



Dave Yost • Auditor of State

**WARRENSVILLE HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Warrensville Heights City School District, Cuyahoga County, Ohio (the District), as of and for the year ended June 30, 2011, 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, 2011, 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.

As described in Note 3, the District adopted the provisions of Governmental Accounting Standard Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" and also reevaluated their property tax receivable and deferred revenue amounts which resulted in restating the June 30, 2010 Net Assets in Governmental Activities and Fund Balance in the General Fund, Bond Retirement Fund and Other Governmental Funds.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2012, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards receipts and expenditures schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The federal awards receipts and expenditures schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

October 19, 2012

Warrensville Heights City School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2011

Unaudited

The discussion and analysis of the Warrensville Heights City School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2011 are as follows:

- ❑ The School District saw an increase in grant revenue as additional sources of funding are actively sought out to help maintain programs vital to the School District.
- ❑ Governmental activities reflected an overall increase in revenues from fiscal year 2010 due to an increase in property taxes from the recovering economy and increased assessed valuations.
- ❑ The School District had lower program expenses related to governmental activities than the previous fiscal year, mainly due to the decrease in instructional and pupil support services related expenses from the closing of two elementary schools at the end of fiscal year 2010.
- ❑ Outstanding general obligation bonded debt decreased during fiscal year 2011 due to annual debt payments.

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

Warrensville Heights City School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2011

Unaudited

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains all of the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the question "How did we perform financially during fiscal year 2011?" The *Statement of Net Assets* and the *Statement of Activities* answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private sector companies. Accrual accounting takes into account all of the current year's revenue and expenses regardless of when cash is received or paid.

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 9. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus upon the School District's most significant funds. The School District's major governmental funds are the general fund and the bond retirement debt service fund.

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

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

Warrensville Heights City School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2011

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 2011 compared to the prior fiscal year:

(Table 1)
Net Assets
Governmental Activities

	2011	2010	Change
Assets			
Current and Other Assets	\$35,120,091	\$29,711,750	\$5,408,341
Capital Assets	24,338,840	25,423,647	(1,084,807)
<i>Total Assets</i>	<u>59,458,931</u>	<u>55,135,397</u>	<u>4,323,534</u>
Liabilities			
Current Liabilities	20,898,360	21,272,241	373,881
Long-Term Liabilities:			
Due within One Year	1,543,875	1,236,668	(307,207)
Due in More than One Year	20,362,068	22,454,135	2,092,067
<i>Total Liabilities</i>	<u>42,804,303</u>	<u>44,963,044</u>	<u>2,158,741</u>
Net Assets			
Invested in Capital Assets			
Net of Related Debt	5,148,836	5,098,644	50,192
Restricted for:			
Capital Projects	1,043,027	683,409	359,618
Debt Service	3,186,328	2,846,704	339,624
Set Asides	96,650	152,466	(55,816)
Other Purposes	1,089,551	659,774	429,777
Unrestricted	6,090,236	731,356	5,358,880
<i>Total Net Assets</i>	<u>\$16,654,628</u>	<u>\$10,172,353</u>	<u>\$6,482,275</u>

As one can see from the increase in overall net assets, the School District continues to provide the services that the School District citizens expect while maintaining the costs of providing those services during the current economic recession. The most dramatic changes were to cash and cash equivalents and to the continued pay-down of debt obligations. The increase to cash was from increased property tax collections from assessed valuations increasing due to new construction combined with a decrease in instructional expenses from the closing of two schools.

In order to further understand what makes up the changes in net assets for the current year, the following table gives readers further details regarding the results of activities for fiscal years 2011 and 2010.

Warrensville Heights City School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2011

Unaudited

(Table 2)

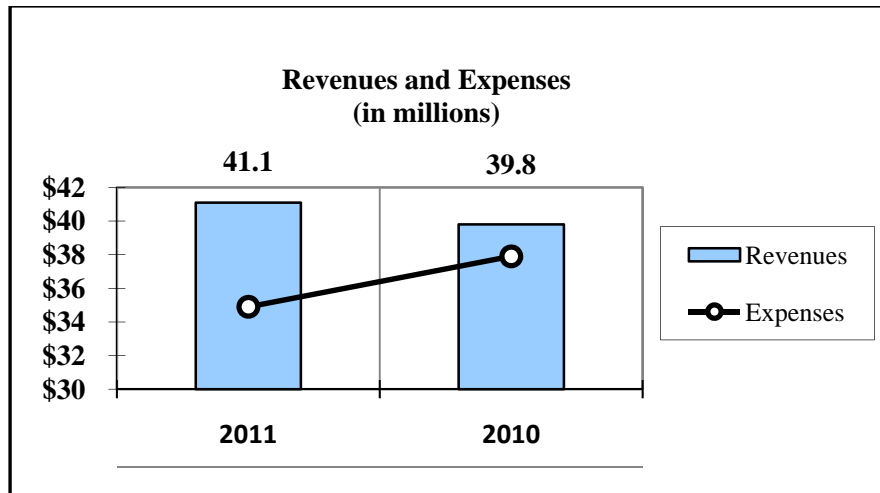
Change in Net Assets
Governmental Activities

	2011	2010	Change
<i>Program Revenues</i>			
Charges for Services	\$263,041	\$296,626	(\$33,585)
Operating Grants	4,108,988	3,244,570	864,418
Capital Grants	116,802	66,119	50,683
Total Program Revenues	4,488,831	3,607,315	881,516
<i>General Revenues</i>			
Property Taxes	20,491,339	19,592,343	898,996
Grants and Entitlements	16,241,163	16,429,129	(187,966)
Investment Earnings	19,773	34,650	(14,877)
Miscellaneous	130,895	91,677	39,218
Total General Revenues	36,883,170	36,147,799	735,371
Total Revenues	41,372,001	39,755,114	1,616,887
<i>Program Expenses</i>			
Instruction	17,453,653	20,482,845	3,029,192
Support Services			
Pupil	954,740	1,491,174	536,434
Instructional Staff	2,882,484	2,630,541	(251,943)
Board of Education	74,551	84,208	9,657
Administration	2,599,532	3,093,130	493,598
Fiscal	1,314,827	940,787	(374,040)
Business	1,692,149	1,059,678	(632,471)
Operation and Maintenance of Plant	4,127,121	4,069,589	(57,532)
Pupil Transportation	1,121,094	1,011,815	(109,279)
Central	184,388	334,981	150,593
Operation of Non-Instructional Services:			
Food Service Operations	886,547	1,065,953	179,406
Other Non-Instructional Services	139,604	178,443	38,839
Extracurricular Activities	361,408	341,582	(19,826)
Interest and Fiscal Charges	1,097,628	1,111,925	14,297
Total Program Expenses	34,889,726	37,896,651	3,006,925
Increase in Net Assets	6,482,275	1,858,463	4,623,812
<i>Net Assets Beginning of Year</i>	10,172,353	8,313,890	1,858,463
<i>Net Assets End of Year</i>	\$16,654,628	\$10,172,353	\$6,482,275

Warrensville Heights City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Graph 1
Revenues and Expenses
(In Millions)

	2011	2010
Revenues	\$41.4	\$39.8
Expenses	34.9	37.9



Governmental Activities

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

Thus School District's dependence upon property taxes is hampered by a lack of revenue growth so it must regularly return to the voters to maintain a constant level of service. Property taxes and grants and entitlements made up the majority of revenues for governmental activities for Warrensville City School District in fiscal year 2011.

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

Warrensville Heights City School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited*

Instruction expenses comprise more than half of the governmental program expenses. Building operations, administration, pupil support, staff support, food service, extracurricular activities and interest and fiscal charges make up the remaining of the governmental program expenses. The Board believes that the main focus of the School District should be to provide the best instruction to its pupils as possible. Therefore, a majority of the expenses of the School District are in the area of instruction, which decreased from fiscal year 2010 mainly due to a reduction in certified staff following the closing of two elementary schools at the end of fiscal year 2010.

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

(Table 3)
Total and Net Cost of Program Services
Governmental Activities

	Total Cost of Services 2011	Net Cost of Services 2011	Total Cost of Services 2010	Net Cost of Services 2010
Instruction	\$17,453,653	\$15,608,980	\$20,482,845	\$19,302,220
Support Services:				
Pupil and Instructional Staff	3,837,224	2,360,349	4,121,715	2,988,243
Board of Education and Administration	2,674,083	2,565,598	3,177,338	3,120,974
Fiscal and Business	3,006,976	3,006,976	2,000,465	1,998,619
Operation and Maintenance of Plant	4,127,121	3,982,955	4,069,589	4,016,409
Pupil Transportation	1,121,094	1,121,094	1,011,815	999,392
Central	184,388	164,549	334,981	249,846
Operation of Food Service	886,547	37,746	1,065,953	66,549
Operation of Non-Instructional Services	139,604	118,023	178,443	121,308
Extracurricular Activities	361,408	336,997	341,582	313,851
Interest and Fiscal Charges	1,097,628	1,097,628	1,111,925	1,111,925
<i>Total Expenses</i>	<u>\$34,889,726</u>	<u>\$30,400,895</u>	<u>\$37,896,651</u>	<u>\$34,289,336</u>

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

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

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

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

Warrensville Heights City School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2011

Unaudited

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

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

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

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

The dependence upon general revenues for governmental activities is apparent as local property tax accounts and grants and entitlements account for the majority of the total revenues in fiscal year 2011.

The School District's Funds

Information regarding the School District's major funds starts on page 16. These funds are accounted for using the modified accrual basis of accounting. For fiscal year 2011, the School District had two major funds, the general fund and the bond retirement debt service fund. The general fund had an increase in fund balance mainly due to an increase in property tax revenue resulting from higher assessed values and a decrease in instructional expenses from the closing of two schools. The bond retirement fund had an increase in fund balance due to an increase in property tax revenue.

General Fund Budgeting Highlights

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

During the course of fiscal year 2011, the School District amended its general fund budget several times by the end of the fiscal year. For the general fund, the original budget basis revenue was closely matched the final budget basis revenue. Actual revenue came in higher than the final budget basis revenue because of increase in intergovernmental monies as the School District continues to seek out additional funding sources. Actual expenditures were less than final appropriations due mainly to the diligence of management to keep costs low while still providing the services the School District citizens expect and the closing of two schools.

Warrensville Heights City School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited*

Capital Assets

Table 4 shows fiscal year 2011 balances compared to fiscal year 2010:

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

	<u>2011</u>	<u>2010</u>	<u>Change</u>
Land	\$414,153	\$414,153	\$0
Buildings and Improvements	22,681,624	23,568,773	(887,149)
Furniture and Fixtures	1,032,147	1,209,380	(177,233)
Vehicles	210,916	231,341	(20,425)
Total	<u>\$24,338,840</u>	<u>\$25,423,647</u>	<u>(\$1,084,807)</u>

Capital assets decreased during fiscal year 2011 compared to fiscal year 2010. This decrease was due to an additional year of depreciation offset by current year additions. During the current fiscal year, a school bus and various instructional and maintenance items were purchased for the School District. See Note 10 to the basic financial statements for additional information on the School District's capital assets.

Debt

Table 5 summarizes the long-term liabilities outstanding:

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

	<u>2011</u>	<u>2010</u>	<u>Change</u>
2000 School Improvement Bonds	\$4,225,023	\$5,150,023	(\$925,000)
2007 School Improvement Refunding Bonds	15,618,892	15,680,948	(62,056)
<i>Totals</i>	<u>\$19,843,915</u>	<u>\$20,830,971</u>	<u>(\$987,056)</u>

The School District's overall legal debt margin increased to \$19.1 million. This is the additional amount of debt the School District could issue. The debt margin increased from fiscal year 2010 due to the School District paying down current debt and an increase in property valuations. Additional information concerning debt issuances can be found in Note 15 to the basic financial statements.

Warrensville Heights City School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2011

Unaudited

Current Financial Related Activities

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

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

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

Contacting the School District's Financial Management

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

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

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Basic Financial Statements

Warrensville Heights City School District

Statement of Net Assets

June 30, 2011

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$13,029,371
Accounts Receivable	685
Intergovernmental Receivable	1,091,349
Materials and Supplies Inventory	2,059
Inventory Held for Resale	558
Taxes Receivable	20,779,187
Deferred Charges	216,882
Nondepreciable Capital Assets	414,153
Depreciable Capital Assets, Net	<u>23,924,687</u>
<i>Total Assets</i>	<u>59,458,931</u>
Liabilities	
Accounts Payable	484,169
Accrued Wages and Benefits	2,129,886
Intergovernmental Payable	958,969
Accrued Interest Payable	75,872
Matured Compensated Absences Payable	328,875
Deferred Revenue	16,920,589
Long-Term Liabilities:	
Due Within One Year	1,543,875
Due In More Than One Year	<u>20,362,068</u>
<i>Total Liabilities</i>	<u>42,804,303</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	5,148,836
Restricted for:	
Capital Projects	1,043,027
Debt Service	3,186,328
Set Asides	96,650
Food Service	243,094
Recreation	224,983
Other Purposes	621,474
Unrestricted	<u>6,090,236</u>
<i>Total Net Assets</i>	<u><u>\$16,654,628</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, 2011

	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions		
Governmental Activities					
Instruction:					
Regular	\$12,423,873	\$91,595	\$68,304	\$0	(\$12,263,974)
Special	4,912,154	0	1,684,774	0	(3,227,380)
Vocational	117,626	0	0	0	(117,626)
Support Services:					
Pupil	954,740	0	5,018	0	(949,722)
Instructional Staff	2,882,484	0	1,471,857	0	(1,410,627)
Board of Education	74,551	0	0	0	(74,551)
Administration	2,599,532	0	108,485	0	(2,491,047)
Fiscal	1,314,827	0	0	0	(1,314,827)
Business	1,692,149	0	0	0	(1,692,149)
Operation and Maintenance of Plant	4,127,121	9,548	17,816	116,802	(3,982,955)
Pupil Transportation	1,121,094	0	0	0	(1,121,094)
Central	184,388	0	19,839	0	(164,549)
Operation of Non-Instructional Services:					
Food Service Operations	886,547	130,558	718,243	0	(37,746)
Other Non-Instructional Services	139,604	6,929	14,652	0	(118,023)
Extracurricular Activities	361,408	24,411	0	0	(336,997)
Interest and Fiscal Charges	1,097,628	0	0	0	(1,097,628)
<i>Total Governmental Activities</i>	<u>\$34,889,726</u>	<u>\$263,041</u>	<u>\$4,108,988</u>	<u>\$116,802</u>	<u>(30,400,895)</u>
General Revenues					
Property Taxes Levied for:					
General Purposes					17,746,717
Debt Service					2,070,263
Capital Projects					533,842
Recreation					140,517
Grants and Entitlements not Restricted to Specific Programs					16,241,163
Investment Earnings					19,773
Miscellaneous					130,895
<i>Total General Revenues</i>					<u>36,883,170</u>
Change in Net Assets					6,482,275
<i>Net Assets Beginning of Year - Restated (See Note 3)</i>					<u>10,172,353</u>
<i>Net Assets End of Year</i>					<u><u>\$16,654,628</u></u>

See accompanying notes to the basic financial statements

Warrensville Heights City School District

*Balance Sheet
Governmental Funds
June 30, 2011*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$6,855,329	\$2,821,834	\$3,255,558	\$12,932,721
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	96,650	0	0	96,650
Accounts Receivable	685	0	0	685
Intergovernmental Receivable	92,397	0	998,952	1,091,349
Materials and Supplies Inventory	0	0	2,059	2,059
Inventory Held for Resale	0	0	558	558
Interfund Receivable	1,482,182	0	0	1,482,182
Property Taxes Receivable	18,098,077	1,994,024	687,086	20,779,187
<i>Total Assets</i>	<u>\$26,625,320</u>	<u>\$4,815,858</u>	<u>\$4,944,213</u>	<u>\$36,385,391</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$158,525	\$0	\$325,644	\$484,169
Accrued Wages and Benefits	1,935,809	0	194,077	2,129,886
Intergovernmental Payable	850,559	0	108,410	958,969
Interfund Payable	0	0	1,482,182	1,482,182
Matured Compensated Absences Payable	284,608	0	44,267	328,875
Deferred Revenue	16,183,760	1,704,247	1,336,615	19,224,622
<i>Total Liabilities</i>	<u>19,413,261</u>	<u>1,704,247</u>	<u>3,491,195</u>	<u>24,608,703</u>
Fund Balances				
Nonspendable	0	0	2,617	2,617
Restricted	112,055	3,111,611	1,881,483	5,105,149
Committed	424,337	0	0	424,337
Assigned	2,516,466	0	0	2,516,466
Unassigned (Deficit)	4,159,201	0	(431,082)	3,728,119
<i>Total Fund Balances</i>	<u>7,212,059</u>	<u>3,111,611</u>	<u>1,453,018</u>	<u>11,776,688</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$26,625,320</u>	<u>\$4,815,858</u>	<u>\$4,944,213</u>	<u>\$36,385,391</u>

See accompanying notes to the basic financial statements

Warrensville Heights City School District
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2011

Total Governmental Fund Balances	\$11,776,688
 <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.	24,338,840
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
Delinquent Property Taxes	1,469,520
Grants	<u>834,513</u>
Total	2,304,033
In the statement of activities, bond issuance costs are amortized over the term of bonds, whereas in governmental funds a bond issuance expenditure is reported when bonds are issued.	216,882
In the statement of activities, interest is accrued on outstanding loans, whereas in governmental fund, an interest expenditure is reported when due.	(75,872)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
General Obligation Bonds	(19,843,915)
Compensated Absences	<u>(2,062,028)</u>
Total	<u>(21,905,943)</u>
<i>Net Assets of Governmental Activities</i>	<u><u>\$16,654,628</u></u>

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, 2011

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$17,878,645	\$2,085,729	\$679,321	\$20,643,695
Intergovernmental	14,983,277	340,096	4,878,924	20,202,297
Interest	19,773	0	0	19,773
Tuition and Fees	79,748	0	16,477	96,225
Extracurricular Activities	1,179	0	24,411	25,590
Contributions and Donations	4,246	0	0	4,246
Charges for Services	3,261	0	130,558	133,819
Rentals	7,407	0	0	7,407
Miscellaneous	105,868	0	25,027	130,895
<i>Total Revenues</i>	<u>33,083,404</u>	<u>2,425,825</u>	<u>5,754,718</u>	<u>41,263,947</u>
Expenditures				
Current:				
Instruction:				
Regular	12,166,037	0	449,325	12,615,362
Special	3,316,522	0	1,821,765	5,138,287
Vocational	110,801	0	0	110,801
Support Services:				
Pupil	1,012,891	0	4,916	1,017,807
Instructional Staff	1,460,396	0	1,398,472	2,858,868
Board of Education	70,448	0	0	70,448
Administration	2,363,687	0	115,106	2,478,793
Fiscal	1,245,181	2,118	58,915	1,306,214
Business	1,684,651	0	0	1,684,651
Operation and Maintenance of Plant	3,467,415	0	48,384	3,515,799
Pupil Transportation	1,091,283	0	0	1,091,283
Central	179,082	0	11,760	190,842
Operation of Non-Instructional Services:				
Food Service Operations	55,221	0	805,695	860,916
Other Non-Instructional Services	2,900	0	37,669	40,569
Extracurricular Activities	109,518	0	123,911	233,429
Capital Outlay	0	0	291,026	291,026
Debt Service:				
Principal Retirement	0	1,135,000	0	1,135,000
Interest and Fiscal Charges	0	938,248	0	938,248
<i>Total Expenditures</i>	<u>28,336,033</u>	<u>2,075,366</u>	<u>5,166,944</u>	<u>35,578,343</u>
<i>Excess of Revenues Over Expenditures</i>	<u>4,747,371</u>	<u>350,459</u>	<u>587,774</u>	<u>5,685,604</u>
Other Financing Sources (Uses)				
Transfers In	0	0	196,309	196,309
Transfers Out	(196,309)	0	0	(196,309)
<i>Total Other Financing Sources (Uses)</i>	<u>(196,309)</u>	<u>0</u>	<u>196,309</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	4,551,062	350,459	784,083	5,685,604
<i>Fund Balances Beginning of Year - Restated (See Note 3)</i>	<u>2,660,997</u>	<u>2,761,152</u>	<u>668,935</u>	<u>6,091,084</u>
<i>Fund Balances End of Year</i>	<u>\$7,212,059</u>	<u>\$3,111,611</u>	<u>\$1,453,018</u>	<u>\$11,776,688</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, 2011*

Net Change in Fund Balances - Total Governmental Funds \$5,685,604

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

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

Capital Outlay	388,731	
Current Year Depreciation	(1,473,538)	
Total		(1,084,807)

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

Delinquent Property Taxes	(152,356)	
Grants	260,410	
Total		108,054

Repayment of bonds lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 1,135,000

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

Accrued Interest on Bonds	4,631	
Amortization of Deferred Charges	(16,067)	
Amortization of Deferred Accounting Loss	(66,127)	
Amortization of Bond Premium	82,193	
Annual Accretion	(164,010)	
Total		(159,380)

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 797,804

Change in Net Assets of Governmental Activities \$6,482,275

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, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes	\$17,060,930	\$17,060,930	\$17,735,970	\$675,040
Intergovernmental	13,349,815	13,349,815	15,000,180	1,650,365
Interest	0	0	19,773	19,773
Tuition and Fees	98,000	98,000	78,620	(19,380)
Contributions and Donations	94	94	94	0
Rentals	5,000	5,000	7,407	2,407
Miscellaneous	54,000	54,000	104,220	50,220
<i>Total Revenues</i>	<u>30,567,839</u>	<u>30,567,839</u>	<u>32,946,264</u>	<u>2,378,425</u>
Expenditures				
Current:				
Instruction:				
Regular	13,235,702	13,337,683	13,012,421	325,262
Special	4,904,697	4,939,814	4,222,294	717,520
Vocational	179,559	180,900	111,803	69,097
Support Services:				
Pupil	1,645,047	1,656,471	1,326,951	329,520
Instructional Staff	1,493,746	1,505,486	1,450,925	54,561
Board of Education	182,246	183,597	71,972	111,625
Administration	2,523,960	2,543,884	2,452,068	91,816
Fiscal	1,389,271	1,397,788	1,397,788	0
Business	1,951,243	1,963,896	1,963,896	0
Operation and Maintenance of Plant	3,957,117	3,982,434	3,982,434	0
Pupil Transportation	1,483,561	1,498,681	1,432,763	65,918
Central	301,346	303,450	230,401	73,049
Operation of Non-Instructional Services:				
Food Service Operations	77,430	78,027	55,221	22,806
Other Non-Instructional Services	1,026	1,033	1,033	0
Extracurricular Activities	232,723	234,528	110,812	123,716
Capital Outlay	5,327	5,329	0	5,329
<i>Total Expenditures</i>	<u>33,564,001</u>	<u>33,813,001</u>	<u>31,822,782</u>	<u>1,990,219</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(2,996,162)</u>	<u>(3,245,162)</u>	<u>1,123,482</u>	<u>4,368,644</u>
Other Financing Sources (Uses)				
Transfers Out	(138,260)	(138,260)	(203,189)	(64,929)
Advances In	0	0	847,386	847,386
Advances Out	(26,292)	(26,292)	(1,482,240)	(1,455,948)
<i>Total Other Financing Sources (Uses)</i>	<u>(164,552)</u>	<u>(164,552)</u>	<u>(838,043)</u>	<u>(673,491)</u>
<i>Net Change in Fund Balance</i>	(3,160,714)	(3,409,714)	285,439	3,695,153
<i>Fund Balance Beginning of Year</i>	777,287	777,287	777,287	0
Prior Year Encumbrances Appropriated	2,475,128	2,475,128	2,475,128	0
<i>Fund Balance (Deficit) End of Year</i>	<u>\$91,701</u>	<u>(\$157,299)</u>	<u>\$3,537,854</u>	<u>\$3,695,153</u>

See accompanying notes to the basic financial statements

Warrensville Heights City School District

Statement of Fiduciary Assets and Liabilities

Agency Fund

June 30, 2011

Assets	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$51,788</u></u>
Liabilities	
Due to Students	<u><u>\$51,788</u></u>

See accompanying notes to the basic financial statements

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Warrensville Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

Note 1 - Description of the School District and Reporting Entity

The Warrensville Heights City School District (School District) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five-members elected at-large for staggered four year terms. The School District provides educational services as authorized and mandated by State statute and federal guidelines. The Board controls the School District's four instructional facilities, staffed by 130 classified employees, 155 certificated full-time teaching personnel, and 18 administrators who provide services to students and other community members.

The School District is located in Warrensville Heights, Ohio, Cuyahoga County. The enrollment for the School District during the 2011 fiscal year was 2,100. The School District operates two elementary schools (K-4), one lower school (5-6) and upper middle school (7-8), and one high school (9-12).

Reporting Entity

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

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

The School District participates in two jointly governed organizations. These organizations are the Lake Geauga Computer Association and the Ohio Schools' Council. These organizations are presented in Note 16 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, 2011*

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. Non-major funds are aggregated and presented in a single column. The fiduciary fund is reported by type.

Fund Accounting

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

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

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

Warrensville Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

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

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

Fiduciary Fund Type Fiduciary fund reporting focuses on net 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.

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.

Basis of Accounting

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

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

Warrensville Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 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.

Budgetary Data

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

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

Warrensville Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

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

Cash and Cash Equivalents

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

During fiscal year 2011, investments were limited to a Victory Money Market account and STAR Ohio. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2011.

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 2011 amounted to \$19,773 which includes \$9,223 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.

Restricted Assets

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

Inventory

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

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.

Warrensville Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

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

Bond Issuance Costs

Bond issuance costs for underwriting fees and bond insurance for the 2007 school improvement refunding general obligation bonds are being amortized using the straight-line method over the life of the bonds on the government-wide statements. The straight-line method of amortization is not materially different from the effective-interest method. On the governmental financial statements, bond issuance costs are reported as expenditure in the fiscal year in which the bonds were issued.

As permitted by State statute, the School District paid bond issuance costs from the bond proceeds and therefore does not consider that portion of the debt to be capital-related debt. That portion of the debt was offset against the unamortized bond issuance costs which were included in the determination of unrestricted net assets. Reporting both within the same element of net assets prevents one classification from being overstated while another is understated by the same amount.

Bond Premium

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

Gain/Loss on Refunding

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

Warrensville Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

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.

Compensated Absences

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

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

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

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

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 are recognized as a liability on the governmental fund financial statements when due.

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 through constitutional provisions or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for uniform school supplies and extracurricular 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.

Warrensville Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

Internal Activity

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

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

Fund Balance

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

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

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

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

Assigned Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

Warrensville Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

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.

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 and Restatement of Fund Balance and Net Assets

Change in Accounting Principles

For fiscal year 2011, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions” and GASB Statement No. 59, “Financial Instruments Omnibus”.

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement resulted in the reclassification of certain funds and restatement of the School District’s financial statements.

GASB Statement No. 59 addresses significant practice issues that have arisen when accounting for financial instruments by updating and improving existing standards regarding financial reporting of certain financial instruments and external investment pools. The implementation of this statement did not result in any change in the School District’s financial statements.

Restatement of Prior Year’s Fund Balance

During fiscal year 2011, the School District reevaluated its calculation of property taxes receivable. Due to the harsh economic climate affecting the School District, an allowance for doubtful accounts was deemed necessary and was built into the calculation that resulted in the reduction of both property taxes receivable and deferred revenue. These restatements along with the implementation of GASB Statement No. 54 had the following effect on fund balances of the major and nonmajor funds as they were previously reported.

Warrensville Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Fund Balance at June 20, 2010	\$920,582	\$2,496,304	\$679,295	\$4,096,181
Property Tax Receivable	(9,146,120)	(1,082,750)	(346,487)	(10,575,357)
Deferred Revenue	10,801,118	1,347,598	421,544	12,570,260
Change in Fund Structure	85,417	0	(85,417)	0
Adjusted Fund Balance at June 30, 2010	<u>\$2,660,997</u>	<u>\$2,761,152</u>	<u>\$668,935</u>	<u>\$6,091,084</u>

Restatement of Prior Year Net Assets

During fiscal year 2011, the School District determined that it was necessary to establish an allowance for doubtful accounts. Due to this change, it was determined that property taxes receivable and deferred revenue were overstated at June 30, 2010. These restatements had the following effect on net assets as they were previously reported.

	Governmental Activities
Net Assets, June 30, 2010	\$18,752,807
Property Taxes Receivable	(10,575,357)
Deferred Revenue	1,994,903
Adjusted Net Assets, June 30, 2010	<u>\$10,172,353</u>

Note 4 – Accountability and Compliance

Accountability

At June 30, 2011, the following funds had deficit fund balances:

	Amount
<i>Non-Major Funds</i>	
Public School Preschool	\$32,272
Title VI-B	1,536
Title II-D Technology	54,412
Title I	342,862

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

Warrensville Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

Compliance

The general fund had total final appropriations in excess of estimated resources plus carryover balances in the amount of \$157,299, contrary to Section 5705.39, Revised Code. Although this budgetary violation was not corrected by fiscal year-end, management has indicated that appropriations will be closely monitored to ensure no future violations.

Note 5 – Fund Balances

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

Fund Balances	General	Bond Retirement	Other Governmental Funds	Total
<i>Nonspendable</i>				
Inventory	\$0	\$0	\$2,617	\$2,617
<i>Restricted for</i>				
Food Service Operations	0	0	272,770	272,770
Student Enrichment	0	0	14,349	14,349
Athletics	0	0	17,464	17,464
Recreation Programs	0	0	219,892	219,892
Data and Information Systems	0	0	49,381	49,381
Instructional Services	0	0	262,271	262,271
Drug Abuse Education	0	0	6,951	6,951
Preschool	0	0	6,066	6,066
Class Size Reduction	0	0	2,028	2,028
Education Reform	0	0	25,423	25,423
Debt Service Payments	0	3,111,611	0	3,111,611
Capital Improvements	0	0	1,004,888	1,004,888
Special Education	1,140	0	0	1,140
Continuous Improvement Programs	9,851	0	0	9,851
Professional Development	2,970	0	0	2,970
Improving Reading Proficiency	103	0	0	103
Poverty Aid Assistance	1,341	0	0	1,341
Textbooks	96,650	0	0	96,650
<i>Total Restricted</i>	112,055	3,111,611	1,881,483	5,105,149
<i>Committed to</i>				
Other Purposes	424,337	0	0	424,337
<i>Assigned to</i>				
Instructional Services	2,516,466	0	0	2,516,466
<i>Unassigned (Deficit)</i>	4,159,201	0	(431,082)	3,728,119
<i>Total Fund Balances</i>	\$7,212,059	\$3,111,611	\$1,453,018	\$11,776,688

Warrensville Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

Note 6 - Budgetary Basis of Accounting

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget basis) rather than as restricted, committed or assigned fund balance (GAAP).
4. Advances in and Advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP).

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	\$4,551,062
Net Adjustment for Revenue Accruals	(106,968)
Advance In	847,386
Net Adjustment for Expenditure Accruals	(234,223)
Advance Out	(1,482,240)
Excess of Revenues (Over) Under Expenses:	
Public School Support	(15,710)
Disadvantaged Pupil Impact Aid	68,859
Ohio Reads Grant	(103)
Title VI	1
Adjustment for Encumbrances	(3,342,625)
Budget Basis	\$285,439

Note 7 - Deposits and Investments

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

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

Warrensville Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

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

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

Interim monies held by the School District can be deposited or invested in the following securities:

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

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

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$13,662,589 of the School District's bank balance of \$13,912,589 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

Warrensville Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

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

Investments

As of June 30, 2011, the School District had investments in a Victory Money Market account and STAR Ohio. The Victory Money Market account has a credit rating of AAA with Standards and Poor's, a carrying and fair value of \$6,633 and a maturity of less than one year. The STAR Ohio investment is in the amount of \$9,185 and has a maturity of 58.3 days.

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

Credit Risk Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no policy that addresses credit risk.

Note 8 - Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenues received in calendar year 2011 represents collections of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed value listed as of January 1, 2010, the lien date. Assessed values for real property are established by State law at thirty-five percent of appraised market value. Real property are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2011 represents collections of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 become a lien December 31, 2009, were levied after April 1, 2010 and are collected in 2011 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Cuyahoga County. The County Fiscal Officer periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Warrensville Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2011 and for which there is an enforceable legal claim, based on collectability. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2011, was \$2,006,714 in the general fund, \$289,777 in the bond retirement debt service fund, \$73,298 in the permanent improvement capital projects fund and \$19,289 in the recreation special revenue fund. The amount available as an advance at June 30, 2010, was \$1,817,440 in the general fund, \$290,843 in the bond retirement debt service fund, \$65,252 in the permanent improvement capital projects fund and \$17,172 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 2011 taxes were collected are:

	2010 Second Half Collections		2011 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$366,062,370	97.56 %	\$381,807,230	97.59 %
Public Utility	9,174,430	2.44	9,418,640	2.41
Total Assessed Value	\$375,236,800	100.00 %	\$391,225,870	100.00 %
Tax rate per \$1,000 of assessed valuation		\$90.80		\$89.50

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

Warrensville Heights City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

Note 9 - Receivables

Receivables at June 30, 2011, consisted of taxes, accounts (extracurricular and miscellaneous), and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables are expected to be collected within one year except for delinquent property taxes. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year. A summary of the intergovernmental receivables follows:

Governmental Activities	Governmental Funds
Title I	\$486,479
Title VI-B	233,826
Federal Nutrition Subsidies	93,438
SERS Refund	92,397
21st Century Grant	75,839
Title II-D Technology	62,446
Public School Preschool	30,648
Preschool and Handicapped Grant	9,735
Safe and Drug Free Schools	6,541
<i>Total Intergovernmental Receivables</i>	\$1,091,349

Note 10 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$414,153	\$0	\$0	\$414,153
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	38,698,022	1,439	0	38,699,461
Furniture, Fixtures and Equipment	4,366,738	308,792	0	4,675,530
Vehicles	927,321	78,500	0	1,005,821
<i>Total Capital Assets, being depreciated</i>	43,992,081	388,731	0	44,380,812
<i>Less: Accumulated Depreciation</i>				
Buildings and Improvements	(15,129,249)	(888,588)	0	(16,017,837)
Furniture, Fixtures and Equipment	(3,157,358)	(486,025)	0	(3,643,383)
Vehicles	(695,980)	(98,925)	0	(794,905)
<i>Total Accumulated Depreciation</i>	(18,982,587)	(1,473,538)*	0	(20,456,125)
<i>Total Capital Assets, being depreciated, Net</i>	25,009,494	(1,084,807)	0	23,924,687
Governmental Activities Capital Assets, Net	\$25,423,647	(\$1,084,807)	\$0	\$24,338,840

Warrensville Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

*Depreciation expense was charged to governmental activities as follows:

Instruction:	
Regular	\$516,906
Special	113,988
Vocational	7,584
Support Services:	
Pupil	5,001
Instructional Staff	14,091
Board of Education	4,103
Administration	112,151
Fiscal	3,979
Business	6,210
Operation and Maintenance of Plant	385,784
Pupil Transportation	28,843
Central	5,028
Operation of Non-Instructional Services:	
Food Service Operations	38,424
Other Non-Instructional Services	98,392
Extracurricular Activities	133,054
	<u>133,054</u>
<i>Total Depreciation Expense</i>	<u><u>\$1,473,538</u></u>

Note 11 - Risk Management

Insurance

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

Company	Type of Coverage	Coverage
Todd Associates Insurance	Property (\$10,000 Deductible)	\$77,640,575
	Inland Marine (\$250 Deductible)	2,183,966
	Crime (\$500 Deductible)	150,000
	General Liability:	
	In Aggregate	2,000,000
	Per Occurrence	1,000,000
	Automobile Liability - Single Limit	1,000,000
	Umbrella Coverage:	
	Each Occurrence Limit	10,000,000
	Aggregate Limit	10,000,000
	Self-Insured Retention	10,000
	Travelers Insurance Company	Boiler/Machinery (\$1,000 Deductible)

Warrensville Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

Settled claims have not exceeded this commercial coverage in any of the past three years. There was a significant reduction in property insurance coverage from the prior year due to the closing of two elementary school buildings.

Workers' Compensation

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

Note 12 - Defined Benefit Pension Plan

School Employee Retirement System

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board acting with the advices of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For the fiscal year ended June 30, 2011, the allocation to pension and death benefits is 11.81 percent. The remaining 2.19 percent of the 14 percent employer contributions rate is allocated to the Health Care and Medicare B funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$487,184, \$512,267 and \$431,476 respectively. For fiscal year 2011, 93.50 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

State Teachers Retirement System

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment.

Warrensville Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

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

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$1,608,584 and \$35,707 for the fiscal year ended June 30, 2011, \$1,821,785 and \$45,331 for the fiscal year ended June 30, 2010, and \$2,002,974 and \$41,149 for the fiscal year ended June 30, 2009. For fiscal year 2011, 83.92 percent has been contributed for the DB plan and 83.92 percent has been contributed for the Combined Plan, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

Contributions made to STRS Ohio for the DC Plan and for fiscal year 2011 were \$23 made by the School District and \$17 made by the plan members. In addition, member contributions of \$25,505 were made for fiscal year 2011 for the defined contribution portion of the Combined Plan.

Note 13 – Post Employment Benefits

School Employee Retirement System

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For

Warrensville Heights City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

2011, 1.43 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2011, this amount was \$35,800. During fiscal year 2011, the School District paid \$64,993 in surcharge.

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

The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010 and 2009 were \$58,990, \$18,438 and \$267,710 respectively. For fiscal year 2011, 93.50 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal year 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2011, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010 and 2009, were \$31,351, \$30,463 and \$35,600 respectively. For fiscal year 2011, 93.50 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010 and 2009 were \$123,737, \$140,137 and \$154,075 respectively. For fiscal year 2011, 83.92 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

Note 14 - Other Employee Benefits

Compensated Absences

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

Warrensville Heights City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

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

Insurance

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

Note 15 - Long-Term Obligations

The changes in the School District's long-term obligations during fiscal year 2011 were as follows:

	Balance 6/30/2010	Additions	Deletions	Balance 6/30/2011	Amount Due in One Year
Governmental Activities					
School Improvements Bonds 2000, 4.44%	\$5,150,023	\$0	\$925,000	\$4,225,023	\$1,000,000
School Improvement Refunding Bonds 2007: Serial Bonds 4 % - 4.25%	14,920,000	0	210,000	14,710,000	215,000
Capital Appreciation Bonds, 28.97%	254,977	0	0	254,977	0
Accretion on Capital Appreciation Bonds	273,019	164,010	0	437,029	0
Unamortized Premium	1,191,805	0	82,193	1,109,612	0
Unamortized Accounting Loss	(958,853)	0	(66,127)	(892,726)	0
<i>Total General Obligation Bonds</i>	20,830,971	164,010	1,151,066	19,843,915	1,215,000
Compensated Absences	2,859,832	47,258	845,062	2,062,028	328,875
<i>Total Governmental Activities</i>	<u>\$23,690,803</u>	<u>\$211,268</u>	<u>\$1,996,128</u>	<u>\$21,905,943</u>	<u>\$1,543,875</u>

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

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

The serial and capital appreciation bonds remained outstanding at June 30, 2011. The capital appreciation bonds will mature in fiscal years 2016 and 2017. The maturity amount of the bonds is \$2,965,000. For fiscal year 2011, \$164,010 was accreted for a total bond value of \$692,006.

Warrensville Heights City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

Compensated absences will be paid from the general fund and the food service, recreation, public preschool, Title VI-B, Title II-D technology, Title I and Title II-A special revenue funds.

The overall debt margin of the School District as of June 30, 2011, was \$19,131,939 with an unvoted debt margin of \$391,226 at June 30, 2011. Principal and interest requirements for school improvement bonds outstanding at June 30, 2011, are as follows:

Fiscal Year	General Obligation Bonds			
	Serial		Capital Appreciation	
	Principal	Interest	Principal	Interest
2012	\$1,215,000	\$871,160	\$0	\$0
2013	1,225,000	792,360	0	0
2014	1,310,000	710,535	0	0
2015	1,395,023	623,037	0	0
2016	0	577,910	144,419	1,335,582
2017-2021	6,310,000	2,393,500	110,558	1,374,441
2022-2025	7,480,000	653,493	0	0
Total	<u>\$18,935,023</u>	<u>\$6,621,995</u>	<u>\$254,977</u>	<u>\$2,710,023</u>

In fiscal year 2007, the School District defeased \$15,999,977 of a 2000 school improvement bond issue, in order to take advantage of lower interest rates. The proceeds of the new bonds were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the School District's financial statements. On June 30, 2011, \$15,999,977 of the defeased bonds is still outstanding.

Note 16 - Jointly Governed Organizations

Lake Geauga Computer Association

The Lake Geauga Computer Association (LGCA) is a jointly governed organization that was formed for the purpose of providing computer services for accounting, grading, scheduling, EMIS and other applications among its nineteen member school districts. Each of the school districts supports LGCA based on a per pupil charge. The executive committee (governing board) consists of the superintendents and treasurers of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the governing board. LGCA's continued existence is not dependent on the School District's continued participation. LGCA is not accumulating significant financial resources or experiencing fiscal stress which would cause additional financial benefit or burden on the School District. In fiscal year 2011, the School District paid \$58,203 to LGCA. Financial information can be obtained from Loretta Peterson, the Treasurer of the Lake Geauga Computer Association, 8140 Auburn Road, Painesville, Ohio 44077.

Ohio Schools' Council

The Ohio Schools Council (Council) is a jointly governed organization among 126 school districts. The jointly governed organization was created by school districts for the purpose of saving money through volume purchases. Each district supports the Council by paying an annual participation fee. Each school district member's superintendent serves as a representative of the Assembly. The Assembly elects five of the Council's Board members and the remaining four are representatives of the Greater Cleveland School

Warrensville Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

Superintendents' Association. The Council operates under a nine-member Board of Directors (the Board). The Board is the policy making authority of the Council. The Board meets monthly September to June. The Board appoints an Executive Director who is responsible for receiving and disbursing funds, investing available funds, preparing financial reports for the Board and Assembly and carrying out such other responsibilities as designated by the Board. In fiscal year 2011, the School District paid \$400 to the Council. Financial information can be obtained by contacting Dr. David A. Cottrell, the Executive Director of the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

The School District participates in the natural gas purchase program. This program allows the School District to purchase natural gas at reduced rates. Energy USA served as the natural gas supplier and program manager from October 1, 2008 to September 30, 2010. Compass Energy has been selected as the new supplier and program manager for the period from October 1, 2010 through March 31, 2013. There are currently 143 participants in the program including the Warrensville Heights School District. The participants make monthly payments based on estimated usage. Each September, these estimated payments are compared to their actual usage for the year (July to June). Districts that paid more in estimated billings than their actual billings are issued credits on future billings beginning in September until the credits are exhausted and districts that did not pay enough on estimated billings are invoiced for the difference on the September monthly estimated billing.

Note 17 - Contingencies

Grants

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

The School District received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2011, if applicable, cannot be determined at this time.

Litigation

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

Warrensville Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

Note 18 - 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.

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

	Textbooks/ Instructional Materials	Capital Improvements
Set-aside Balance as of June 30, 2010	\$152,466	\$0
Add: Current Year Set-aside Requirement	316,755	316,755
Permanent Improvement Levy Offset During the Fiscal Year	0	(530,810)
Qualifying Disbursements	<u>(372,571)</u>	<u>(90,715)</u>
Total	<u>\$96,650</u>	<u>(\$304,770)</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$0</u>	<u>\$0</u>
Set-aside Balance as of June 30, 2011	<u>\$96,650</u>	<u>\$0</u>

Effective July 1, 2011, the textbook set aside is no longer required and has been removed from existing law. This balance is restricted on the statement of net assets and the balance sheet; however it is not presented as being carried forward to future fiscal years. Although the School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement for future years. This negative balance is therefore not presented as being carried forward to future years. The total balance for the two set-asides at the end of the fiscal year was \$96,650.

Note 19 - Interfund Transactions

Balances

Interfund Payable	<u>Interfund Receivable</u> General
<i>Other Governmental Funds:</i>	
Food Service	\$41,865
Athletics and Music	800
Public Preschool	30,648
Title VI-B	507,646
Title II-D	73,664
Title I	738,234
Drug Free Schools	6,544
Preschool Grant	12,644
Title II-A	30,287
Miscellaneous Federal Grants	39,850
Total	<u>\$1,482,182</u>

Warrensville Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

The general fund reported an interfund receivable at June 30, 2011 of \$1,482,182. Other governmental funds had an interfund payable of \$1,482,182 due to the timing of grant receipts.

Transfers

During fiscal year 2011, the School District made the following transfers:

	<u>Transfer From</u>
<u>Transfer To</u>	<u>General Fund</u>
Other Governmental Funds:	
Athletics and Music	\$50,001
Title VI-B	57,144
Title I	52,824
Title II-A	351
Miscellaneous Federal Grants	35,989
Total	<u>\$196,309</u>

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

Note 20 – Subsequent Event

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

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**WARRENSVILLE HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2011**

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<i>Passed Through Ohio Department of Education:</i>			
Child Nutrition Cluster:			
Non-Cash Assistance (Food Distribution):			
National School Lunch Program	10.555	\$ 5,411	\$ 5,411
Cash Assistance:			
School Breakfast Program	10.553	138,502	138,502
National School Lunch Program	10.555	470,440	470,440
Cash Assistance Subtotal		<u>608,942</u>	<u>608,942</u>
Total Child Nutrition Cluster		<u>614,353</u>	<u>614,353</u>
Fruit and Vegetable	10.582	20,187	20,187
Total U.S. Department of Agriculture		<u>634,540</u>	<u>634,540</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<i>Passed Through Ohio Department of Education:</i>			
Special Education Cluster:			
Special Education Grants to States	84.027	450,469	433,866
ARRA - Special Education Grants to States, Recovery Act	84.391	240,207	366,412
Special Education Preschool Grants	84.173	5,335	3,924
ARRA - Special Education Preschool Grants, Recovery Act	84.392	7,636	12,251
Total Special Education Cluster		<u>703,647</u>	<u>816,453</u>
Title I, Part A Cluster:			
Title I - Grants to Local Educational Agencies - FY 2007	84.010	1,099,182	952,733
ARRA - Title 1 Grants to Local Educational Agencies, Recovery Act	84.389	399,901	391,741
Total Title I - Grants to Local Educational Agencies		<u>1,499,083</u>	<u>1,344,474</u>
Safe and Drug-Free Schools and Communities: State Grants	84.186	0	1,446
21st Century Community Learning Centers	84.287	124,161	122,925
Title II-A Grant	84.367	297,656	254,036
Education Technology:			
Education Technology State Grants	84.318	5,611	1,870
ARRA - Title II-D Technology Literacy Challenge Funds	84.386	160,180	188,882
Total Education Technology		<u>165,791</u>	<u>190,752</u>
Title III LEP - English Language Acquisition Grants	84.377	51,400	51,423
ARRA - State Fiscal Stabilization Fund	84.394	895,116	698,124
Total U.S. Department of Education		<u>4,371,394</u>	<u>4,114,173</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
<i>Passed Through Ohio Department of Developmental Disabilities:</i>			
Medical Assistance Program	93.778	23,129	23,129
Total U.S. Department of Health and Human Services		<u>23,129</u>	<u>23,129</u>
Total Federal Financial Assistance		<u>\$ 4,394,523</u>	<u>\$ 4,137,302</u>

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

**WARRENSVILLE HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2011**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATIONS

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

CFDA - Catalog of Federal Domestic Assistance.



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Warrensville Heights City School District, Cuyahoga County, (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 19, 2012, wherein we noted the District adopted the provisions of Governmental Accounting Standard Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" and also reevaluated their property tax receivable and deferred revenue amounts. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated October 19, 2012.

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

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

Dave Yost
Auditor of State

October 19, 2012



Dave Yost • Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of the Warrensville Heights City School District, Cuyahoga County, Ohio (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of its major federal programs for the year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Warrensville Heights City School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

Internal Control over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above

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



Dave Yost
Auditor of State

October 19, 2012

**WARRENSVILLE HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
FOR THE YEAR ENDED JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	CFDA# 84.394 – ARRA State Fiscal Stabilization Fund Title I, Part A Cluster: CFDA# 84.010 – Title I, Grants to Local Educational Agencies; CFDA# 84.389 - ARRA, Title I, Grants to Local Educational Agencies Special Education Cluster: CFDA# 84.027 – Special Education Grants to States; CFDA# 84.391 – ARRA, Special Education Grants to States; CFDA# 84.173 – Special Education Preschool Grants; CFDA# 84.392 – ARRA, Special Education Preschool Grants Nutrition Cluster: CFDA# 10.553 – School Breakfast Program; CFDA# 10.555 – National School Lunch Program
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

WARRENSVILLE HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
FOR THE YEAR ENDED JUNE 30, 2011
(Continued)

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**WARRENSVILLE HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	ORC 9.39 – Missing revenue collected. Finding for Recovery.	No	Not corrected.
2010-002	ORC 5705.41(D)(1) – Proper Encumbering – 10 out of 60 expenditures were not properly encumbered.	No	Partially corrected - Repeated in management letter.
2010-003	Title 1 – Questioned Costs	Yes	Corrective action taken
2010-004	Special Education Cluster – Incomplete and missing ETRs and IEPs.	No	Partially corrected. The number and values are significantly less. Repeated in the Management Letter.
2010-005	Special Education Cluster – Obligations outside the period of availability	Yes	

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Dave Yost • Auditor of State

WARRENSVILLE HEIGHTS CITY SCHOOL DISTRICT

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 8, 2012