



Dave Yost • Auditor of State

**CUYAHOGA HEIGHTS LOCAL SCHOOL DISTRICT
CUYAHOGA COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cuyahoga Heights Local School District, Cuyahoga County, Ohio (the District), as of and for the year ended June 30, 2014 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Cuyahoga Heights Local School District, Cuyahoga County, Ohio, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows, thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 6, 2015, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

May 6, 2015

Cuyahoga Heights Local School District

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2014 Unaudited

The discussion and analysis of the Cuyahoga Heights Local School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2014 are as follows:

- ❑ During fiscal year 2012, the taxpayers of the School District approved a 7.9 mill continuing operating levy. Fiscal year 2014 was the first full year of collections on the newly approved levy.
- ❑ Both unions in the School District agreed to a total wage freeze for fiscal year 2014 and agreed to pay 15 percent of their health care premiums in fiscal year 2014.
- ❑ Tangible personal property tax loss reimbursement, in the amount of \$3,388,087, was received from the State during the fiscal year.

Using this Financial Report

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

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

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While these statements contain information about the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2014?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all non-fiduciary assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting, similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Cuyahoga Heights Local School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited*

These two statements report the School District's net position and changes in that position. This change in net position is important because it tells the reader that, for the School District as a whole the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's current property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

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

Reporting the School District's Most Significant Funds

The analysis of the School District's major funds begins on page 8. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and the permanent improvement capital projects fund.

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

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

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

The School District as a Whole

Recall that the statement of net position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for the fiscal year 2014 compared to fiscal year 2013:

Cuyahoga Heights Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Table 1
 Net Position
 Governmental Activities

	2014	2013 Restated	Change
Assets			
Current and Other Assets	\$16,840,818	\$14,935,404	\$1,905,414
Capital Assets, Net	3,159,690	3,095,809	63,881
<i>Total Assets</i>	<u>20,000,508</u>	<u>18,031,213</u>	<u>1,969,295</u>
Liabilities			
Current Liabilities	1,379,937	1,408,247	28,310
Long-Term Liabilities			
Due Within One Year	903,187	791,629	(111,558)
Due In More Than One Year	1,359,849	1,795,690	435,841
<i>Total Liabilities</i>	<u>3,642,973</u>	<u>3,995,566</u>	<u>352,593</u>
Deferred Inflows of Resources	<u>7,742,509</u>	<u>7,857,254</u>	<u>114,745</u>
Net Position			
Net Investment in Capital Assets	1,865,558	1,530,684	334,874
Restricted for:			
Debt Service	0	297,802	(297,802)
Capital Projects	1,772,803	448,998	1,323,805
Set Asides	0	51,309	(51,309)
Other Purposes	565,818	647,024	(81,206)
Unrestricted	4,410,847	3,202,576	1,208,271
<i>Total Net Position</i>	<u>\$8,615,026</u>	<u>\$6,178,393</u>	<u>\$2,436,633</u>

The increase in net position is attributable to an increase in cash as a result of property taxes compared to fiscal year 2013. Management continues to diligently plan expenses, staying carefully within the School District's revenues in an effort to extend the durations between its levy requests.

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for the current fiscal year. Table 2 shows total revenues, expenses and changes in net position for the fiscal years 2014 and 2013.

Cuyahoga Heights Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Table 2
 Governmental Activities

	2014	2013 Restated	Change
Program Revenues			
Charges for Services and Sales	\$1,109,507	\$1,148,867	(\$39,360)
Operating Grants and Contributions	235,990	208,206	27,784
Capital Grants and Interest	802,348	570,317	232,031
<i>Total Program Revenues</i>	<u>2,147,845</u>	<u>1,927,390</u>	<u>220,455</u>
General Revenues			
Property Taxes	8,724,569	10,146,755	(1,422,186)
Grants and Entitlements	4,410,914	4,309,649	101,265
Payment in Lieu of Taxes	91,138	91,100	38
Investment Earnings	2,471	1,853	618
Unrestricted Contributions and Donations	4,871	0	4,871
Gain on Sale of Capital Assets	1,274	0	1,274
Miscellaneous	97,253	91,176	6,077
<i>Total General Revenues</i>	<u>13,332,490</u>	<u>14,640,533</u>	<u>(1,308,043)</u>
<i>Total Revenues</i>	<u>15,480,335</u>	<u>16,567,923</u>	<u>(1,087,588)</u>
Program Expenses			
Instruction			
Regular	5,631,231	5,772,625	141,394
Special	1,370,769	1,323,606	(47,163)
Vocational	8,618	9,569	951
Support Services			
Pupil	577,863	707,274	129,411
Instructional Staff	465,270	521,341	56,071
Board of Education	31,500	54,092	22,592
Administration	1,140,980	1,339,982	199,002
Fiscal	438,221	450,402	12,181
Business	47,614	3,782	(43,832)
Operation and Maintenance of Plant	1,527,695	1,404,064	(123,631)
Pupil Transportation	799,732	759,243	(40,489)
Central	400,907	331,201	(69,706)
Operation of Food Service	319,005	311,034	(7,971)
Operation of Non-Instructional Services	129,623	91,530	(38,093)
Extracurricular Activities	645,928	710,688	64,760
Interest and Fiscal Charges	22,799	108,974	86,175
<i>Total Program Expenses</i>	<u>13,557,755</u>	<u>13,899,407</u>	<u>341,652</u>
<i>Special Item - Settlement</i>	<u>514,053</u>	<u>308,598</u>	<u>205,455</u>
<i>Change in Net Position</i>	2,436,633	2,977,114	(540,481)
<i>Net Position Beginning of Year (Restated)</i>	<u>6,178,393</u>	<u>3,201,279</u>	<u>2,977,114</u>
<i>Net Position End of Year</i>	<u><u>\$8,615,026</u></u>	<u><u>\$6,178,393</u></u>	<u><u>\$2,436,633</u></u>

Cuyahoga Heights Local School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited*

Governmental Activities

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

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

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

The School District actively pursues grants and controls expenses while still maintaining the high academic standards the residents expect of the School District. Revenue from grants increased in fiscal year 2014, due to an increase in capital grants received compared to the prior fiscal year.

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

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

Cuyahoga Heights Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
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Table 3
 Total and Net Cost of Program Services
 Governmental Activities

	2014		2013	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction:				
Regular	\$5,631,231	(\$5,282,855)	\$5,772,625	(\$5,560,200)
Special	1,370,769	(1,138,002)	1,323,606	(1,181,560)
Vocational	8,618	(8,085)	9,569	(9,204)
Support Services:				
Pupil	577,863	(507,901)	707,274	(628,093)
Instructional Staff	465,270	(430,481)	521,341	(483,689)
Board of Education	31,500	(31,500)	54,092	(52,027)
Administration	1,140,980	(1,140,980)	1,339,982	(1,288,943)
Fiscal	438,221	(438,221)	450,402	(433,206)
Business	47,614	(47,614)	3,782	(3,782)
Operation and Maintenance of Plant	1,527,695	(1,171,586)	1,404,064	(1,035,771)
Pupil Transportation	799,732	(756,529)	759,243	(732,067)
Central	400,907	160,239	331,201	(62,566)
Operation of Food Service	319,005	(60,787)	311,034	(41,569)
Operation of Non-Instructional Services	129,623	(126,209)	91,530	46,992
Extracurricular Activities	645,928	(406,600)	710,688	(397,358)
Interest and Fiscal Charges	22,799	(22,799)	108,974	(108,974)
Total	\$13,557,755	(\$11,409,910)	\$13,899,407	(\$11,972,017)

The dependence upon general revenues for governmental activities is apparent. 84.16 percent of total expenses are supported through taxes and other general revenues. Program revenues support 15.84 percent of expenses.

The School District's Funds

Information regarding the School District's major funds begins on page 13. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$17,020,871 and expenditures of \$14,144,747. The general fund had an increase in fund balance mainly due to increases in property taxes. As one can see from the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds, property taxes comprise the School District largest revenue source, accounting for 60.21 percent of total governmental revenue.

General Fund Budgeting Highlights

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

During the course of fiscal year 2014, the School District amended its general fund budget several times. The School District uses an operational unit budget process and has in place systems that are designed to tightly control expenses but provide flexibility for program based decision and management.

Cuyahoga Heights Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

The School District's actual revenues were \$76,135 higher than final budget basis revenues due to higher than expected intergovernmental receipts and tuition and fees. The School District's actual expenditures were \$1,401,849 lower than the final budget basis expenditures. This is due in large part to the School District's continued commitment to provide a quality education while still controlling the costs of that quality education.

Capital Assets and Debt Administration

Capital Assets

Table 4 shows fiscal year 2014 balances compared to fiscal year 2013:

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

	2014	2013 Restated
Land	\$798,600	\$798,600
Land Improvements	323,206	371,177
Buildings and Improvements	1,644,281	1,425,181
Furniture and Equipment	278,207	340,527
Vehicles	115,396	160,324
<i>Total Capital Assets</i>	\$3,159,690	\$3,095,809

All capital assets, except land, are reported net of depreciation. The increase in capital assets was primarily due to the addition of roof improvements to the high school and elementary school. These additions were offset by another year of depreciation. See Note 12 for additional capital asset information.

Debt

At June 30, 2014, the School District had \$1,294,132 outstanding in capital leases. The School District has entered into capital leases for a synthetic turf playing field, goal posts and various improvements to School District buildings, a bus, printers and a phone system. See Note 18 to the basic financial statements for additional information on the School District's long-term obligations.

School District Outlook

The School District relies heavily on its local property taxpayers. The School District has been affected by declining tax base, changes in the personal property tax structure, commercial business uncertainties, and rising cost of goods and services. The effects of a bankruptcy in 2000 by the second largest taxpayer in the School District are still being felt in the trend of decreasing tax revenues. The overall tax valuation has decreased from \$522,191,973 in 2002 to \$329,583,250 in 2013. The tax valuation shows a slight increase to \$334,517,840 in 2014. Although House Bill 66 of the 126th General Assembly provided for the phase-out of TPP taxes on general business, the law provided for school districts to be held harmless by the State for their local tax revenue losses. The hold-harmless

Cuyahoga Heights Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

period was to be followed by a period of phasing out the hold-harmless guarantee. House Bill 1 of the 128th General Assembly has postponed the starting of the phase-out period. Presently, the commercial activity tax is funding the hold-harmless reimbursement payments. As a result of a history of changing legislation, the School District is cautious to count on hold-harmless dollars as a future revenue source. The State's biennial budget bill has been the vehicle for legislative changes in the past. The School District, with the help of the State associations we support, will keep apprised of changes at the State level working with our legislators to retain the hold-harmless reimbursement.

House Bill 264

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

The future of State funding may greatly affect the financial horizon of the School District. The State of Ohio was found by the Ohio Supreme Court to be operating an unconstitutional education system in regards to the funding formula. There have been several attempts to "fix" the funding formula. However, the current funding formula is considered temporary. The temporary formula is called the Bridge formula. The Bridge formula provides for a simplified approach based on fiscal year 2011 total calculated amounts on per pupil basis for both fiscal year 2012 and fiscal year 2013. Fiscal year 2014 uses data estimates based on prior year data and is reported on the "School Finance Payment Report". The "Bridge Report" is no longer used.

Possibly the most critical piece of funding is the uncertainty of the replacement dollars for tangible personal property tax. Over \$3.3 million were received from the State of Ohio in fiscal year 2014 to offset the loss of tangible personal property tax. There is no guarantee that this will continue. The loss of this stream of revenue would be financially devastating. All scenarios require management to plan carefully and prudently to provide the resources to meet student needs over the next several years. The due diligence of the Board of Education, Administration, Treasurer, Superintendent, community and finance committee contributes to the financial success of the School District and prudent financial decisions for the School District.

Contacting the School District's Financial Management

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

Cuyahoga Heights Local School District

Statement of Net Position

June 30, 2014

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$5,937,995
Accounts Receivable	108,225
Intergovernmental Receivable	321,056
Materials and Supplies Inventory	32,412
Inventory Held for Resale	1,869
Property Taxes Receivable	10,348,161
Payments in Lieu of Taxes Receivable	91,100
Non-depreciable Capital Assets	798,600
Depreciable Capital Assets, Net	2,361,090
<i>Total Assets</i>	<u>20,000,508</u>
Liabilities	
Accounts Payable	150,193
Accrued Wages and Benefits	997,295
Intergovernmental Payable	221,846
Accrued Interest Payable	10,603
Long-Term Liabilities:	
Due Within One Year	903,187
Due In More Than One Year	1,359,849
<i>Total Liabilities</i>	<u>3,642,973</u>
Deferred Inflows of Resources	
Property Taxes	<u>7,742,509</u>
Net Position	
Net Investment in Capital Assets	1,865,558
Restricted for:	
Capital Projects	1,772,803
Music and Athletics	553,733
Other Purposes	12,085
Unrestricted	4,410,847
<i>Total Net Position</i>	<u><u>\$8,615,026</u></u>

See accompanying notes to the basic financial statements

Cuyahoga Heights Local School District

Statement of Activities

For the Fiscal Year Ended June 30, 2014

	Program Revenues			Net (Expense)
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Position
Governmental Activities				
Instruction:				
Regular	\$5,631,231	\$348,376	\$0	\$0
Special	1,370,769	78,892	153,875	0
Vocational	8,618	533	0	0
Support Services:				
Pupil	577,863	67,287	2,675	0
Instructional Staff	465,270	28,159	6,630	0
Board of Education	31,500	0	0	0
Administration	1,140,980	0	0	0
Fiscal	438,221	0	0	0
Business	47,614	0	0	0
Operation and Maintenance of Plant	1,527,695	98,120	0	257,989
Pupil Transportation	799,732	43,203	0	0
Central	400,907	11,387	5,400	544,359
Operation of Non-Instructional Services:				
Food Service Operations	319,005	192,488	65,730	0
Other Non-Instructional Services	129,623	3,414	0	0
Extracurricular Activities	645,928	237,648	1,680	0
Interest and Fiscal Charges	22,799	0	0	0
Totals	\$13,557,755	\$1,109,507	\$235,990	\$802,348

General Revenues

Property Taxes Levied for General Purposes	8,724,569
Grants and Entitlements not Restricted to Specific Programs	4,410,914
Payment in Lieu of Taxes	91,138
Investment Earnings	2,471
Unrestricted Contributions and Donations	4,871
Gain on Sale of Capital Assets	1,274
Miscellaneous	97,253
Total General Revenues	13,332,490
Special Item - Settlement	514,053
Total General Revenues and Special Item	13,846,543
Change in Net Position	2,436,633
<i>Net Position Beginning of Year - Restated (See Note 3)</i>	<u>6,178,393</u>
<i>Net Position End of Year</i>	<u><u>\$8,615,026</u></u>

See accompanying notes to the basic financial statements

Cuyahoga Heights Local School District

*Balance Sheet
Governmental Funds
June 30, 2014*

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$3,835,139	\$1,471,807	\$586,574	\$5,893,520
Accounts Receivable	7,075	101,150	0	108,225
Intergovernmental Receivable	157,994	161,032	2,030	321,056
Materials and Supplies Inventory	31,311	0	1,101	32,412
Inventory Held for Resale	0	0	1,869	1,869
Interfund Receivable	61,389	0	0	61,389
Property Taxes Receivable	10,348,161	0	0	10,348,161
Payments in Lieu of Taxes Receivable	0	91,100	0	91,100
<i>Total Assets</i>	<u>\$14,441,069</u>	<u>\$1,825,089</u>	<u>\$591,574</u>	<u>\$16,857,732</u>
Liabilities				
Accounts Payable	\$118,732	\$29,020	\$2,441	\$150,193
Accrued Wages and Benefits	991,278	0	6,017	997,295
Intergovernmental Payable	220,736	0	1,110	221,846
Interfund Payable	0	23,266	38,123	61,389
<i>Total Liabilities</i>	<u>1,330,746</u>	<u>52,286</u>	<u>47,691</u>	<u>1,430,723</u>
Deferred Inflows of Resources				
Unavailable Revenue	910,946	91,100	630	1,002,676
Property Taxes	7,742,509	0	0	7,742,509
<i>Total Deferred Inflows of Resources</i>	<u>8,653,455</u>	<u>91,100</u>	<u>630</u>	<u>8,745,185</u>
Fund Balances				
Nonspendable	31,311	0	1,101	32,412
Restricted	0	1,681,703	570,808	2,252,511
Assigned	285,516	0	0	285,516
Unassigned (Deficit)	4,140,041	0	(28,656)	4,111,385
<i>Total Fund Balances</i>	<u>4,456,868</u>	<u>1,681,703</u>	<u>543,253</u>	<u>6,681,824</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$14,441,069</u>	<u>\$1,825,089</u>	<u>\$591,574</u>	<u>\$16,857,732</u>

See accompanying notes to the basic financial statements

Cuyahoga Heights Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 June 30, 2014*

Total Governmental Fund Balances	\$6,681,824
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	3,159,690
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable in the funds.	
Delinquent Property Taxes	908,121
Tuition and Fees	2,825
Payment in Lieu of Taxes	91,100
Intergovernmental	<u>630</u>
Total	1,002,676
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.	44,475
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(10,603)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Capital Leases	(1,294,132)
Compensated Absences	<u>(968,904)</u>
Total	<u>(2,263,036)</u>
<i>Net Position of Governmental Activities</i>	<u><u>\$8,615,026</u></u>

See accompanying notes to the basic financial statements

Cuyahoga Heights Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 For the Fiscal Year Ended June 30, 2014

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$10,249,039	\$0	\$0	\$10,249,039
Payment in Lieu of Taxes	0	91,138	0	91,138
Intergovernmental	4,495,285	802,348	170,104	5,467,737
Interest	2,464	0	7	2,471
Tuition and Fees	501,950	0	0	501,950
Extracurricular Activities	34,987	0	49,698	84,685
Contributions and Donations	4,871	0	1,680	6,551
Charges for Services	166,366	0	192,488	358,854
Rentals	4,672	3,188	153,333	161,193
Miscellaneous	74,899	20,941	1,413	97,253
<i>Total Revenues</i>	<u>15,534,533</u>	<u>917,615</u>	<u>568,723</u>	<u>17,020,871</u>
Expenditures				
Current:				
Instruction:				
Regular	5,588,240	0	0	5,588,240
Special	1,273,661	0	95,173	1,368,834
Vocational	8,618	0	0	8,618
Support Services:				
Pupil	592,920	6,215	1,081	600,216
Instructional Staff	459,114	0	6,518	465,632
Board of Education	31,500	0	0	31,500
Administration	1,167,392	34,246	0	1,201,638
Fiscal	449,953	0	0	449,953
Business	24,865	0	0	24,865
Operation and Maintenance of Plant	1,450,354	55,432	0	1,505,786
Pupil Transportation	682,750	0	0	682,750
Central	183,977	210,300	5,400	399,677
Operation of Non-Instructional Services:				
Food Service Operations	58,465	0	0	58,465
Other Non-Instructional Services	0	0	323,010	323,010
Extracurricular Activities	554,367	0	98,999	653,366
Capital Outlay	0	296,416	0	296,416
Debt Service:				
Principal Retirement	48,622	167,793	203,339	419,754
Interest and Fiscal Charges	6,623	42,743	16,661	66,027
<i>Total Expenditures</i>	<u>12,581,421</u>	<u>813,145</u>	<u>750,181</u>	<u>14,144,747</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>2,953,112</u>	<u>104,470</u>	<u>(181,458)</u>	<u>2,876,124</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	1,274	0	0	1,274
Inception of Capital Lease	148,761	0	0	148,761
Transfers In	0	705,282	100,000	805,282
Transfers Out	(453,649)	0	(351,633)	(805,282)
<i>Total Other Financing Sources (Uses)</i>	<u>(303,614)</u>	<u>705,282</u>	<u>(251,633)</u>	<u>150,035</u>
Special Item - Settlement	0	514,053	0	514,053
<i>Net Change in Fund Balances</i>	2,649,498	1,323,805	(433,091)	3,540,212
<i>Fund Balances Beginning of Year</i>	1,807,370	357,898	976,344	3,141,612
<i>Fund Balances End of Year</i>	<u>\$4,456,868</u>	<u>\$1,681,703</u>	<u>\$543,253</u>	<u>\$6,681,824</u>

See accompanying notes to the basic financial statements

Cuyahoga Heights Local School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2014*

Net Change in Fund Balances - Total Governmental Funds \$3,540,212

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

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

Capital Asset Additions	319,373
Current Year Depreciation	<u>(255,492)</u>

Total	63,881
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Delinquent Property Taxes	(1,524,470)
Tuition and Fees	2,825
Intergovernmental	<u>(20,165)</u>

Total	(1,541,810)
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Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

419,754

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

43,228

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.

53,290

Inception of Capital Lease in governmental funds increases long-term liabilities in the statement of net position.

(148,761)

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

6,839

Change in Net Position of Governmental Activities

\$2,436,633

See accompanying notes to the basic financial statements

Cuyahoga Heights Local School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	\$10,192,780	\$9,888,800	\$9,889,301	\$501
Intergovernmental	4,312,400	4,312,400	4,384,043	71,643
Interest	0	2,300	2,464	164
Tuition and Fees	14,000	497,220	500,300	3,080
Extracurricular Activities	795	795	795	0
Charges for Services	0	166,300	166,366	66
Rentals	0	4,700	4,672	(28)
Miscellaneous	45,150	72,165	72,874	709
<i>Total Revenues</i>	<u>14,565,125</u>	<u>14,944,680</u>	<u>15,020,815</u>	<u>76,135</u>
Expenditures				
Current:				
Instruction:				
Regular	5,519,696	5,867,062	5,579,655	287,407
Special	52,487	1,433,237	1,305,111	128,126
Vocational	0	9,000	8,618	382
Support Services:				
Pupil	434,574	648,369	564,405	83,964
Instructional Staff	471,908	510,254	469,553	40,701
Board of Education	26,285	40,685	34,748	5,937
Administration	1,239,033	1,641,889	1,170,655	471,234
Fiscal	485,517	543,649	449,016	94,633
Business	23,568	47,566	40,338	7,228
Operation and Maintenance of Plant	801,459	1,645,259	1,561,581	83,678
Pupil Transportation	593,566	853,366	760,655	92,711
Central	160,023	205,823	186,740	19,083
Operation of Non-Instructional Services	43,795	73,990	55,361	18,629
Extracurricular Activities	475,045	623,916	555,780	68,136
<i>Total Expenditures</i>	<u>10,326,956</u>	<u>14,144,065</u>	<u>12,742,216</u>	<u>1,401,849</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>4,238,169</u>	<u>800,615</u>	<u>2,278,599</u>	<u>1,477,984</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	1,000	1,000	1,274	274
Advances In	42,067	42,067	42,067	0
Transfers Out	0	(453,650)	(453,649)	1
Advances Out	0	(21,400)	(21,400)	0
<i>Total Other Financing Sources (Uses)</i>	<u>43,067</u>	<u>(431,983)</u>	<u>(431,708)</u>	<u>275</u>
<i>Net Change in Fund Balance</i>	4,281,236	368,632	1,846,891	1,478,259
<i>Fund Balance Beginning of Year</i>	1,467,726	1,467,726	1,467,726	0
Prior Year Encumbrances Appropriated	141,666	141,666	141,666	0
<i>Fund Balance End of Year</i>	<u>\$5,890,628</u>	<u>\$1,978,024</u>	<u>\$3,456,283</u>	<u>\$1,478,259</u>

See accompanying notes to the basic financial statements

Cuyahoga Heights Local School District
Statement of Fund Net Position
Internal Service Fund
June 30, 2014

	<u>Employee Benefit Self Insurance</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$44,475
Liabilities	<u>0</u>
Net Position	
Unrestricted	<u><u>\$44,475</u></u>

See accompanying notes to the basic financial statements

Cuyahoga Heights Local School District
*Statement of Revenues,
Expenses and Changes in Fund Net Position
Internal Service Fund
For the Year Ended June 30, 2014*

	<u>Employee Benefit Self Insurance</u>
Operating Revenues	
Charges for Services	\$31,260
Operating Expenses	
Claims	<u>24,421</u>
<i>Change in Net Position</i>	6,839
<i>Net Position Beginning of Year</i>	<u>37,636</u>
<i>Net Position End of Year</i>	<u><u>\$44,475</u></u>

See accompanying notes to the basic financial statements

Cuyahoga Heights Local School District
Statement of Cash Flows
Internal Service Fund
For the Year Ended June 30, 2014

	Employee Benefit Self Insurance
<i>Increase (Decrease) in Cash and Cash Equivalents</i>	
Cash Flows from Operating Activities	
Cash Received from Interfund Services Provided	\$31,260
Cash Payments for Claims	(36,294)
<i>Net Decrease in Cash and Cash Equivalents</i>	(5,034)
<i>Cash and Cash Equivalents Beginning of Year</i>	49,509
<i>Cash and Cash Equivalents End of Year</i>	\$44,475
 Reconciliation of Operating Income to Net Cash Used for Operating Activities	
<i>Operating Income</i>	\$6,839
Decrease in Claims Payable	(11,873)
<i>Net Cash Used for Operating Activities</i>	(\$5,034)
See accompanying notes to the basic financial statements	

Cuyahoga Heights Local School District

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2014

	<u>Private Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
Assets		
Equity in Pooled Cash and Cash Equivalents	<u>\$103,541</u>	<u>\$110,925</u>
Liabilities		
Due to Students	<u>0</u>	<u>110,925</u>
<i>Total Liabilities</i>	<u>0</u>	<u>\$110,925</u>
Net Position		
Held in Trust for Scholarships	<u>\$103,541</u>	

See accompanying notes to the basic financial statements

Cuyahoga Heights Local School District
Statement of Changes in Fiduciary Net Position
Private Purpose Trust Funds
For the Fiscal Year Ended June 30, 2014

	Scholarship
Additions	
Interest	\$2,270
Contributions and Donations	3,436
<i>Total Additions</i>	5,706
Deductions	
Scholarships Awarded	264,273
<i>Change in Net Position</i>	(258,567)
<i>Net Position Beginning of Year</i>	362,108
<i>Net Position End of Year</i>	\$103,541

See accompanying notes to the basic financial statements

Cuyahoga Heights Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

Note 1 – Description of the School District

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

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

The School District ranks as the 98th smallest by enrollment among the 611 public school districts in the State. It currently operates one elementary school, one middle school and one comprehensive high school. The School District employs 61 certified (including administrative) and 63 non-certified full-time and part-time employees to provide services to approximately 869 students from pre-school (age 4) to grade 12 and various community groups.

Reporting Entity

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes. The School District has no component units.

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

Cuyahoga Heights Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

Note 2 – Summary of Significant Accounting Policies

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

Basis of Presentation

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

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

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

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

Fund Accounting

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

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for

Cuyahoga Heights Local School District

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014

which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities and deferred inflows of resources is reported as fund balance. The School District's major governmental funds are the following:

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

Permanent Improvement Fund The permanent improvement fund is used to account for and report restricted payments in lieu of taxes to be used for various capital improvements within the School District.

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

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

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

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

Measurement Focus

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

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the

Cuyahoga Heights Local School District

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014

governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

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

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and the statement presented for proprietary and fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows of resources and in the presentation of expenses versus expenditures.

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

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

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

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

Cuyahoga Heights Local School District

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District unavailable revenue includes delinquent property taxes, payments in lieu of taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

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

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

Budgetary Data

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

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

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

Cash and Cash Equivalents

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

Cuyahoga Heights Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

The School District has invested in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2014. STAR Ohio is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio’s net asset value per share which is the price the investment could be sold at June 30, 2014.

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 2014 amounted to \$2,464, which includes \$897 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are reported as cash equivalents.

Inventory

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

Capital Assets

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

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

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

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

Cuyahoga Heights Local School District

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014

Interfund Balances

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

Compensated Absences

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

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

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

Operating Revenues and Expenses

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

Accrued Liabilities and Long-term Obligations

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

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

Fund Balance

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

Cuyahoga Heights Local School District

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014

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

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

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

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

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

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

Net Position

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

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

Cuyahoga Heights Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

Internal Activity

Transfers between governmental activities are eliminated on the government-wide financial statements. Internal events that are allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Interfund payments for services provided and used are not eliminated.

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

Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. During fiscal year 2014, the School District received \$514,053, net of \$338,129 in litigation costs, in an ongoing fraud litigation. See Note 10.

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 –Restatement of Net Position

During the year it was determined that capital assets were overstated by \$1,091,587. This restatement decreased net position at June 30, 2013 from \$7,269,980 to \$6,178,393. See Note 10.

Note 4 – Accountability

At June 30, 2014, the following funds had deficit fund balances:

<u>Fund</u>	<u>Fund Balance</u>
<i>Special Revenue Funds:</i>	
Race to the Top	\$12,146
Improving Teacher Quality	16,510

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

Cuyahoga Heights Local School District

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014

Note 5 – Fund Balances

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

<u>Fund Balances</u>	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<u>Nonspendable:</u>				
Inventory	\$31,311	\$0	\$1,101	\$32,412
<u>Restricted for:</u>				
Support Services	0	0	12,085	12,085
Music and Athletics	0	0	553,733	553,733
Food Service	0	0	4,990	4,990
Capital Improvements	0	1,681,703	0	1,681,703
<i>Total Restricted</i>	<u>0</u>	<u>1,681,703</u>	<u>570,808</u>	<u>2,252,511</u>
<u>Assigned to:</u>				
Uniform School Supplies	846	0	0	846
Adult Education	698	0	0	698
Public School Support	41,044	0	0	41,044
Purchases on Order	242,928	0	0	242,928
<i>Total Assigned</i>	<u>285,516</u>	<u>0</u>	<u>0</u>	<u>285,516</u>
Unassigned (Deficit)	<u>4,140,041</u>	<u>0</u>	<u>(28,656)</u>	<u>4,111,385</u>
Total Fund Balances	<u>\$4,456,868</u>	<u>\$1,681,703</u>	<u>\$543,253</u>	<u>\$6,681,824</u>

Note 6 – Budgetary Basis of Accounting

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

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

Cuyahoga Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

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3. Encumbrances are treated as expenditures (budget basis) rather than as a restricted, committed, or assigned fund balance (GAAP basis).
 4. Budgetary revenues and expenditures of the uniform school supplies, adult education and public school support funds are reclassified to the general fund for GAAP reporting.
 5. Advances in and Advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

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

Net Change in Fund Balance	
GAAP Basis	\$2,649,498
Net Adjustment for Revenue Accruals	(703,566)
Net Adjustment for Expenditure Accruals	215,811
Advances In	42,067
Advances Out	(21,400)
Perspective Differences:	
Uniform School Supplies	(235)
Public School Support	984
Adjustments for Encumbrances	(336,268)
Budget Basis	<u><u>\$1,846,891</u></u>

Note 7 – Deposits and Investments

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

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

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

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

Cuyahoga Heights Local School District

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014

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, 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. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

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

Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$686,903 of the School District's bank balance of \$936,903 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 FDIC.

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

Cuyahoga Heights Local School District

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014

Investments

Investments are reported at fair value. As of June 30, 2014, the School District had \$4,177,976 invested in STAR Ohio, which had an average maturity of 51.4 days.

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

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

Concentration of Credit Risk. The School District places no limit on the amount it may invest in any one issuer.

Note 8 – Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2014 represents collections of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed value listed as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2014 represents collections of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien December 31, 2012, were levied after April 1, 2013 and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Cuyahoga County. The County Fiscal Officer periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2014, are available to finance fiscal year 2014 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2014 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes.

Cuyahoga Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

The amount available as an advance at June 30, 2014, was \$1,697,531 in the general fund. The amount available as an advance at June 30, 2013, was \$1,337,793 in the general fund.

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

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second		2014 First	
	Half Collections		Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$296,201,150	89.87 %	\$298,103,050	89.11 %
Public Utility	33,382,100	10.13	36,414,790	10.89
	<u>\$329,583,250</u>	<u>100.00 %</u>	<u>\$334,517,840</u>	<u>100.00 %</u>
Full Tax rate per \$1,000 of assessed valuation		\$35.70		\$35.70

Note 9 – Receivables

Receivables at June 30, 2014, consisted of taxes, accounts (billings for user charged services and student fees), interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables, except delinquent property taxes, are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected in one year.

A summary of the principal items of intergovernmental receivable follows:

<u>Governmental Activities</u>	<u>Amount</u>
State of Ohio	\$144,815
Village of Cuyahoga Heights	161,032
Superintendent Grant	13,179
Entry Year Program Grant	1,400
Improving Teacher Quality	630
Total Governmental Activities	<u>\$321,056</u>

Payments in Lieu of Taxes

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

Cuyahoga Heights Local School District

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014

result in subsequent agreements to make payments in lieu of taxes and may therefore spread the costs of the improvements to a larger number of property owners.

Note 10 – Contingencies

Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2014, if applicable, cannot be determined at this time.

Litigation

The School District is party to various legal proceedings. The outcomes of these proceedings are indeterminable at this time. Any negative settlement will be covered by insurance.

Theft Loss

In a report dated October 8, 2012, Auditor of State Dave Yost's Office issued findings for recovery for public money totaling \$4.2 million in favor of the School District. According to the findings, former IT Director Joseph Palazzo authorized 436 payments, totaling \$3,844,155, to seven companies in which the District received no goods or services. Ten findings for recovery were issued against various vendors and individuals in this amount. An additional 179 transactions, totaling \$336,495, were found to be made for goods or services that cannot be located by the School District. A finding for recovery was issued against Palazzo in this amount, with additional individuals held jointly and severally liable for portions of the amount. Additionally, a review of bank records revealed payments totaling \$1,308,194 made directly to Palazzo from four of the seven vendors after they received their payments from the School District. Legal action is being taken against all parties involved in the above findings for recovery. The School District anticipates funds will be recovered, but is unable to determine the actual amount. The School District recovered \$852,182 during fiscal year 2014. Furthermore, the School District has adjusted its capital asset listing to accurately reflect the assets in its possession.

Note 11 – Risk Management

Workers' Compensation

For fiscal year 2014, the School District participated in the Ohio Association of School Business Officials Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 21). The intent of the GRP is to achieve the benefits of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate of the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

Cuyahoga Heights Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2014, the School District contracted for the following insurance coverage:

Company	Type of Coverage	Coverage Amount
Arenda Insurance	Treasurer's Bond	\$100,000
	Blanket Bond (per employee)	5,000
Todd Associates	Blanket Property	57,628,677
Liberty Mutual	Inland Marine	4,005,490
	General Liability:	
	Limit	1,000,000
	Aggregate	2,000,000
	Flood and Earthquake:	
	Flood Limit	1,000,000
	Earthquake Limit	1,000,000
	Employee Dishonesty	160,000
	Fleet, Combined Single Unit	1,000,000
	Uninsured Motorists	1,000,000
	Law Enforcement	1,000,000
	Umbrella	6,000,000
	Employee Benefits, Aggregate	3,000,000
	Employee Benefits Limit	1,000,000
	Boiler and Machinery	50,000,000
	School Leaders Errors and Omissions:	
	Aggregate	1,000,000
	Limit	1,000,000

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

Self-Insurance

Dental and vision insurance was previously offered to employees through a self-insurance internal service fund. The School District's monthly premiums were paid to a fiscal agent who in turn paid the claims on the School District's behalf. As of June 30, 2014, the School District is no longer self-insured for dental and vision insurance.

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

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2013	\$21,700	\$88,388	\$98,215	\$11,873
2014	11,873	24,421	36,294	0

Employee Medical Benefits

The School District participates in the Suburban Health Consortium, a shared risk pool (Note 21) to provide group health, dental, vision, life and prescription insurance coverage. Rates are set or determined by the Board of Directors. The School District pays a monthly contribution which is placed in a reserve fund from which the claims payments are made for all participating districts.

Cuyahoga Heights Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 12 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Balance 6/30/13 <u>Restated</u>	<u>Additions</u>	<u>Deletions</u>	Balance 6/30/14
<i>Capital Assets, not being depreciated:</i>				
Land	\$798,600	\$0	\$0	\$798,600
<i>Capital Assets, being depreciated:</i>				
Land Improvements	1,126,979	0	0	1,126,979
Buildings and Improvements	11,449,559	299,020	0	11,748,579
Furniture and Equipment	3,614,917	20,353	0	3,635,270
Vehicles	1,041,828	0	0	1,041,828
<i>Total Capital Assets, being depreciated</i>	<u>17,233,283</u>	<u>319,373</u>	<u>0</u>	<u>17,552,656</u>
Less Accumulated Depreciation:				
Land Improvements	(755,802)	(47,971)	0	(803,773)
Buildings and Improvements	(10,024,378)	(79,920)	0	(10,104,298)
Furniture and Equipment	(3,274,390)	(82,673)	0	(3,357,063)
Vehicles	(881,504)	(44,928)	0	(926,432)
<i>Total Accumulated Depreciation</i>	<u>(14,936,074)</u>	<u>(255,492)</u>	<u>0</u>	<u>(15,191,566)</u>
<i>Total Capital Assets, being depreciated, net</i>	<u>2,297,209</u>	<u>63,881</u>	<u>0</u>	<u>2,361,090</u>
Governmental Activities Capital Assets, Net	<u>\$3,095,809</u>	<u>\$63,881</u>	<u>\$0</u>	<u>\$3,159,690</u>

Depreciation expense was charged to governmental functions as follows:

	<u>Amount</u>
Instruction:	
Regular	\$6,968
Special	1,935
Support Services:	
Pupil	6,082
Administration	5,231
Business	22,749
Operation and Maintenance of Plant	38,033
Pupil Transportation	102,243
Central	1,376
Non-Instructional Services	69,980
Extracurricular Activities	895
Total Depreciation Expense	<u>\$255,492</u>

Cuyahoga Heights Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

Note 13 – Encumbrances

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

General	\$336,268
Permanent Improvement	104,819
Other Governmental Funds	34,715
Total	<u>\$475,802</u>

Note 14 – Interfund Transactions

Interfund Balances

As of June 30, 2014, the School District had the following interfund balances:

<u>Interfund Payable</u>	<u>Interfund Receivable General Fund</u>
Permanent Improvement	\$23,266
Entry Year Program	1,400
Race to the Top	15,000
Improving Teacher Quality	21,723
	<u>\$61,389</u>

The advance from the general fund to the permanent improvement capital projects fund was to support its activities due to prior year's improvement projects associated with the High School lap top and smart boards program. The advances from the general fund to the special revenue funds were to support the funds' programs pending the receipts of grant money. All advances are payable to the general fund and are expected to be repaid in fiscal year 2015.

Interfund Transfers

Transfers made during the year ended June 30, 2014 were as follows:

<u>Transfers To</u>	<u>Transfers From</u>		
	<u>General Fund</u>	<u>Bond Retirement</u>	<u>Total</u>
Permanent Improvement	\$353,649	\$351,633	\$705,282
Food Service	50,000	0	50,000
Music and Athletics	50,000	0	50,000
Total Transfers	<u>\$453,649</u>	<u>\$351,633</u>	<u>\$805,282</u>

Cuyahoga Heights Local School District

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014

The transfer from the general fund to the permanent improvement fund was to move restitution proceeds to the fund that would have made the original purchases. The transfers from the general fund to the food service and music and athletics special revenue funds were to move unrestricted balances to support programs and projects accounted for in other funds. The bond retirement transfer to the permanent improvement fund was to cover lease payments made during the fiscal year.

Note 15 – Defined Benefit Pension Plans

School Employees Retirement System

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2014, the allocation to pension and death benefits was 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013, and 2012 were \$262,236, \$278,393 and \$300,980, respectively. For fiscal year 2014, 96.16 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

State Teachers Retirement System

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 9.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly

Cuyahoga Heights Local School District

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014

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

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

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 11 percent for members and 14 percent for employers. The statutory maximum employee contribution rate was increased one percent July 1, 2013, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2014, plan members were required to contribute 11 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$654,334 and \$13,732 for the fiscal year ended June 30, 2014, \$677,251 and \$8,269 for the fiscal year ended June 30, 2013, and \$755,524 and \$8,304 for the fiscal year ended June 30, 2012. For fiscal year 2014, 84.26 percent has been contributed for the DB plan and 84.26 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 2013 and 2012.

Contributions made to STRS Ohio for the DC Plan and for fiscal year 2014 were \$5,624 made by the School District and \$4,419 made by the plan members. In addition, member contributions of \$10,789 were made for fiscal year 2014 for the defined contribution portion of the Combined Plan.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2014, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages.

Note 16 – Postemployment Benefits

School Employees Retirement System

Plan Description – The School District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligation to contribute are established by

Cuyahoga Heights Local School District

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014

SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2014, 0.14 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2014, this amount was \$20,250. During fiscal year 2014, the School District paid \$34,465 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, 2014, 2013, and 2012 were \$2,803, \$3,400 and \$13,035, respectively. For fiscal year 2014, 96.16 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012, were \$15,214, \$15,726 and \$17,774, respectively. For fiscal year 2014, 96.16 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

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 2014, STRS Ohio allocated employer contributions equal to one percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$50,333, \$52,096 and \$58,117, respectively. For fiscal year 2014, 84.26 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012. The STRS Board voted to discontinue the current one percent allocation to the health care fund effective July 1, 2014.

Cuyahoga Heights Local School District

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014

Note 17 – Employee Benefits

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

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

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

Note 18 – Long-Term Obligations

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

	Amount Outstanding 6/30/13	Additions	Reductions	Amount Outstanding 6/30/14	Amount Due in One Year
Long-term Obligations:					
Capital Leases	\$1,565,125	\$148,761	(\$419,754)	\$1,294,132	\$486,882
Compensated Absences	1,022,194	381,608	(434,898)	968,904	416,305
<i>Total Governmental Activities</i>					
<i>Long-Term Liabilities</i>	<u>\$2,587,319</u>	<u>\$530,369</u>	<u>(\$854,652)</u>	<u>\$2,263,036</u>	<u>\$903,187</u>

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

The School District's overall debt margin was \$30,106,606 with an unvoted debt margin of \$334,518 at June 30, 2014.

Cuyahoga Heights Local School District

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014

Note 19 - Capital Leases

In previous years, the School District entered into capitalized lease obligations for the purchase of a new synthetic turf playing field, goal posts, various improvements to School District buildings, bus, phone system and printers. During 2014, the School District entered into a new lease for printers. The leases meet the criteria for capital leases and have been recorded on the government-wide statements. The original amounts capitalized for the capital leases and their book values as of June 30, 2014 are as follows:

	<u>Amounts</u>
Assets:	
Land Improvements	\$668,150
Buildings and Improvements	1,553,000
Vehicles	78,690
Equipments	<u>220,436</u>
Total Assets	2,520,276
Less: Accumulated Depreciation	<u>(424,652)</u>
Current Book Value	<u><u>\$2,095,624</u></u>

The following is a schedule of the future minimum leases payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2014.

	<u>Amounts</u>
2015	\$532,292
2016	185,358
2017	185,358
2018	185,358
2019	86,180
2020-2022	<u>258,540</u>
Total Minimum Lease Payments	1,433,086
Less: Amount Representing Interest	<u>(138,954)</u>
Present Value of Minimum Lease Payments	<u><u>\$1,294,132</u></u>

Note 20 – Jointly Governed Organizations

Northeast Ohio Network for Educational Technology

The Northeast Ohio Network for Educational Technology (NEONET) is the computer service organization or Information Technology Center (ITC) used by the School District. NEONET is an association of public school districts in a geographic area determined by the Ohio Department of Education. The Summit County Educational Service Center acts as the fiscal agent for the consortium. The purpose of the consortium is to develop and employ a computer system efficiently and effectively for the needs of the member Boards of Education. All districts in the consortium are required to pay fees, charges, and assessments as charged. A board made up of superintendents from all of the participating districts governs NEONET. The Board exercises total control over the operations of NEONET including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the Board. An elected Executive Board consisting of five members of

Cuyahoga Heights Local School District

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014

the governing board is the managerial body of the consortium and meets on a monthly basis. Payments to NEONET are made from the general fund. The School District paid \$49,410 in contributions to NEONET in fiscal year 2014. Financial information can be obtained by contacting the Treasurer at the Summit County Educational Service Center, who serves as the fiscal agent, at 420 Washington Avenue, Suite 200, Cuyahoga Falls, Ohio 44221.

Ohio Schools Council

The Ohio Schools Council (Council) is a jointly governed organization among 196 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 Superintendents' Association. The Assembly exercises total control over the operations of the Ohio Schools Council including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the Assembly. The Council operates under a nine-member Board of Directors (the Board). The Board is the policy making authority of the Council. The Board meets monthly September to June. The Board appoints an Executive Director who is responsible for receiving and disbursing funds, investing available funds, preparing financial reports for the Board and Assembly and carrying out such other responsibilities as designated by the Board. In fiscal year 2014, the School District paid \$2,676 to the Council. Financial information can be obtained by contacting Dr. William Zelei, the Executive Director at the Ohio Schools Council at 6393 Oak Tree Blvd., Independence, Ohio 44131.

The School District participates in the natural gas purchase program. This program allows the School District to purchase natural gas at reduced rates. Compass Energy has been selected as the supplier and program manager. There are currently 152 participants in the program including the Cuyahoga Heights Local School District. The participants make monthly payments based on estimated usage. Each September, these estimated payments are compared to their actual usage for the year (July to June). Districts that paid more in estimated billings than their actual billings are issued credits on future billings beginning in September until the credits are exhausted and districts that did not pay enough on estimated billings are invoiced for the difference on the September monthly estimated billing.

The School District also participates in the Council's current electric purchase program. Currently, 251 school districts have joined the OSC electricity discount program, Power for Schools. The Program provides a fixed price rate for electricity supplied by First Energy Solutions of \$0.0602 per kwh for the generation of electricity which cannot be increased until June 2017 meter reading. School districts are not charged a fee by OSC to participate in this program. School districts pay the utility (Ohio Edison, Toledo Edison or Cleveland Electric Illuminating Co.) directly and receive a discount for the fixed price of generation.

Cuyahoga Valley Career Center

The Cuyahoga Valley Career Center (a joint vocational school) is a district political subdivision of the State of Ohio operated under the direction of a Board, consisting of representatives appointed by each participating school district's elected board, which possess its own budgeting and taxing authority. The Board exercises total control over the operations of the Cuyahoga Valley Career Center including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the Board. Accordingly, the Cuyahoga Valley Career Center is not part of the School District and its operations are not included as part of the reporting entity. The School

Cuyahoga Heights Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

District made no contributions to the Cuyahoga Valley Career Center during fiscal year 2014. Financial information can be obtained by contacting the Treasurer at the Cuyahoga Valley Career Center, 8001 Brecksville Road, Brecksville, Ohio 44141.

Note 21 - Public Entity Risk Pools

Ohio Association of School Business Officials Workers' Compensation Group Rating Program

The School District participates in a group rating program for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio Association of School Business Officials Workers' Compensation Group Rating Program (GRP) was established through the Ohio Association of School Business Officials (OASBO) as a group purchasing pool. The Executive Director of the OASBO, or his designee, serves as coordinator of the GRP. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Suburban Health Consortium

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

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

Cuyahoga Heights Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

Any Consortium Member wishing to withdraw from participation in the Consortium or any benefit program shall notify the Fiscal Agent at least one hundred eighty (180) days prior to the effective date of withdrawal. Upon withdrawal of a Consortium Member, the Consortium shall pay the run out of all claims for such Consortium Member provided such Consortium Member has paid to the Consortium, prior to the effective date of withdrawal a withdrawal fee in the amount equal to two months' premiums at the Consortium Member's current rate. Payment of the withdrawal fee does not extend insurance coverage for two months. Upon automatic withdrawal, for non-payment of premiums required by the Consortium Agreement, the Consortium shall pay the run out of all claims for such Consortium Member provided that the Consortium has received from such Consortium Member all outstanding and unpaid premiums and other amounts and the withdrawal fee equal to two months' premiums at the Consortium Member's current rates. Any Consortium Member which withdraws from the Consortium pursuant to the Consortium Agreement shall have no claim to the Consortium's assets. Financial information for the Consortium can be obtained from the Treasurer of the Orange City School District (the Fiscal Agent) at 32000 Chagrin Boulevard, Pepper Pike, Ohio 44124.

Note 22 – Set-Asides

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

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

	Capital Improvements
Set-Aside Balance as of June 30, 2013	\$51,309
Current Year Set-Aside Requirement	145,953
Qualifying Disbursements	(246,712)
Totals	<u>(\$49,450)</u>
Set-Aside Balance Carried Forward to Future Fiscal Years	<u>\$0</u>
Set-Aside Balance as of June 30, 2014	<u>\$0</u>

Although the School District had qualifying disbursements during the fiscal year that reduced the capital acquisition set-aside amounts below zero, this amount will not be used to reduce the set-aside requirements in future years.



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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cuyahoga Heights Local School District, Cuyahoga County, (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 6, 2015.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2014-001 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

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

Entity's Response to the Finding

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

May 6, 2015

CUYAHOGA HEIGHTS LOCAL SCHOOL DISTRICT
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2014

FINDING RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2014-001

Financial Reporting – Material Weakness

Sound financial reporting is the responsibility of the District's management and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The District overstated its depreciable capital assets by \$1,059,956, resulting in a net overstatement of accumulated depreciation by \$546,627, depreciation expense by \$9,483, and opening net position by \$522,812, requiring the District to make adjustments to its financial statements and accounting system.

The lack of controls over the posting of financial transactions and financial reporting can result in errors and irregularities that may go undetected and decreases the reliability of financial data throughout each fiscal year.

We recommend the District take appropriate measures to ensure financial reports and accounting system balances reflected are in agreement with and depict the accurate financial position of the District.

Officials' Response: The District takes financial reporting very seriously. The overstated capital assets were a result of a \$4.2 million technology fraud and embezzlement scheme that is still in litigation. An external accounting firm has completed a review of the District's internal controls and the District is in the process of implementing many of the recommendations from the review. One of the recommendations is to complete a full inventory of all District assets, which will be undertaken in the near future to ensure the records of the District are true and correct. Additional controls will be implemented to safeguard the assets of the District.

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CUYAHOGA HEIGHTS LOCAL SCHOOL DISTRICT

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 19, 2015**