 2008



# Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

### Compliance

We have audited the compliance of the Warrensville Heights City School District, Cuyahoga County, Ohio, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that apply to each of its major federal programs for the year ended June 30, 2005. The summary of auditor's results section of the accompanying schedule of findings and questioned costs identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

As described in finding 2005-008 in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding reporting applying to its Nutrition Cluster. Compliance with this requirement is necessary, in our opinion, for the District to comply with requirements applicable to this program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Warrensville Heights City School District, Cuyahoga County, Ohio, complied, in all material respects, with the requirements referred to above applying to each of its major federal programs for the year ended June 30, 2005. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements that OMB Circular A-133 requires us to report, which are described in the accompanying schedule of findings and questioned costs as items 2005-009 to 2005-012.

In a separate letter to the District's management dated March 7, 2008, we reported another matter related to federal noncompliance not requiring inclusion in this report.

### **Internal Control Over Compliance**

The District's management 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 directly and materially affect a major federal program 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 and questioned costs as items 2005-008 through 2005-015.

A material weakness is a reportable 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 caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when 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. We consider items 2005-008 and 2005-013 to be material weaknesses. We also noted another matter involving the internal control over federal compliance not requiring inclusion in this report that we have reported to the District's management in a separate letter dated March 7, 2008.

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

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



**Mary Taylor, CPA**  
Auditor of State

March 7, 2008



**WARRENSVILLE HEIGHTS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2005**

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

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

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

**FINDING NUMBER 2005-001**

**Material Noncompliance Citation**

**Appropriations Exceeded Estimated Resources**

Ohio Revised Code Section 5705.39 provides, in part, that total appropriations from each fund shall not exceed the estimated revenue available for expenditure therefrom, as certified by the county budget commission, or in case of appeal, by the board of tax appeals.

**WARRENSVILLE HEIGHTS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2005  
(Continued)**

**FINDING NUMBER 2005-001 (Continued)**

**Appropriations Exceeded Estimated Resources (Continued)**

The following funds had appropriations in excess of estimated resources as of June 30, 2005.

Fund	Total Estimated Resources	Appropriations	Variance
<b>Special Revenue Funds</b>			
Termination Benefits	\$150,629	\$948,902	(\$798,273)
EMIS	13,418	17,632	(4,214)
Entry Year Program	1,761	3,070	(1,309)
Disadvantaged Pupil Impact Aid	1,200,512	1,233,005	(32,493)
Network Connectivity Subsidy	-	7,290	(7,290)
School Improvement Model	-	1,858	(1,858)

We recommend the District monitor appropriations compared to estimated resources in all funds, which are legally required to be budgeted, to ensure compliance with the above requirement. This comparison should be performed on a monthly basis, at a minimum, and either the certificate of estimated resources or appropriations should be modified as necessary.

Official's Response:

The District will more closely monitor revenue compared to expenses than done in the past. In conjunction, on the five year forecast, the District will attempt to include all expenditures for each year of the forecast and reduce year end encumbrances.

**FINDING NUMBER 2005-002**

**Material Noncompliance Citation**

**Interfund Transfers and Advances**

Ohio Revised Code Section 5705.14 states that except in the case of transfers from the General Fund to any other fund of the subdivision, transfers may be made only by resolution of the taxing authority passed with the affirmative vote of two thirds of the members. Transfers from the General Fund require a resolution of the taxing authority passed with the affirmative vote of a majority of the members.

Ohio Revised Code Section 5705.10 (D) requires all revenue derived from a specific source to be credited to a special fund for the purpose for which the monies were received. Auditor of State Bulletin 97-003 states that although interfund cash advances may be a desirable method of resolving cash flow problems without the necessity of incurring additional interest expense for short-term loans, the intent of this type of cash advance is to require repayment within the current year. Cash advances are subject to the following requirements:

- Any advance must be clearly labeled as such, and must be distinguished from a transfer;
- In order to advance cash from one fund to another, there must be statutory authority to use the money in the fund advancing the cash (the "creditor" fund) for the same purpose for which the fund receiving the cash (the "debtor" fund) was established;
- The reimbursement from the debtor fund to the creditor fund must not violate any restrictions on use of the money to be used to make the reimbursement; and

**WARRENSVILLE HEIGHTS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2005  
(Continued)**

**FINDING NUMBER 2005-002 (Continued)**

**Interfund Transfers and Advances (Continued)**

- Advances must be approved by a formal resolution of the taxing authority of the subdivision. The resolution must include both a specific statement that the transaction is an advance of cash and an indication of the money (fund) from which it is expected that repayment will be made.

During our testing of transfers, we noted three out of 20 transfers were not approved by the Board prior to the transfer being posted to the District's ledgers. Eleven out of 20 transfers were not approved by the Board at any time during the audit period.

During our testing of advances, we noted nine out of 11 were not approved by the Board. We also noted the District did not repay any advances from prior years. Interfund payables in the Food Service fund, Venture Capital Fund, and Alternative School Fund have been outstanding since June 30, 2002.

We recommend the District remove all transfers not approved by the Board and the Board approve all transfers and advances prior to the actual transfer or advance occurring. We also recommend the Board evaluate long outstanding interfund payables and determine if they should be reclassified as transfers.

Official's Response:

The District does not agree to removing transfers not approved by the Board. The Board will retroactively approve these transfers and the District has taken precautions to ensure the Board of Education votes on all transfers between funds.

Auditor of State's Conclusion:

The Board retroactively approved these transfers in Resolution No. R-03-08-70 passed at their March 19, 2008, meeting.

**FINDING NUMBER 2005-003**

**Material Noncompliance Citation**

**Public Records**

Ohio Revised Code Section 149.43(B)(1) states that all public records shall be promptly prepared and made available for inspection to any person at all reasonable times during regular business hours. (B)(2) states that in order to facilitate broader access to public records, public offices shall maintain public records in a manner that they can be made available for inspection or copying.

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

During our testing we noted the following:

- The District was unable to provide any support for three checks selected for the testing of set-asides.
- The District was unable to provide documentation for 18 receipts selected during the testing of intergovernmental controls.
- The District was unable to provide support for one check selected for the testing of non-payroll disbursements for the Nutrition Cluster federal program.

WARRENSVILLE HEIGHTS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2005  
(Continued)

FINDING NUMBER 2005-003 (Continued)

Public Records (Continued)

- The District was unable to provide support for four checks selected for the testing of capital asset acquisitions.
- The District was unable to provide support for 13 checks selected for the testing of Title I federal program non-payroll disbursements. See also Finding Number 2005-009.
- The District was unable to provide any support for 16 checks selected during the testing of non-payroll disbursements for the Special Education Cluster federal program. See also Finding Number 2005-010.
- The District was unable to provide supporting documentation for the number of pupils who were economically disadvantaged during our testing of the Title I federal program. See also Finding Number 2005-009.
- The District was unable to provide Daily Sales Activity forms for all schools for October and November 2004 and for John Dewey Elementary School for September 2004. See also Finding Number 2005-008.
- The District was unable to provide six out of 60 Individualized Education Programs (IEP) and 12 out of 60 IEP's during the testing of the 2004 and 2005 Special Education Cluster federal programs, respectively. See also Finding Number 2005-011.

Failure to keep proper supporting documentation could result in findings for recovery for improper expenditure of public funds and an inability to ensure completeness of receipts.

We recommend the District maintain public records in such a manner that they can be made available for inspection.

Official's Response:

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

FINDING NUMBER 2005-004

Material Noncompliance Citation

Encumbrance of Funds

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

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

WARRENSVILLE HEIGHTS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2005  
(Continued)

FINDING NUMBER 2005-004 (Continued)

Encumbrance of Funds (Continued)

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

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the District.

**2. Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

**3. Super Blanket Certificate** – The District may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Thirty-three percent (20 out of 60) of the transactions tested were not certified by the fiscal officer at the time the commitment was incurred and there was no evidence the District followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

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

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

Official's Response:

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

**WARRENSVILLE HEIGHTS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2005  
(Continued)**

**FINDING NUMBER 2005-005**

**Material Noncompliance Citation**

**Negative Cash and Fund Balances**

Ohio Revised Code Section 5705.10(H) states that money paid into any fund shall be used only for the purposes for which such fund is established.

During our testing we noted that various funds had negative cash balances or negative fund balances throughout the year and at year end.

<u>Fund</u>	<u>Negative Cash Balance</u>	<u>Fund</u>	<u>Negative Cash Balance</u>
<b>September 30, 2004</b>		<b>February 28, 2005</b>	
Food Service Fund	(\$56,614)	Food Service Fund	(\$33,087)
DPIA	(29,036)	IDEA Part B	(9,192)
		Title I	(42,404)
<b>December 31, 2004</b>		Improving Teacher Quality	(19,400)
General Fund	(559,250)		
DPIA	(13,856)	<b>June 30, 2005</b>	
IDEA Part B	(121,486)	General Fund	(2,848)
Improving Teacher Quality	(20,876)		

We recommend the District utilize cash advances to these funds, request reimbursements, or other appropriate measures to ensure negative cash or negative fund balances do not exist throughout the year.

Official's Response:

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

**FINDING NUMBER 2005-006**

**Material Noncompliance Citation**

**Set-Asides and Reserve Balance Accounts**

Ohio Revised Code Sections 3315.17(A) sets forth requirements for a textbook and instructional material reserve that the District must establish. Each year the District must deposit into the reserve an amount equal to a formula calculated by the Ohio Department of Education as set forth by the Code section. These monies can only be spent on qualifying expenditures set forth by the code section. The section also states that any money in the fund that is not used in any fiscal year shall carry forward to the next fiscal year.

Ohio Revised Code Section 5705.13(A) sets forth requirements for utilizing or rescinding the budget stabilization reserve. If the District maintains the reserve the section states that money to the credit of a reserve balance account may be expended only for the purpose for which the account was established.

**WARRENSVILLE HEIGHTS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2005  
(Continued)**

**FINDING NUMBER 2005-006 (Continued)**

**Set-Asides and Reserve Balance Accounts (Continued)**

During fiscal year 2005, the District did not expend all of the required set-aside for the textbook reserve and did not rescind the budget stabilization reserve. Therefore both reserves had positive balances which are required to be carried forward to the next fiscal year. At June 30, 2005, the District did not have enough cash in the General Fund to cover the remaining reserve balances. This failure indicates that the required reserve was expended for purposes which are in violation of the above Code sections.

We recommend the District set aside enough cash to meet the required reserves and monitor expenditures to ensure they are properly spent and rescind the budget stabilization reserve. We did note the board rescinded the budget stabilization reserve in fiscal year 2006.

Official's Response:

Set asides in the future will be budgeted directly into the budgeted lines related to the set asides. By directly budgeting the set asides, it is the District's hope to be more efficient than past practices.

**FINDING NUMBER 2005-007**

**Reportable Condition**

**Five Year Forecast**

School districts are required to prepare five year projections of revenue and expenditures as part of the spending plan. This plan is supposed to give the school district an idea of where they are financially, and the place they will be in the future based on the revenue collection projections and current spending projections. These projections are based on assumptions made by the school district.

Assumptions made by the district should be reasonable and easily verified through outside sources (i.e. County Auditor, prior year actual numbers, etc.). These assumptions should substantiate the numbers used on the five year forecast.

During our testing of the five year forecast we noted the following discrepancies:

- The District presented overstated actual revenues and expenditures for fiscal year 2004.
- The May 2005 forecast presented estimated amounts for fiscal year 2005 which were not reasonably close to actual activity. Estimated revenues were overstated by approximately \$2.5 million and estimated expenditures were overstated by approximately \$1 million. The net effect was an overstatement of \$1.5 million for the estimated fund balance.

We recommend the District reexamine their assumptions in order to prepare a more accurate picture of the District's financial position.

Official's Response:

The current Treasurer is attempting to be more accurate in his preparation of the five year forecast than in the past. Estimates from the county auditor and the Ohio Department of Education will be evaluated and effectively utilized. Salary costs will be closely monitored and projected and other expenditures will be more accurately estimated based on current costs and contracts.

**WARRENSVILLE HEIGHTS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2005  
(Continued)**

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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**Daily Sales Sheets – Reporting**

<b>Finding Number</b>	2005-008
<b>CFDA Title and Number</b>	Nutrition Cluster (10.553, 10.555)
<b>Federal Award Number / Year</b>	School Breakfast (05PU-2004 and 05PU-2005) Afterschool Snack (LLP1-2004 and LLP1-2005) School Lunch (LLP4-2004 and LLP4-2005)
<b>Federal Agency</b>	U.S. Department of Agriculture
<b>Pass-Through Agency</b>	Ohio Department of Education

Type of Finding: Questioned Cost, Material Noncompliance Citation, and Material Weakness

The District operates breakfast and lunch programs at all the schools. The District uses cash registers to maintain a count of the number and type (free, reduced, paid) of meals served on a daily basis. The Daily Sales Activity forms are automatically generated from the cash registers, printed on a daily basis, and given to the Food Service Supervisor. The information contained in the Daily Sales Activity forms is used to complete the monthly CN6 and CN7 forms. The Supervisor then uses these reports to complete the Site Claim forms at the end of the month.

During our review of Daily Sales Activity forms, monthly CN forms, and monthly Site Claim forms, we noted discrepancies between all forms of the number and type of meals served. We also noted several instances where the number of reported free or reduced lunches served was greater than the number authorized to be served.

7 CFR 3016.42(b)(1) and (c)(1) provides that records must be retained for three years from the day the grantee or subgrantee submits to the awarding agency its single or last expenditure report for that period. Daily Sales Activity forms were not provided for all schools for the months of October and November 2004 and for John Dewey Elementary School for September 2004.

Due to these variances and missing documents, we tested all of the daily activity for the months of January 2005 and May 2005 to determine the actual differences between the total Daily Sales Activity forms and the Site Claim forms. Based on the testing performed for these two months, projections were made to the months where Daily Sales Activity forms were provided.

Based on the above, the total actual overpayment by the Ohio Department of Education to the District for January 2005 was \$2,350 and for May 2005 was \$515. The overpayment for months where documentation was not provided was \$139,728. The projected amount for the remaining months, based on the misstatement for January 2005 and May 2005, was an additional overpayment to the District of \$6,371. The total actual and projected overpayment is \$148,964.



**WARRENSVILLE HEIGHTS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2005  
(Continued)**

**FINDING NUMBER 2005-008 (Continued)**

**Daily Sales Sheets – Reporting (Continued)**

We recommend throughout the year the District maintain accurate records of the number of students who receive meals and the type of meals served. This information should be accurately reported on the CN6/CN7 forms and Site Claim Forms. Also, if there is a difference between the Daily Sales Activity forms for the month, the CN6/CN7 forms, and/or the amount reported to the State on the Site Claim Form, the District should maintain records stating the reason for the differences. The District should also maintain accurate listings of students who are eligible to receive free or reduced lunches throughout the year to ensure the number of each type of meal served does not exceed the number authorized.

Official's Response:

Better record keeping is taking place in food service.

**Title I Missing Documents – Allowable Costs and Period of Availability**

<b>Finding Number</b>	2005-009
<b>CFDA Title and Number</b>	Title I (84.010)
<b>Federal Award Number / Year</b>	School Improvement (C1SK-2004 and C1SK-2005) Schoolwide (C1S1-2004 and C1S1-2005)
<b>Federal Agency</b>	U.S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

Type of Finding: Questioned Cost, Material Noncompliance Citation, and Reportable Condition

34 CFR 80.22(a)(1) states that federal grant funds may be used only for the allowable costs of the grantees. Allowable costs for the Title I federal grant must coincide with the grants purpose which is to improve the teaching and learning of children who are at risk of not meeting challenging academic standards and who reside in areas with high concentrations of children from low-income families.

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

34 CFR 80.42(b)(1) and (c)(1) provides that records must be retained for three years from the day the grantee or subgrantee submits to the awarding agency its single or last expenditure report for that period.

During our testing of grant year 2005 Title I expenditures we noted an expenditure was charged to the Title I grant for the transportation of a gymnastics group in the amount of \$5,200. This expenditure is not an allowable cost because it does not coincide with the purpose of the grant as specified in the first paragraph above. The projected amount of error to the remaining grant year 2005 Title I expenditures is \$7,391.

**WARRENSVILLE HEIGHTS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2005  
(Continued)**

**FINDING NUMBER 2005-009 (Continued)**

**Title I Missing Documents – Allowable Costs and Period of Availability (Continued)**

During our testing of the grant year 2005 Title I period of availability, we noted \$3,032 in obligations that were incurred, encumbered, and spent after June 30, 2005. These expenditures were reported on the District's final expenditure report. The District did not have a carryover approved for this grant.

During our testing of grant year 2004 Title I expenditures, we noted \$15,316 did not have any supporting documentation. The final expenditure report for this grant was submitted on September 30, 2004. All grant related records should have been maintained until September 30, 2007. We performed our testing of this grant during July 2007.

Based on the above, we are questioning \$15,316 in expenditures for the 2004 Title I grant. For the 2005 grant year we are questioning \$8,232 in actual expenditures and \$7,391 in projected expenditures for a total of \$15,623.

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

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

Official's Response:

Better record keeping is taking place in special education.

WARRENSVILLE HEIGHTS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2005  
(Continued)

**Special Education Cluster Missing Documents – Allowable Costs**

<b>Finding Number</b>	2005-010
<b>CFDA Title and Number</b>	Special Education Cluster (84.027 and 84.173)
<b>Federal Award Number / Year</b>	Title VI-B (6BSF-2002, 6BSF-2003, 6BSF-2004, and 6BSF-2005) Special Education-Preschool Grants (PGS1-2004 and PGS1-2005)
<b>Federal Agency</b>	U.S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

Type of Finding: Questioned Cost, Material Noncompliance Citation, and Reportable Condition

34 CFR 80.42(b)(1) and (c)(1) provides that records must be retained for three years from the day the grantee or subgrantee submits to the awarding agency its single or last expenditure report for that period.

During our testing of grant year 2004 Title VI-B expenditures, we noted \$17,036 did not have any supporting documentation. The final expenditure report for this grant was submitted on September 30, 2004. All grant related records should have been maintained until September 30, 2007. We performed our testing of this grant during July 2007.

We recommend the District maintain all required documentation for the grant in accordance with the above.

Official's Response:

The new special education director is aware of missing information and is taking precaution to prevent this from happening again.

**WARRENSVILLE HEIGHTS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2005  
(Continued)**

**Individualized Education Programs – Special Tests and Provisions**

<b>Finding Number</b>	2005-011
<b>CFDA Title and Number</b>	Special Education Cluster (84.027 and 84.173)
<b>Federal Award Number / Year</b>	Title VI-B (6BSF-2002, 6BSF-2003, 6BSF-2004, and 6BSF-2005) Special Education-Preschool Grants (PGS1-2004 and PGS1-2005)
<b>Federal Agency</b>	U.S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

Type of Finding: Questioned Cost, Material Noncompliance Citation, and Reportable Condition

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

During our testing of IEPs and related student files for the 2004 Special Education Cluster grant year we noted the following:

- Six out of 60 (10%) children were listed on the disability inclusion report and did not have a completed IEP. Of the six IEPs that were not completed three students had been discharged from the program at the end of fiscal year 2003 and were no longer receiving services.
- One out of 54 (2%) of the IEPs did not have a parent's signature giving consent to initiate special education related services.
- Four out of 54 (7%) of the IEPs did not have a parent's signature indicating they had received a copy of the parent's notice of their rights and the procedural safeguards.
- Two out of 54 (4%) of the student's files did not include a letter notifying parents of the IEP meeting and the parent did not attend the meeting.
- Two IEP meetings were completed 3 and 4 months after the prior IEP had concluded.
- One IEP had not been reevaluated since 1998.

During our testing of IEPs and related student files for the 2005 Special Education Cluster grant year we noted the following:

- Twelve out of 60 (20%) children were listed on the disability inclusion report and did not have a completed IEP. Of the twelve IEPs that were not completed five students had been discharged from the program at the end of fiscal year 2004 and were no longer receiving services, four students withdrew during the school year, and one student never attended the District. The amount noted as a questioned cost for 2005 based on the missing IEPs is \$13,499.
- Four out of 48 (8%) of the IEPs did not have a parent's signature indicating they had received a copy of the parent's notice of their rights and the procedural safeguards.

We recommend the District properly complete and retain IEPs for all students receiving special education services. The IEPs should be completed in a timely manner and contain all the proper signatures.

**WARRENSVILLE HEIGHTS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2005  
(Continued)**

**FINDING NUMBER 2005-011 (Continued)**

**Individualized Education Programs – Special Tests and Provisions (Continued)**

Official's Response:

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

**Annual Certification – Special Tests and Provisions**

<b>Finding Number</b>	2005-012
<b>CFDA Title and Number</b>	Nutrition Cluster (10.553, 10.555)
<b>Federal Award Number / Year</b>	School Breakfast (05PU-2004 and 05PU-2005) Afterschool Snack (LLP1-2004 and LLP1-2005) School Lunch (LLP4-2004 and LLP4-2005)
<b>Federal Agency</b>	U.S. Department of Agriculture
<b>Pass-Through Agency</b>	Ohio Department of Education

Type of Finding: Material Noncompliance Citation and Reportable Condition

7 CFR 245.6(a) provides that by December 15 of each School Year, local educational agencies should have selected and verified a sample of their approved free and reduced price applications in accordance with the conditions and procedures described in this section. Subsection (a)(2) states that households selected to provide verification shall be provided written notice that their applications have been selected for verification. Subsection (3)(c) provides that each local educational agency must report information related to its annual verification activity to the State agency. Local educational agencies shall retain copies of the information reported under this section and all supporting documents for a minimum of 3 years. All relevant correspondence between the household selected for verification and the school or local educational agency must be retained.

To qualify a child for meals/milk served free or at reduced price under the Nutrition Cluster federal program, the child's family must annually submit an application to the District. The application must be approved and maintained on file at the District. The application establishes that the child's family income and family size place him/her within income eligibility standards issued by the State agency.

During the year the District performed a verification of approved free and reduced lunch applications. Of the 58 applications tested during the verification 11 were not signed by the District as approved. The District could not provide 17 of the letters to the applicant indicating their application was selected for verification and the District could not provide 4 of the letters to applicants indicating the results of the verification. We audited these programs in July 2007 which was within three years required to maintain all documentation.

**WARRENSVILLE HEIGHTS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2005  
(Continued)**

**FINDING NUMBER 2005-012 (Continued)**

**Annual Certification – Special Tests and Provisions (Continued)**

At the end of the verification process the District submits to the Ohio Department of Education a Verification Summary Report indicating the results of their verification process. On this report the District indicated 80 applications were tested when only 58 applications were tested for verification. The 58 applications were greater than the three percent required to be tested based on the total number of approved applications reported. However, we could not determine if the total number was accurate due to missing building eligibility lists. The effect of the overstatement of applications tested was incorrect results reported in nine of the eleven result categories.

We recommend the District ensure all free and reduced applications are properly approved and all documentation related to the District's verification of the applications be retained for the proper period of time. We also recommend the District report accurate results to the Ohio Department of Education regarding their verification testing.

Official's Response:

The food service department has made it a priority to maintain accurate records.

**Site Claim Forms – Reporting**

<b>Finding Number</b>	2005-013
<b>CFDA Title and Number</b>	Nutrition Cluster (10.553, 10.555)
<b>Federal Award Number / Year</b>	School Breakfast (05PU-2004 and 05PU-2005) Afterschool Snack (LLP1-2004 and LLP1-2005) School Lunch (LLP4-2004 and LLP4-2005)
<b>Federal Agency</b>	U.S. Department of Agriculture
<b>Pass-Through Agency</b>	Ohio Department of Education

Type of Finding: Material Weakness

The District is required to report several food service statistics to the Ohio Department of Education using an online Site Claim Form. This form includes the number of free, reduced, and paid breakfasts and lunches served for the month, current ADM counts for the District, number of students approved for free or reduced lunches, and food and non-food beginning and ending inventory.

During our review of the November and April site claim forms per building (twelve total) we noted several instances where they were completed incorrectly, including:

- Inventory values reported did not agree to the monthly inventory report provided;
  - One inventory report had no dollar amounts entered;
  - Four inventory reports for the current month were not provided;
  - Ten inventory reports from the prior month were not provided to determine beginning inventory; and
  - One inventory report from the prior month did not have dollar amounts entered.

**WARRENSVILLE HEIGHTS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
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JUNE 30, 2005  
(Continued)**

**FINDING NUMBER 2005-013 (Continued)**

**Site Claim Forms – Reporting (Continued)**

- The amount of free and reduced applicants reported did not match the number of applicants approved according to District records;
- Current ADM enrollment did not agree to District EMIS records;

As a result the District is not accurately reporting inventory and other information needed to support reimbursement for this program. This could lead to a loss in future funding.

We recommend the District properly report information on the Site Claim Form to the Ohio Department of Education.

Official's Response:

The food service department has made accurate record management a priority.

**Free/Reduced Applications – Eligibility**

<b>Finding Number</b>	2005-014
<b>CFDA Title and Number</b>	Nutrition Cluster (10.553, 10.555)
<b>Federal Award Number / Year</b>	School Breakfast (05PU-2004 and 05PU-2005) Afterschool Snack (LLP1-2004 and LLP1-2005) School Lunch (LLP4-2004 and LLP4-2005)
<b>Federal Agency</b>	U.S. Department of Agriculture
<b>Pass-Through Agency</b>	Ohio Department of Education

Type of Finding: Reportable Condition

As part of the Nutrition Cluster federal program, the District must receive applications from students to determine if the student qualifies for free or reduced lunches. These applications are maintained in the Business Office. The District is only to report the amount of free and reduced meals served to qualified applicants so they are only reimbursed for meals served to qualified applicants.

During our testing of student applications we noted the following:

- Six applications were not located for students selected from the District's building eligibility lists.
- One application was approved as eligible to receive reduced lunches but was categorized as eligible to receive free lunches on the District's listing.
- One application was approved as eligible to receive reduced lunches but did not appear as eligible to receive reduced lunches on the District's listing.

**WARRENSVILLE HEIGHTS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2005  
(Continued)**

**FINDING NUMBER 2005-014 (Continued)**

**Free/Reduced Applications – Eligibility (Continued)**

During our testing of Daily Sales Activity forms we noted the following:

- One out of ten days tested at Westwood Elementary reported 175 free lunches served and the school had 173 approved free lunch applications.
- Three out of ten days tested at Westwood Elementary reported 32 reduced lunches served and the school had 30 approved reduced lunch applications.

We recommend the District maintain an accurate listing of free and reduced applicants, including their current status (approved free, approved reduced, or denied). At a minimum, this list should be updated on a monthly basis because of the ever changing student population in the District. The list of approved students should be maintained at each school to verify only approved students receive free or reduced meals. We also recommend the District compare the number of free and reduced meals served and reported to the number of approved applications.

Official's Response:

The food service department has made accurate record management a priority.

**Safeguarding and Reporting Food Service Inventory and Records – Reporting**

<b>Finding Number</b>	2005-015
<b>CFDA Title and Number</b>	Nutrition Cluster (10.553, 10.555)
<b>Federal Award Number / Year</b>	School Breakfast (05PU-2004 and 05PU-2005) Afterschool Snack (LLP1-2004 and LLP1-2005) School Lunch (LLP4-2004 and LLP4-2005)
<b>Federal Agency</b>	U.S. Department of Agriculture
<b>Pass-Through Agency</b>	Ohio Department of Education

Type of Finding: Reportable Condition

The District operates several cafeterias within its schools and provides federally subsidized free and reduced lunch/milk to its students. A review of the operations disclosed the following:

- Inventory sheets were not retained by the District;
- Inventory sheets had commodity information recorded but no dollar valuations entered;
- Inventory reported to the State did not agree to the actual inventory sheets and the District could not provide explanations for the variances;
- Procedures have not been established on the preparation and reporting of inventory and government donated commodities; and
- Procedures have not been established for periodic inventory counts which are signed by the employees conducting the counts.

These weaknesses resulted in food service goods not being properly reported and accounted for.



**WARRENSVILLE HEIGHTS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
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JUNE 30, 2005  
(Continued)**

**FINDING NUMBER 2005-015 (Continued)**

**Safeguarding and Reporting Food Service Inventory and Records – Reporting (Continued)**

We recommend the District properly report all inventory usage and balances to the State. The District should perform a reconciliation between the District and State reported amounts and provide explanations for all variances. We also recommend formal policies and procedures be formulated governing the accounting, reporting and safeguarding of food service items and records.

Official's Response:

The food service department has made accurate record management a priority.

Official's Response to all Federal Findings and Questioned Costs:

While minimal changes will be noticed for fiscal years 2006 and 2007, fiscal year 2008 should see positive changes among the federal award programs. First a change in personnel has taken place in special education, food service, human resources, and the business office. Second a reorganization is underway in the operation of food service and special education. The department heads are meeting more often and communications are taking place between and among department heads and staff. In conjunction, month end reports are being produced in food service and turned in to the Business Manager. The director of special education is also reporting to the Superintendent regularly.

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**WARRENSVILLE HEIGHTS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain</b>
2004-001	ORC 117.28 – Finding for Recovery against the following for overpayment of compensated absences severance pay: Robert Lariccia (\$4,683) Rose Hoffman (\$477) Ronald Ruzicka (\$439) Barbara Murphy (\$1,228)	No	Ronald Ruzicka has repaid his finding for recovery of \$439.
2004-002	ORC 5705.41(D)(1) – Proper Encumbering – 15 out of 60 expenditures were not properly encumbered.	No	Repeated as Finding Number 2005-004.
2004-003	ORC 5705.41(B) – Expenditures Plus Encumbrances Exceeded Appropriations – 5 funds were in violation at 1/31/04.	Yes	
2004-004	ORC 5705.39 – Appropriations Limited by Estimated Resources – 18 funds were in violation at 1/31/04 and 11 funds were in violation at 6/30/04.	No	Repeated as Finding Number 2005-001.
2004-005	ORC 5705.14, 5705.15, & 5705.16 – Transfers and Advances – The District made illegal transfers to the General Fund and Rotary Fund, did not obtain Board approval for 3 transfers, and had old outstanding advances.	No	Partially Corrected. Repeated as Finding Number 2005-002.
2004-006	Five Year Forecast – The assumptions used did not agree to the numbers forecasted and a negative balance was forecasted for 2004 & 2005.	No	Repeated as Finding Number 2005-007.
2004-007	Daily Sales Sheets – The District had a questioned cost in the Nutrition Cluster due to variances between the daily sales sheets and site claim forms.	No	Repeated as Finding Number 2005-008.
2004-008	Site Claim Forms – The site claim forms were completed incorrectly.	No	Repeated as Finding Number 2005-013.
2004-009	Safeguarding and Reporting Food Service Inventory Records – Inventory records were not properly maintained.	No	Repeated as Finding Number 2005-015.
2004-010	Free/Reduced Applications – The amount of free and reduced meals reported as served was greater than the number of approved applications.	No	Repeated as Finding Number 2005-014.

**WARRENSVILLE HEIGHTS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2005  
(Continued)**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2004-011	Annual Certification – 4 errors were found where a free or reduced meal application was not properly approved.	No	Repeated as Finding Number 2005-012.



Mary Taylor, CPA  
Auditor of State

WARRENSVILLE HEIGHTS CITY SCHOOL DISTRICT

CUYAHOGA COUNTY

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
MAY 6, 2008