



**GARFIELD HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**GARFIELD HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Board of Education
Garfield Heights City School District
Cuyahoga County
5640 Briarcliff Drive
Garfield Heights, Ohio 44125

We have audited the accompanying general-purpose financial statements of the Garfield Heights City School District, Cuyahoga County, Ohio, (the District) as of and for the year ended June 30, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Garfield Heights City School District, Cuyahoga County, Ohio, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2001, the District adopted Governmental Accounting Standards Board Statements Nos. 33 and 36.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2001 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form an opinion on the general-purpose financial statements of the District, taken as a whole. The accompanying Schedule of Federal Awards Expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

Jim Petro
Auditor of State

December 14, 2001

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Garfield Heights City School District
Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2001

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$1,359,551	\$854,299	\$42,871,236	\$41,110,480
Cash and Cash Equivalents in Segregated Account	364,969	0	0	0
Receivables:				
Taxes	13,566,810	0	2,732,746	413,691
Accounts	5,746	10,150	0	190
Intergovernmental	530	119,689	0	0
Accrued Interest	9,007	0	0	0
Interfund Receivable	44,000	0	0	0
Due from Other Funds	17,085	0	0	0
Prepaid Items	1,020	0	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	3,110	2,329	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	125,721	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
Other Debits				
Amount Available in Debt Service Fund for Retirement of General Obligations	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
Total Assets and Other Debits	\$15,497,549	\$986,467	\$45,603,982	\$41,524,361

Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Agency	General Fixed Assets	General Long-Term Obligations	
\$166,678	\$933,214	\$10,913	\$0	\$0	\$87,306,371
0	0	0	0	0	364,969
0	0	0	0	0	16,713,247
1,356	0	0	0	0	17,442
57,240	0	0	0	0	177,459
0	0	0	0	0	9,007
0	0	0	0	0	44,000
0	0	0	0	0	17,085
0	4,383	0	0	0	5,403
13,188	0	0	0	0	13,188
0	0	0	0	0	5,439
0	0	0	0	0	125,721
1,754	0	0	13,105,850	0	13,107,604
0	0	0	0	43,161,143	43,161,143
0	0	0	0	2,378,650	2,378,650
<u>\$240,216</u>	<u>\$937,597</u>	<u>\$10,913</u>	<u>\$13,105,850</u>	<u>\$45,539,793</u>	<u>\$163,446,728</u>

(continued)

Garfield Heights City School District
Combined Balance Sheet
All Fund Types and Account Groups (continued)
June 30, 2001

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<i>Liabilities,</i>				
<i>Fund Equity and Other Credits</i>				
Liabilities				
Accounts Payable	\$156,453	\$32,106	\$0	\$0
Contracts Payable	0	0	0	147,194
Accrued Wages and Benefits	2,151,565	49,068	0	0
Compensated Absences Payable	116,024	0	0	0
Interfund Payable	0	44,000	0	0
Due to Other Funds	0	17,085	0	0
Intergovernmental Payable	307,277	20,742	0	14
Deferred Revenue	12,072,225	39,774	2,442,839	367,836
Due to Students	0	0	0	0
Arbitrage Payable	0	0	0	0
Accrued Interest Payable	0	0	0	485,620
Notes Payable	0	0	0	41,500,000
Claims Payable	0	0	0	0
Loan Payable	0	0	0	0
Energy Conservation Bonds Payable	0	0	0	0
<i>Total Liabilities</i>	<u>14,803,544</u>	<u>202,775</u>	<u>2,442,839</u>	<u>42,500,664</u>
Fund Equity and Other Credits				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	129,227	485,107	0	404,616
Reserved for Inventory	3,110	2,329	0	0
Reserved for Budget Stabilization	125,721	0	0	0
Reserved for Property Taxes	1,276,078	0	257,039	38,911
Unreserved, Undesignated (Deficit)	(840,131)	296,256	42,904,104	(1,419,830)
<i>Total Fund Equity (Deficit) and Other Credits</i>	<u>694,005</u>	<u>783,692</u>	<u>43,161,143</u>	<u>(976,303)</u>
<i>Total Liabilities, Fund Equity and Other Credits</i>	<u>\$15,497,549</u>	<u>\$986,467</u>	<u>\$45,603,982</u>	<u>\$41,524,361</u>

See accompanying notes to the general purpose financial statements

Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Agency	General Fixed Assets	General Long-Term Obligations	
\$1,438	\$625	\$0	\$0	\$0	\$190,622
0	0	0	0	0	147,194
0	100	0	0	0	2,200,733
66,688	0	0	0	3,382,150	3,564,862
0	0	0	0	0	44,000
0	0	0	0	0	17,085
20,195	9	0	0	174,182	522,419
11,400	0	0	0	0	14,934,074
0	0	10,913	0	0	10,913
0	0	0	0	49,505	49,505
					485,620
0	0	0	0	41,500,000	83,000,000
0	201,050	0	0	0	201,050
0	0	0	0	348,956	348,956
0	0	0	0	85,000	85,000
<u>99,721</u>	<u>201,784</u>	<u>10,913</u>	<u>0</u>	<u>45,539,793</u>	<u>105,802,033</u>
0	0	0	13,105,850	0	13,105,850
140,495	735,813	0	0	0	876,308
0	0	0	0	0	1,018,950
0	0	0	0	0	5,439
0	0	0	0	0	125,721
0	0	0	0	0	1,572,028
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>40,940,399</u>
<u>140,495</u>	<u>735,813</u>	<u>0</u>	<u>13,105,850</u>	<u>0</u>	<u>57,644,695</u>
<u>\$240,216</u>	<u>\$937,597</u>	<u>\$10,913</u>	<u>\$13,105,850</u>	<u>\$45,539,793</u>	<u>\$163,446,728</u>

Garfield Heights City School District
*Combined Statement of Revenues, Expenditures
and Changes in Fund Balances
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2001*

	Governmental Fund Types		
	General	Special Revenue	Debt Service
Revenues			
Taxes	\$12,565,501	\$0	\$1,485,102
Intergovernmental	9,504,054	3,424,429	176,041
Interest	1,089,242	29,177	0
Tuition and Fees	171,041	31,477	0
Rentals	62,603	0	0
Extracurricular Activities	0	214,136	0
Contributions and Donations	0	60,054	0
Miscellaneous	112,742	9,888	0
<i>Total Revenues</i>	<u>23,505,183</u>	<u>3,769,161</u>	<u>1,661,143</u>
Expenditures			
Current:			
Instruction:			
Regular	11,661,734	275,656	0
Special	1,805,883	492,799	0
Vocational	197,254	0	0
Support Services:			
Pupils	1,974,983	210,893	0
Instructional Staff	656,227	109,894	0
Board of Education	44,591	0	0
Administration	2,237,885	34,662	0
Fiscal	665,770	21,593	0
Business	433,601	0	0
Operation and Maintenance of Plant	2,947,373	0	0
Pupil Transportation	737,060	4,599	0
Central	110,304	8,083	0
Operation of Non-Instructional Services	0	2,336,063	0
Extracurricular Activities	367,932	341,339	0
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	10,652	0	80,000
Interest and Fiscal Charges	3,253	0	10,312
<i>Total Expenditures</i>	<u>23,854,502</u>	<u>3,835,581</u>	<u>90,312</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(349,319)</u>	<u>(66,420)</u>	<u>1,570,831</u>
Other Financing Sources			
Proceeds of Loan	364,969	0	
Proceeds from Sale of Fixed Assets	2,000	0	0
Proceeds of Notes	0	0	41,500,000
Operating Transfers In	0	60,000	90,312
Operating Transfers Out	(180,000)	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>186,969</u>	<u>60,000</u>	<u>41,590,312</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	<u>(162,350)</u>	<u>(6,420)</u>	<u>43,161,143</u>
<i>Fund Balances Beginning of Year (Restated - See Note 3)</i>	856,355	790,839	0
Decrease in Reserve for Inventory	0	(727)	0
<i>Fund Balances (Deficit) at End of Year</i>	<u>\$694,005</u>	<u>\$783,692</u>	<u>\$43,161,143</u>

See accompanying notes to the general purpose financial statements

Capital Projects	Totals (Memorandum Only)
\$388,441	\$14,439,044
111,390	13,215,914
0	1,118,419
0	202,518
0	62,603
0	214,136
0	60,054
190	122,820
500,021	29,435,508
0	11,937,390
0	2,298,682
0	197,254
0	2,185,876
0	766,121
0	44,591
0	2,272,547
0	687,363
0	433,601
0	2,947,373
0	741,659
0	118,387
0	2,336,063
0	709,271
1,366,761	1,366,761
5,361	96,013
487,211	500,776
1,859,333	29,639,728
(1,359,312)	(204,220)
0	364,969
200	2,200
0	41,500,000
0	150,312
(90,312)	(270,312)
(90,112)	41,747,169
(1,449,424)	41,542,949
473,121	2,120,315
0	(727)
(\$976,303)	\$43,662,537

Garfield Heights City School District
*Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual*
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2001

	General Fund		
	Revised		Variance
	Budget	Actual	Favorable (Unfavorable)
Revenues			
Taxes	\$12,481,229	\$12,456,274	(\$24,955)
Intergovernmental	9,514,397	9,515,157	760
Interest	500,000	496,829	(3,171)
Tuition and Fees	177,500	181,366	3,866
Rentals	59,000	59,738	738
Extracurricular Activities	0	0	0
Contributions and Donations	0	0	0
Miscellaneous	78,503	112,985	34,482
<i>Total Revenues</i>	<u>22,810,629</u>	<u>22,822,349</u>	<u>11,720</u>
Expenditures			
Current:			
Instruction:			
Regular	11,582,129	11,532,803	49,326
Special	1,769,722	1,766,244	3,478
Vocational	206,700	199,346	7,354
Support Services:			
Pupils	1,999,125	1,947,706	51,419
Instructional Staff	671,634	658,978	12,656
Board of Education	51,681	44,541	7,140
Administration	2,248,598	2,218,417	30,181
Fiscal	696,636	677,466	19,170
Business	518,650	508,380	10,270
Operation and Maintenance of Plant	2,900,618	2,885,398	15,220
Pupil Transportation	786,743	758,507	28,236
Central	129,486	126,740	2,746
Operation of Non-Instructional Services	0	0	0
Extracurricular Activities	367,100	362,769	4,331
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<i>Total Expenditures</i>	<u>23,928,822</u>	<u>23,687,295</u>	<u>241,527</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,118,193)</u>	<u>(864,946)</u>	<u>253,247</u>
Other Financing Sources			
Proceeds of Notes	0	0	0
Proceeds from Sale of Fixed Assets	2,000	2,000	0
Advances In	881,500	837,500	(44,000)
Advances Out	(865,000)	(863,500)	1,500
Operating Transfers In	0	0	0
Operating Transfers Out	(180,000)	(180,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(161,500)</u>	<u>(204,000)</u>	<u>(42,500)</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures</i>	<u>(1,279,693)</u>	<u>(1,068,946)</u>	<u>210,747</u>
<i>Fund Balances Beginning of Year</i>	1,457,069	1,457,069	0
Prior Year Encumbrances Appropriated	313,923	313,923	0
<i>Fund Balances End of Year</i>	<u>\$491,299</u>	<u>\$702,046</u>	<u>\$210,747</u>

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$1,191,886	\$1,195,196	\$3,310
3,573,974	3,565,241	(8,733)	176,040	176,040	0
28,895	29,461	566	0	0	0
31,370	31,402	32	0	0	0
0	0	0	0	0	0
214,300	215,802	1,502	0	0	0
52,289	50,054	(2,235)	0	0	0
9,728	9,888	160	0	0	0
<u>3,910,556</u>	<u>3,901,848</u>	<u>(8,708)</u>	<u>1,367,926</u>	<u>1,371,236</u>	<u>3,310</u>
833,375	314,199	519,176	0	0	0
452,958	514,961	(62,003)	0	0	0
0	0	0	0	0	0
307,917	265,186	42,731	0	0	0
148,280	121,784	26,496	0	0	0
0	0	0	0	0	0
414,353	34,662	379,691	0	0	0
46,941	21,593	25,348	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
3,500	4,599	(1,099)	0	0	0
0	8,083	(8,083)	0	0	0
2,509,244	2,843,098	(333,854)	0	0	0
456,002	347,908	108,094	0	0	0
0	0	0	0	0	0
0	0	0	80,000	80,000	0
0	0	0	10,312	10,312	0
<u>5,172,570</u>	<u>4,476,073</u>	<u>696,497</u>	<u>90,312</u>	<u>90,312</u>	<u>0</u>
<u>(1,262,014)</u>	<u>(574,225)</u>	<u>687,789</u>	<u>1,277,614</u>	<u>1,280,924</u>	<u>3,310</u>
0	0	0	41,500,000	41,500,000	0
0	0	0	0	0	0
454,500	468,500	14,000	0	0	0
0	(442,500)	(442,500)	0	0	0
60,000	60,000	0	90,312	90,312	0
0	0	0	0	0	0
<u>514,500</u>	<u>86,000</u>	<u>(428,500)</u>	<u>41,590,312</u>	<u>41,590,312</u>	<u>0</u>
(747,514)	(488,225)	259,289	42,867,926	42,871,236	3,310
418,831	418,831	0	0	0	0
390,690	390,690	0	0	0	0
<u>\$62,007</u>	<u>\$321,296</u>	<u>\$259,289</u>	<u>\$42,867,926</u>	<u>\$42,871,236</u>	<u>\$3,310</u>

(continued)

Garfield Heights City School District
*Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual
All Governmental Fund Types (continued)
For the Fiscal Year Ended June 30, 2001*

	Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$388,563	\$385,953	(\$2,610)
Intergovernmental	194,872	209,872	15,000
Interest	0	0	0
Tuition and Fees	0	0	0
Rentals	0	0	0
Extracurricular Activities	0	0	0
Contributions and Donations	0	0	0
Miscellaneous	0	0	0
<i>Total Revenues</i>	<u>583,435</u>	<u>595,825</u>	<u>12,390</u>
Expenditures			
Current:			
Instruction:			
Regular	55,000	14,437	40,563
Special	0	0	0
Vocational	0	0	0
Support Services:			
Pupils	0	0	0
Instructional Staff	0	0	0
Board of Education	0	0	0
Administration	207,500	24,431	183,069
Fiscal	0	0	0
Business	0	30,000	(30,000)
Operation and Maintenance of Plant	371,320	72,278	299,042
Pupil Transportation	139,474	105,099	34,375
Central	0	0	0
Operation of Non-Instructional Services	0	0	0
Extracurricular Activities	0	0	0
Capital Outlay	9,308,000	1,386,462	7,921,538
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<i>Total Expenditures</i>	<u>10,081,294</u>	<u>1,632,707</u>	<u>8,448,587</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(9,497,859)</u>	<u>(1,036,882)</u>	<u>8,460,977</u>
Other Financing Sources			
Proceeds of Notes	41,500,000	41,500,000	0
Proceeds from Sale of Fixed Assets	0	200	200
Advances In	0	0	0
Advances Out	0	0	0
Operating Transfers In	0	0	0
Operating Transfers Out	(200,000)	(90,312)	109,688
<i>Total Other Financing Sources (Uses)</i>	<u>41,300,000</u>	<u>41,409,888</u>	<u>109,888</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures</i>	31,802,141	40,373,006	8,570,865
<i>Fund Balances Beginning of Year</i>	277,303	277,303	0
Prior Year Encumbrances Appropriated	<u>55,556</u>	<u>55,556</u>	<u>0</u>
<i>Fund Balances End of Year</i>	<u>\$32,135,000</u>	<u>\$40,705,865</u>	<u>\$8,570,865</u>

See accompanying notes to the general purpose financial statements

Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)
\$14,061,678	\$14,037,423	(\$24,255)
13,459,283	13,466,310	7,027
528,895	526,290	(2,605)
208,870	212,768	3,898
59,000	59,738	738
214,300	215,802	1,502
52,289	50,054	(2,235)
88,231	122,873	34,642
<u>28,672,546</u>	<u>28,691,258</u>	<u>18,712</u>
12,470,504	11,861,439	609,065
2,222,680	2,281,205	(58,525)
206,700	199,346	7,354
2,307,042	2,212,892	94,150
819,914	780,762	39,152
51,681	44,541	7,140
2,870,451	2,277,510	592,941
743,577	699,059	44,518
518,650	538,380	(19,730)
3,271,938	2,957,676	314,262
929,717	868,205	61,512
129,486	134,823	(5,337)
2,509,244	2,843,098	(333,854)
823,102	710,677	112,425
9,308,000	1,386,462	7,921,538
80,000	80,000	0
10,312	10,312	0
<u>39,272,998</u>	<u>29,886,387</u>	<u>9,386,611</u>
<u>(10,600,452)</u>	<u>(1,195,129)</u>	<u>9,405,323</u>
83,000,000	83,000,000	0
2,000	2,200	200
1,336,000	1,306,000	(30,000)
(865,000)	(1,306,000)	(441,000)
150,312	150,312	0
(380,000)	(270,312)	109,688
<u>83,243,312</u>	<u>82,882,200</u>	<u>(361,112)</u>
72,642,860	81,687,071	9,044,211
2,153,203	2,153,203	0
760,169	760,169	0
<u>\$75,556,232</u>	<u>\$84,600,443</u>	<u>\$9,044,211</u>

Garfield Heights City School District
*Combined Statement of Revenues,
Expenses and Changes in Retained Earnings
All Proprietary Fund Types
For the Fiscal Year Ended June 30, 2001*

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Totals (Memorandum Only)</u>
Operating Revenues			
Sales	\$690,722	\$0	\$690,722
Charges for Services	0	1,980,212	1,980,212
Other	6,362	11,640	18,002
	<u>697,084</u>	<u>1,991,852</u>	<u>2,688,936</u>
<i>Total Operating Revenues</i>			
Operating Expenses			
Salaries	348,809	1,583	350,392
Fringe Benefits	94,505	804	95,309
Purchased Services	13,371	329,795	343,166
Materials and Supplies	165,801	1,892	167,693
Cost of Sales	426,476	0	426,476
Depreciation	2,216	0	2,216
Claims	0	1,275,451	1,275,451
Other	0	32,134	32,134
	<u>1,051,178</u>	<u>1,641,659</u>	<u>2,692,837</u>
<i>Total Operating Expenses</i>			
<i>Operating Income (Loss)</i>			
	<u>(354,094)</u>	<u>350,193</u>	<u>(3,901)</u>
Non-Operating Revenues			
Federal Donated Commodities	64,889	0	64,889
Interest	539	0	539
Operating Grants	313,178	0	313,178
	<u>378,606</u>	<u>0</u>	<u>378,606</u>
<i>Total Non-Operating Revenues</i>			
Income Before Operating Transfers	24,512	350,193	374,705
Operating Transfers In	0	120,000	120,000
	<u>24,512</u>	<u>470,193</u>	<u>494,705</u>
<i>Net Income</i>			
Retained Earnings Beginning of Year	115,983	265,620	381,603
	<u>115,983</u>	<u>265,620</u>	<u>381,603</u>
Retained Earnings End of Year	<u>\$140,495</u>	<u>\$735,813</u>	<u>\$876,308</u>

See accompanying notes to the general purpose financial statements

Garfield Heights City School District
*Combined Statement of Revenues, Expenses and Changes
in Fund Equity - Budget (Non-GAAP Basis) and Actual
All Proprietary Fund Types
For the Fiscal Year Ended June 30, 2001*

	Enterprise Funds		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
Revenues			
Sales	\$684,586	\$690,699	\$6,113
Charges for Services	0	0	0
Interest	600	539	(61)
Operating Grants	276,400	277,994	1,594
Other	3,900	5,690	1,790
<i>Total Revenues</i>	<u>965,486</u>	<u>974,922</u>	<u>9,436</u>
Expenses			
Salaries	349,000	348,809	191
Fringe Benefits	61,000	60,979	21
Purchased Services	24,000	13,585	10,415
Materials and Supplies	677,905	535,827	142,078
Claims	0	0	0
<i>Total Expenses</i>	<u>1,111,905</u>	<u>959,200</u>	<u>152,705</u>
<i>Excess of Revenues Over (Under) Expenses</i>	(146,419)	15,722	162,141
Advances In	0	0	0
Advances Out	0	0	0
Operating Transfers In	0	0	0
<i>Excess of Revenues Over (Under) Expenses, Advances, and Transfers</i>	(146,419)	15,722	162,141
<i>Fund Equity Beginning of Year</i>	139,503	139,503	0
Prior Year Encumbrances Appropriated	6,916	6,916	0
<i>Fund Equity End of Year</i>	<u>\$0</u>	<u>\$162,141</u>	<u>\$162,141</u> (continued)

Garfield Heights City School District
*Combined Statement of Revenues, Expenses and Changes
in Fund Equity - Budget (Non-GAAP Basis) and Actual
All Proprietary Fund Types (continued)
For the Fiscal Year Ended June 30, 2001*

	Internal Service Fund		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
Revenues			
Sales	\$0	\$0	\$0
Charges for Services	1,975,993	1,980,212	4,219
Interest	0	0	0
Operating Grants	0	0	0
Other	11,081	11,640	559
<i>Total Revenues</i>	<u>1,987,074</u>	<u>1,991,852</u>	<u>4,778</u>
Expenses			
Salaries	0	1,583	(1,583)
Fringe Benefits	0	70	(70)
Purchased Services	340,209	334,428	5,781
Materials and Supplies	3,223	1,897	1,326
Claims	2,596,937	1,339,985	1,256,952
<i>Total Expenses</i>	<u>2,940,369</u>	<u>1,677,963</u>	<u>1,262,406</u>
<i>Excess of Revenues Over (Under) Expenses</i>	(953,295)	313,889	(1,267,184)
Advances In	395,000	395,000	0
Advances Out	0	(395,000)	(395,000)
Operating Transfers In	60,000	120,000	60,000
<i>Excess of Revenues Over (Under) Expenses, Advances, and Transfers</i>	(498,295)	433,889	932,184
<i>Fund Equity Beginning of Year</i>	497,320	497,320	0
Prior Year Encumbrances Appropriated	975	975	0
<i>Fund Equity End of Year</i>	<u>\$0</u>	<u>\$932,184</u>	<u>\$932,184</u>

Totals
(Memorandum Only)

Revised Budget	Actual	Variance Favorable (Unfavorable)
\$684,586	\$690,699	\$6,113
1,975,993	1,980,212	4,219
600	539	(61)
276,400	277,994	1,594
14,981	17,330	2,349
<u>2,952,560</u>	<u>2,966,774</u>	<u>14,214</u>
349,000	350,392	(1,392)
61,000	61,049	(49)
364,209	348,013	16,196
681,128	537,724	143,404
<u>2,596,937</u>	<u>1,339,985</u>	<u>1,256,952</u>
<u>4,052,274</u>	<u>2,637,163</u>	<u>1,415,111</u>
(1,099,714)	329,611	1,429,325
395,000	395,000	0
0	(395,000)	(395,000)
<u>60,000</u>	<u>120,000</u>	<u>60,000</u>
(644,714)	449,611	1,094,325
636,823	636,823	0
<u>7,891</u>	<u>7,891</u>	<u>0</u>
<u>\$0</u>	<u>\$1,094,325</u>	<u>\$1,094,325</u>

Garfield Heights City School District
Combined Statement of Cash Flows
All Proprietary Fund Types
For the Fiscal Year Ended June 30, 2001

	Enterprise	Internal Service	Totals (Memorandum Only)
Increase (Decrease) in Cash and Cash Equivalents			
Cash Flows from Operating Activities			
Cash Received from Customers	\$690,555	\$120,848	\$811,403
Cash Received from Quasi-External Transactions with Other Funds	0	1,859,364	1,859,364
Cash Received from Other Operating Sources	5,690	11,640	17,330
Cash Payments to Suppliers for Goods and Services	(544,881)	(336,320)	(881,201)
Cash Payments to Employees for Services	(348,809)	0	(348,809)
Cash Payments for Employee Benefits	(60,979)	(1,653)	(62,632)
Cash Payments for Claims	0	(1,306,826)	(1,306,826)
Cash Payments for Other	0	(32,134)	(32,134)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>(258,424)</u>	<u>314,919</u>	<u>56,495</u>
Cash Flows from Noncapital Financing Activities			
Operating Grants Received	277,994	0	277,994
Advances In	0	395,000	395,000
Advances Out	0	(395,000)	(395,000)
Operating Transfers In	0	120,000	120,000
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>277,994</u>	<u>120,000</u>	<u>397,994</u>
Cash Flows from Investing Activities			
Interest on Investments	539	0	539
<i>Net Increase in Cash and Cash Equivalents</i>	20,109	434,919	455,028
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>146,569</u>	<u>498,295</u>	<u>644,864</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$166,678</u></u>	<u><u>\$933,214</u></u>	<u><u>\$1,099,892</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
<i>Operating Income (Loss)</i>	<u>(\$354,094)</u>	<u>\$350,193</u>	<u>(\$3,901)</u>
Adjustments:			
Depreciation	2,216	0	2,216
Donated Commodities Used During Year	64,889	0	64,889
(Increase)/Decrease in Assets:			
Accounts Receivable	(839)	0	(839)
Prepaid Items	0	(4,383)	(4,383)
Inventory Held for Resale	(1,788)	0	(1,788)
Increase/(Decrease) in Liabilities:			
Accounts Payable	(2,334)	380	(1,954)
Accrued Wages and Benefits	0	100	100
Compensated Absences Payable	30,367	0	30,367
Intergovernmental Payable	3,159	4	3,163
Claims Payable	0	(31,375)	(31,375)
<i>Total Adjustments</i>	<u>95,670</u>	<u>(35,274)</u>	<u>60,396</u>
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u><u>(\$258,424)</u></u>	<u><u>\$314,919</u></u>	<u><u>\$56,495</u></u>

See accompanying notes to the general purpose financial statements

Garfield Heights City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 1 - Description of the School District and Reporting Entity

Garfield Heights City School District (the "School District") is organized under Article VI, Section 2 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. This Board controls the School District's seven instructional/support facilities by 219 non-certified employees, 239 certified full time teaching personnel and administrative employees to provide services to 3,550 students and other community members.

Reporting Entity

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance 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.

Non-public Schools - Within the School District's boundaries, there are various non-public schools. Current State legislature provides funding to these non-public schools. These monies are received and disbursed on behalf of the non-public school by the Treasurer of the School District, as directed by the non-public school. This activity is reflected in a special revenue fund for financial reporting purposes.

The School District is associated with three jointly governed organizations and one insurance purchasing pool. These organizations include the Lake-Shore Northeast Ohio Computer Association, Ohio Schools Council Association, Cuyahoga Valley Career Center, and Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in **Notes 17 and 18** to the general purpose financial statements.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the Garfield Heights City School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting

Garfield Heights City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

A. Basis Of Presentation - Fund Accounting

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

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

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

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

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

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

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

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

Garfield Heights City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Proprietary Fund Types Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following are the School District's proprietary fund types:

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

Internal Service Fund The internal service fund is used for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis.

Fiduciary Fund Types Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's only fiduciary funds are agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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

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

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

B. Measurement Focus and Basis of Accounting

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

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

Garfield Heights City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

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

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

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2001, but which were levied to finance fiscal year 2002 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On a modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

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.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

Garfield Heights City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Advances in and advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

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

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

Estimated Resources Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statement reflect the amounts in the final amended certificate issued during fiscal year 2001.

Appropriations Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is enacted by the Board of Education at the fund level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at the fund level of control. Any revisions that alter the total of any fund appropriation, must be approved by the Board of Education.

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

Garfield Heights City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

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

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

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

D. Cash and Cash Equivalents

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

During fiscal year 2001, investments were made in repurchase agreements, certificates of deposit, Federal National Mortgage Association Notes, Federal Farm Credit Bank Notes, Federal Home Loan Bank Notes, Federal Home Loan Mortgage Corporation Notes, Victory Federal Money Market account, Victory Gradison Government Reserves Money Market account, Commercial Paper, and STAROhio, the State Treasurer's investment pool.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as non-negotiable certificates of deposit and repurchase agreements are reported at cost.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for at June 30, 2001.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2001 amounted to **\$1,089,242** which includes **\$23,570** assigned from other School District funds.

The School District has segregated bank accounts for monies held separate from the School District's pool. These depository accounts are presented as "cash and cash equivalents in segregated accounts" on the balance sheet.

Garfield Heights City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents.

E. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by statute to be set aside by the School District for the creation of a reserve for budget stabilization. See **Note 21** for additional information regarding set-asides.

F. Inventory

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

G. Fixed Assets and Depreciation

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

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

H. Interfund Assets and Liabilities

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

Garfield Heights City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

I. Compensated Absences

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

Sick leave benefits are accrued as a liability using the termination method. The liability includes the employees who are currently eligible to receive termination 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 for classified, certified and administrative employees after five years of service with the School District.

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

J. Accrued Liabilities and Long-term Obligations

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

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

K. Interfund Transactions

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

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

Garfield Heights City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

L. Fund Balance Reserves

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

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

M. Estimates

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

N. Totals Columns on General Purpose Financial Statements

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

Note 3 - Changes in Accounting Principles and Restatement of Fund Balance

Changes in Accounting Principles For fiscal year 2001, the School District has implemented GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and GASB Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues.". This change in accounting principle increased fund balance in the special revenue funds at June 30, 2000, from \$697,358 to \$790,839 as of June 30, 2000.

Garfield Heights City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 4 - Accountability and Compliance

A. Fund Deficits

Fund balances at June 30, 2001, including the following individual fund deficits:

<i>Special Revenue Funds</i>	
DPIA	\$395
Title I	879
Reducing Class Size	14,552
<i>Capital Projects Fund:</i>	
Building	1,665,409

At June 30, 2001 the deficits in the DPIA, Title I, and Reducing Class Size special revenue funds resulted from adjustments for accrued liabilities. The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

The deficits in the Building capital projects fund is the result of short-term bond anticipation notes which are used to finance the project until bonds are issued. Once bonds are issued and the liability is reported in the general long-term obligations account group rather than in the fund, the deficits will be eliminated.

B. Compliance

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

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures plus Encumbrances</u>	<u>Excess</u>
<i>Capital Projects Fund:</i>			
One Net Connectivity	\$0	\$10,301	\$10,301

Note 5 - Budgetary Basis of Accounting

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

Garfield Heights City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund type (GAAP basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Unrecorded cash, which consists of unrecorded interest, is not reported by the School District the budget basis operating statements, but is reported on the GAAP basis operating statements.
6. Proceeds from principal on short term note obligations are reported on the operating statement (budget) rather than on the balance sheet (GAAP).
7. Investments reported at fair value rather than cost.

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

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

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	(\$162,350)	(\$6,420)	\$43,161,143	(\$1,449,424)
Net Adjustment for				
Revenue Accruals	(323,836)	131,568	(289,907)	95,804
Proceeds from Notes	0	0	0	41,500,000
Proceeds from Loan	(364,969)	0	0	0
Unrecorded Cash	132,536	1,119	0	0
Fair Value Adjustment				
for Investments	(491,534)	0	0	0
Advance In	837,500	468,500	0	0
Net Adjustment for				
Expenditure Accruals	326,363	(108,608)	0	631,241
Advances Out	(863,500)	(442,500)	0	0
Encumbrances	(159,156)	(531,884)	0	(404,615)
Budget Basis	(\$1,068,946)	(\$488,225)	\$42,871,236	\$40,373,006

Garfield Heights City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Net Income/Excess of Revenues
Over Expenses and Operating Transfers
All Proprietary Fund Types

	Enterprise	Internal Service
GAAP Basis	\$24,512	\$470,193
Net Adjustment for Revenue Accruals	(100,768)	0
Advance In	0	395,000
Net Adjustment for Expense Accruals	94,299	(35,274)
Advance Out	0	(395,000)
Depreciation Expense	2,216	0
Adjustment for Encumbrances	(4,537)	(1,030)
Budget Basis	\$15,722	\$433,889

Note 6 - Deposits and Investments

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

Garfield Heights City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held until maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Unreported Cash At fiscal year end, the School District had **\$133,655** in unreported cash on hand which is included on the balance sheet of the School District as part of "equity in pooled cash and cash equivalents."

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

Garfield Heights City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Deposits At fiscal year end, the carrying amount of the School District's deposits was \$882,635 and the bank balance was \$1,142,725. Of the bank balance:

\$739,880 was covered by federal depository insurance; and

\$402,845 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution trust department or agent in the School District's name all State statutory requirements for the deposit of money have been followed, non compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Insurance Corporation.

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

	<u>Category 3</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Repurchase Agreement	\$529,314	\$529,314	\$529,314
Federal National Mortgage Association Notes	20,090,833	20,090,833	20,090,833
Federal Farm Credit Bank Notes	3,944,420	3,944,420	3,944,420
Federal Home Loan Bank Notes	19,397,318	19,397,318	19,397,318
Federal Home Loan Mortgage Corporation Notes	20,835,180	20,835,180	20,835,180
Commerical Paper	<u>17,573,376</u>	17,573,376	17,573,376
Victory Federal Money Market Fund		621,991	621,991
Victory Gradison Government Reserves Money Market Fund		38,746	38,746
STAROhio		<u>3,749,593</u>	<u>3,749,593</u>
<i>Totals</i>	<u>\$82,370,441</u>	<u>\$86,780,771</u>	<u>\$86,780,771</u>

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

Garfield Heights City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

	Cash and Cash Equivalents	Investments
<i>GASB Statement 9</i>	\$87,797,061	\$0
Unrecorded Cash	(133,655)	0
Investments:		
Repurchase Agreement	(529,314)	529,314
Victory Federal Money Market Fund	(621,991)	621,991
Victory Gradison Government Reserves		
Money Market Fund	(38,746)	38,746
Federal National Mortgage Association Notes	(20,090,833)	20,090,833
Federal Farm Credit Bank Notes	(3,944,420)	3,944,420
Federal Home Loan Bank Notes	(19,397,318)	19,397,318
Federal Home Loan Mortgage Corporation Notes	(20,835,180)	20,835,180
Commerical Paper	(17,573,376)	17,573,376
STAROhio	(3,749,593)	3,749,593
 <i>GASB Statement 3</i>	 \$882,635	 \$86,780,771

Note 7 - Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2001 for real and public utility property taxes represents collections of calendar 2000 taxes. Property tax payments received during calendar 2001 for tangible personal property (other than public utility property) is for calendar 2001 taxes.

2001 real property taxes are levied after April 1, 2001, on the assessed value listed as of January 1, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value: public utility real property is assessed at thirty-five percent of true value. 2001 public utility property taxes became a lien December 31, 2000, are levied after April 1, 2001, and are collected in 2002 with real property taxes.

2001 tangible personal property taxes are levied after April 1, 2001, on the value as of December 31, 2000. Collections are made in 2001. Tangible personal property assessments are twenty-five percent of true value.

Garfield Heights City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

The assessed values upon which the fiscal year 2001 taxes were collected are:

	2000 Second Half Collections		2001 First Half Collections	
	Amount	Percent	Amount	Percent
	Agricultural/Residential And Other Real Estate	\$325,198,810	87.31%	\$364,369,870
Public Utility Personal	17,649,840	4.74	18,923,420	4.53
Tangible Personal Property	29,619,680	7.95	34,442,764	8.25
	\$372,468,330	100.00%	\$417,736,054	100.00%
Tax Rate per \$1,000 of assessed valuation	\$49.80		\$55.80	

The School District passed a \$7.1 mill permanent improvement levy in November 2000. The collection on this levy began in January of fiscal year 2001.

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.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. This year, the June 2001 tangible personal property tax settlement was not received until July of 2001.

The School District receives property taxes from Cuyahoga County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2001, are available to finance fiscal year 2002 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2001 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 were levied to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. The amount available as an advance is recognized as revenue.

The amount available as an advance at June 30, 2001, was \$1,572,028. \$1,276,078 was available to the general fund, \$257,039 to the bond retirement debt service fund, and \$38,911 was available to the permanent improvement capital projects fund.

Note 8 - Fixed Assets

A summary of the enterprise funds' fixed assets at June 30, 2001, follows:

Furniture and Equipment	\$195,221
Less accumulated depreciation	(193,467)
Net Fixed Assets	\$1,754

Garfield Heights City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

A summary of the changes in general fixed assets during fiscal year 2001 follows:

	Balance 06/30/00	Additions	Deletions	Balance 06/30/01
Land	\$1,115,170	\$0	\$0	\$1,115,170
Buildings/Improvements	6,019,346	51,483	0	6,070,829
Furniture and Equipment	4,449,567	371,273	16,222	4,804,618
Vehicles	974,050	273,443	132,260	1,115,233
Total	\$12,558,133	\$696,199	\$148,482	\$13,105,850

Note 9 - Risk Management

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2001, the School District contracted with Nationwide Insurance Company for building and contents, boiler and machinery, and crime. General liability is also protected by Nationwide Insurance Company as well as vehicles. Coverages are as follows:

Company	Type of Coverage	Coverage
Nationwide Insurance	Building and Contents	\$50,991,800
	Boiler and Machinery	18,484,100
	Crime Insurance	5,000
	Bodily Injury and Property Damage	2,000,000
	Uninsured-Underinsured Motorist	2,000,000
	Comprehensive Automobile Liability	2,000,000
	Collision Automobile Liability	2,000,000
	General Liability (per occurrence)	1,000,000
	General Liability (in aggregate)	3,000,000

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

B. Workers' Compensation

For fiscal year 2001, the School District participated in the Ohio School Board Association's Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit 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 for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

Garfield Heights City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

C. Employee Medical Benefits

The School District has elected to provide hospitalization, medical, vision, and prescription benefits through a self insurance program. The School District maintains a self-insurance internal service fund to account for and finance its uninsured risks of loss in this program. A third party administrator, University Compensated Care, reviews and pays all claims which are then reimbursed by the School District. The School District pays into the insurance reserve internal service fund per month. The premium is paid by the fund that pays the salary for the employee and is based on historical cost information.

The claims liability of \$201,050 reported in the internal service fund at June 30, 2001, is based on an estimate provided by the Treasurer and the requirements GASB No. 10 which requires that a liability for unpaid claims cost, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in the fund's claims liability amount in 1999, 2000 and 2001 were:

	Balance at Beginning of Year	Current Claims	Claim Payments	Balance at End of Year
1999	\$255,238	\$1,680,773	\$1,758,633	\$177,378
2000	177,378	1,583,947	1,528,900	232,425
2001	232,425	1,275,451	1,306,826	201,050

Note 10 - Contractual Commitments

As of June 30, 2001, the Garfield Heights City School District had the following contractual commitments outstanding for the construction of a new high school and renovations to the middle and elementary schools:

Contractor	Contract Amount	Amount paid as of June 30, 2001	Amount remaining on Contract
BBC&M Engineering, Inc.	\$36,200	\$0	\$36,200
C.J. Natale, Inc.	507,531	139,724	367,807
FPS Architects & Engineer Limited	1,445,564	874,984	570,580
Grout Systems, Inc.	751,700	0	751,700
Northeast Ohio Trenching	208,785	0	208,785
Total	<u>\$2,949,780</u>	<u>\$1,014,708</u>	<u>\$1,935,072</u>

Garfield Heights City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 11 - Defined Benefit Pension Plans

A. School Employees Retirement System

Garfield Heights City School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2001, 4.2 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2000, 5.5 percent was used to fund the pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$228,757, \$563,055 and \$503,754 respectively; 73.05 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$48,569 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

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

For the fiscal year ended June 30, 2001, plan members are required to contribute 9.3 percent of their annual covered salaries. The School District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year 2000, the portion used to fund pension obligations was 6 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$1,201,571, \$1,604,723 and \$1,514,565, respectively; 94.12 percent has been contributed for fiscal year 2001, and 100 percent for fiscal years 2000 and 1999. \$66,678 represents the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS have an option to choose Social Security or the SERS/STRS. As of June 30, 2001 one member of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages paid.

Garfield Heights City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 12 - Postemployment Benefits

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2001, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$537,581 for fiscal year 2001.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2000, (the latest information available) the balance in the Fund was \$3.419 billion. For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase of 1.3 percent from fiscal year 2000. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay has been established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2001 fiscal year equaled \$479,862.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2000, (the latest information available), were \$140,696,340 and the target level was \$211.0 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants receiving health care benefits.

Garfield Heights City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 13 - Employee Benefits

A. Life Insurance

The School District provides life insurance and accidental death and dismemberment insurance to most employees. Coverage is \$10,000 for part-time employees and \$20,000 for full time employees. Life insurance is provided through the Ohio Schools Council.

B. Compensated Absences

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

Vacation Leave

Classified employees accumulate 20 days vacation leave depending upon length of service. Vacation days are credited to classified employees on the anniversary of their employment and must be used within the next 12 months. Accumulated unused vacation time is paid to classified employees upon termination of employment with some restrictions. Teachers do not earn vacation time.

Sick Leave

Each professional staff member is entitled to fifteen (15) days sick leave with pay for each year under contract. The sick leave accrues at the rate of one and one fourth (1-1/4) days for each calendar month under contract. An employee is paid a severance benefit equal to 25 percent of the value of their unused accumulated sick leave, calculated at current wage rates, upon retirement. The number of unused sick days which can accumulate is unrestricted.

Personal Leave

All employees are entitled to three days of personal leave, with pay, each school year. The three days of personal leave cannot be carried forward into the next fiscal year.

Note 14 - Receivables

Receivables at June 30, 2001 consisted of property taxes, accounts (rent, billings for user charged services, and tuition and fees), interfund, and intergovernmental grants. All receivables are considered collectible in full.

Garfield Heights City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

The intergovernmental receivables were:

<i>General Fund:</i>	<i>Amounts</i>
Frank Russo, County Auditor	\$530
 <i>Special Revenue Funds:</i>	
Public School Support	970
Other Grants	4,729
Miscellaneous State Grants	10,150
D.D. Eisenhower	70,751
Chapter II	2,774
Drug Free Schools	30,315
<i>Total Special Revenue Funds</i>	119,689
 <i>Enterprise Fund:</i>	
Food Service	57,240
<i>Total All Funds</i>	\$177,459

Note 15 - Short Term Obligations

The School District's bond anticipation note activity for the fiscal year ended June 30, 2001 was as follows:

	Principal Outstanding 6/30/00	Additions	Deductions	Principal Outstanding 6/30/01
2000 School Improvements 4.76%	\$0	\$9,950,000	\$0	\$9,950,000
2000 School Improvements 4/45%	0	31,550,000	0	31,550,000
	\$0	\$41,500,000	\$0	\$41,500,000

All the notes are backed by the full faith and credit of the Garfield Heights City School District and mature within one year. The note liability is reflected in the fund which received the proceeds.

Garfield Heights City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 16 - Long Term Obligations

Changes in long-term obligations of the School District during fiscal year 2001 were as follows:

	Principal Outstanding 6/30/00	Additions	Deductions	Principal Outstanding 6/30/01
General Obligation Bonds				
1992 6.25%				
Energy Conservation Bonds	\$165,000	\$0	\$80,000	\$85,000
Intergovernmental Payable	178,967	174,182	178,967	174,182
2000 3.49%				
School Improvements Notes	0	41,500,000	0	41,500,000
Loan Payable	0	364,969	16,013	348,956
Arbitrage	0	49,505	0	49,505
Compensated Absences	3,560,289	3,382,150	3,560,289	3,382,150
Total General Long Term Obligations	<u>\$3,904,256</u>	<u>\$45,470,806</u>	<u>\$3,835,269</u>	<u>\$45,539,793</u>

The energy conservation bonds are paid from the debt service fund. Intergovernmental and compensated absences will be paid from the fund from which the employees' salaries are paid. Bond anticipation notes that were rolled over prior to the issuance of the financial statements and have a new maturity beyond the end of the year in which the report is issued have been reported in the general long-term obligations account group and will be paid from the debt service fund. The loan will be paid from the general and school net plus capital projects funds.

The arbitrage liability is an estimate as of June 30, 2001, with respect to the notes. The due date of the first rebate payment with respect to the notes is December 4, 2001. The accrued liability will increase or decrease depending on whether remaining bond proceeds are invested at a yield that is higher or lower than the bond yield.

The School District's overall legal debt margin at June 30, 2001 was \$38,908,432 with an unvoted debt margin of **\$417,736** at June 30, 2001. Principal and interest requirements to retire general obligation debt-conservation bonds outstanding at June 30, 2001, are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds		Loan		Total
	Principal	Interest	Principal	Interest	
2002	\$85,000	\$5,312	\$66,249	\$17,181	\$173,742
2003	0	0	69,907	13,522	83,429
2004	0	0	73,768	9,661	83,429
2005	0	0	77,842	5,587	83,429
2006	0	0	61,190	1,382	62,572
Total	<u>\$85,000</u>	<u>\$5,312</u>	<u>\$348,956</u>	<u>\$47,333</u>	<u>\$486,601</u>

Garfield Heights City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 17 - Jointly Governed Organizations

A. Lake-Shore Northeast Ohio Computer Association (LNOCA)

The School District is a participant in the Lake-Shore Northeast Ohio Computer Association (LNOCA) which is a computer consortium. LNOCA is an association made up of fourteen participating school districts. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. LNOCA is governed by an assembly consisting of the superintendents or other designees of the member school district. The assembly exercises total control over the operation of LNOCA including budgeting, appropriating, contracting, and designating management. All the LNOCA revenues are generated from charges for services and state funding. In fiscal year 2001, \$20,079 was paid to LNOCA for services. To obtain information write to LNOCA, 7800 Wall Street, Valley View, Ohio 44104.

B. Ohio Schools Council

The Ohio Schools Council Association (Council) is a jointly governed organization among eighty-three school districts. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to the member districts. Each district supports the Council by paying an annual participation fee. The Council's Board consists of seven superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 2001, the School District paid \$750 to the Council. Financial information can be obtained by contacting Albert G. Vasek, the Executive Secretary/Treasurer of the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

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

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

The School District also participates in the Council's prepaid natural gas program which was implemented during fiscal year 2000. This program allows school districts to purchase natural gas at reduced rates, if the school districts will commit to participating for a twelve year period. The participants make monthly payments based on estimated usage. Each month these estimated payments are compared to their actual usage and any necessary adjustments are made.

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

Garfield Heights City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

C. Cuyahoga Valley Career Center

The Cuyahoga Valley Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the eight participating school districts' elected boards, which possess its own budgeting and taxing authority. To obtain financial information write to the Cuyahoga Valley Career Center, Joy Clickenger, who serves as Treasurer, at 8001 Brecksville Road, Brecksville, Ohio 44141.

Note 18 - Insurance Purchasing Pool

Ohio School Boards Workers' Compensation Group Rating Program

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

Note 19 - Contingencies

A. Grants

The School District receives 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, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2001.

B. Litigation

The Garfield Hts. City School District is a party to legal proceedings. The School District is of the opinion that ultimate disposition of claims will not have a material affect, if any, on the financial condition of the School District.

Note 20 - Segment Information for Enterprise Funds

The School District maintains two Enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects the more significant financial data relating to the enterprise funds of the Garfield Heights City School District as of and for the fiscal year ended June 30, 2001.

Garfield Heights City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

	Food Service	Uniform School Supplies	Totals
Operating Revenues	\$537,480	\$159,604	\$697,084
Depreciation	2,216	0	2,216
Operating Income (Loss)	(367,815)	13,721	(354,094)
Federal Donated Commodities	64,889	0	64,889
Operating Grants	313,178	0	313,178
Interest	539	0	539
Net Income	10,791	13,721	24,512
Net Working Capital	224	138,517	138,741
Total Assets	100,261	139,955	240,216
Total Equity	1,978	138,517	140,495
Encumbrances at June 30,	2,531	2,006	4,537

Note 21 - Set-Aside Calculations and Fund Reserves

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

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

	Textbooks	Capital Improvements	Budget Stabilization
Set-aside reserve balance as of June 30, 2000	(\$362,633)	\$0	\$298,445
Current year set-aside requirement	545,938	545,938	0
Offsets to set-asides	0	(436,044)	0
Qualifying Expenditures	(461,109)	(566,944)	0
Reduction authorized by legislative revisions	0	0	(172,724)
Total	(\$277,804)	(\$457,050)	\$125,721
Set-aside Balance Carried Forward to Future Fiscal Years	(\$277,804)	\$0	\$125,721
Set-aside Reserve Balance as of June 30, 2001	\$0	\$0	\$125,721

The School District had qualifying disbursements during the fiscal year that reduced the textbook set-aside amount below zero. This extra amount may be used to reduce the set-aside requirements of future fiscal years. Although the School District had offsets and qualifying disbursements during the fiscal year that

Garfield Heights City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement of future years. This negative balance is therefore not presented as being carried forward to future years. The total reserve balance for the three set-asides at the end of the fiscal year was \$125,721.

Note 22 - Interfund Transactions

At June 30, 2001, the interfund balances consisted of the following:

Fund	Receivable	Payable
General Fund	\$44,000	\$0
Special Revenue Fund:		
Other Grants	0	24,000
Athletics	0	20,000
Total	\$44,000	\$44,000

Fund	Due From	Due To
General Fund	\$17,085	\$0
Special Revenue Funds:		
Other Grants	0	278
Drug Free	0	16,807
Total	\$17,085	\$17,085

Note 23 -Subsequent Event

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- ▶ A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- ▶ Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

Garfield Heights City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

In general, it is expected that the decision would result in an increase in State fund for most Ohio school districts. However, as of December 14, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may reexamine and redetermine any issue upon such reconsideration.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this decision and the reconsideration will have on its future State funding and on its financial operations.

GARFIELD HEIGHTS CITY SCHOOL DISTRICT
Cuyahoga County

Schedule of Federal Awards Receipts and Expenditures
For the Year Ended June 30, 2001

Federal Grantor/ Pass-Through Grantor/ Program Title	Pass-Through CFDA Agency Number	CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U. S. Department of Agriculture						
<i>Passed Through the Ohio Department of Agriculture</i>						
Child Nutrition Cluster:						
Food Distribution	N/A	10.550	\$0	\$65,520	\$0	\$64,889
National School Lunch Program	04PU01	10.555	264,142	0	264,142	0
Total U. S. Department of Agriculture - Child Nutrition Cluster			\$264,142	\$65,520	\$264,142	\$64,889
U. S. Department of Education						
<i>Passed Through the Ohio Department of Education</i>						
Special Education Cluster:						
Special Education Grants to States	6B-SF00P	84.027	0	0	42,118	0
Special Education Grants to States	6B-SF01P	84.027	289,003	0	289,003	0
Subtotal			289,003	0	331,121	0
Special Education - Pre-School Grants	PG-S1 01P	84.173	13,318	0	12,497	0
Total Special Education Cluster			302,321	0	343,618	0
Eisenhower Professional Development State Grants Title	MS-S2 99	84.281	93,481	0	55,690	0
Eisenhower Professional Development State Grants Title	MS-S1 00	84.281	5,532	0	5,546	0
Eisenhower Professional Development State Grants Title	MS-S2 00	84.281	371,931	0	289,970	0
Eisenhower Professional Development State Grants Title	MS-S1 01	84.281	10,008	0	3,964	0
Eisenhower Professional Development State Grants Title	MS-S2 01	84.281	245,419	0	201,170	0
Total Eisenhower Professional Development State Grants Title II, Part B			726,371	0	556,340	0
Title I, Part A, ESEA	C1-S1 00	84.010	0	0	9,475	0
Title I, Part A, ESEA	C2-S1 01	84.010	162,217	0	135,624	0
Total Title I, Part A, ESEA			162,217	0	145,099	0
Goals 2000 - State and Local Education Systemic Improvement Grants	G2-S2 00	84.276	21,000	0	10,603	0
Goals 2000 - State and Local Education Systemic Improvement Grants	G2-S2 01	84.276	14,000	0	0	0
Total Goals 2000 - State and Local Education Systemic Improvement Grants			35,000	0	10,603	0
Innovative Education Program Strategies	C2-S1 99	84.298	0	0	3,826	0
Innovative Education Program Strategies	C2-S1 00	84.298	3,159	0	10,262	0
Innovative Education Program Strategies	C2-S1 01	84.298	23,997	0	16,201	0
Total Innovative Education Program Strategies			27,156	0	30,289	0
Safe and Drug Free Schools	DR-S1 01	84.186	14,607	0	14,450	0
Safe and Drug Free Schools - Cleveland Diocese	DR-S2 00	84.186	0	0	76,607	0
Safe and Drug Free Schools - Cleveland Diocese	DR-S2 01	84.186	389,852	0	379,685	0
Total Safe and Drug Free Schools			404,459	0	470,742	0

GARFIELD HEIGHTS CITY SCHOOL DISTRICT
Cuyahoga County

Schedule of Federal Awards Receipts and Expenditures
For the Year Ended June 30, 2001

Federal Grantor/ Pass-Through Grantor/ Program Title	Pass-Through CFDA Entity Number	CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
Technology Literacy Challenge Fund Grants	TF-S2 01 1B	84.318	0	0	25,000	0
Technology Literacy Challenge Fund Grants	TF-S2 00 V	84.318	4,658	0	4,658	0
Total Technology Literacy Challenge Fund Grants			4,658	0	29,658	0
Class Size Reduction	CR-S1-00	84.340	0	0	2,732	0
Class Size Reduction	CR-S1-01	84.340	56,755	0	56,569	0
Total Class Size Reduction			56,755	0	59,301	0
Total U.S. Department of Education			1,718,937	0	1,645,650	0
Passed Through State Department of Alcohol and Drug Addiction Services						
Passed Through Cuyahoga County - Alcohol and Drug Addiction Services Board						
Safe and Drug Free Schools	(B)	4.186 A	20,671	0	20,671	0
Total Federal Awards Receipts and Expenditures			\$2,003,750	\$65,520	\$1,930,463	\$64,889

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

**GARFIELD HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY
FISCAL YEAR ENDED JUNE 30, 2001**

NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed.

NOTE C - NATIONAL SCHOOL LUNCH PROGRAM

Federal monies received by the District for this program are commingled with State grants and local revenues. It is assumed that federal monies are expended first.

CFDA - Catalog of Federal Domestic Assistance.

N/A - Not applicable.

(B) - State grant number 18-18002-01-DFSDAR-00-9863

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

Board of Education
Garfield Heights City School District
Cuyahoga County
5640 Briarcliff Drive
Garfield Heights, Ohio 44125

We have audited the financial statements of the Garfield Heights City School District, Cuyahoga County, Ohio, (the District) as of and for the year ended June 30, 2001, and have issued our report thereon dated December 14, 2001, wherein we noted the District adopted Governmental Accounting Standards Board Statements Nos. 33 and 36. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 14, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 14, 2001.

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

Jim Petro
Auditor of State

December 14, 2001



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

Board of Education
Garfield Heights City School District
Cuyahoga County
5640 Briarcliff Drive
Garfield Heights, Ohio 44125

Compliance

We have audited the compliance of the Garfield Heights City School District, Cuyahoga County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2001. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2001.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. We noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 14, 2001.

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

Jim Petro
Auditor of State

December 14, 2001

GARFIELD HEIGHTS CITY SCHOOL DISTRICT
 CUYAHOGA COUNTY
 JUNE 30, 2001

SCHEDULE OF FINDINGS

1. SUMMARY OF AUDITOR'S RESULTS
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OMB CIRCULAR A-133 Section .505

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under Sec. .510?	No
(d)(1)(vii)	Major Programs (list)	Title I, Part A, ESEA, CFDA 84.010, Special Education Grants to States and Preschool Grants, CFDA 84.027 and 84.173, Innovative Education Program Strategies, CFDA 84.298
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
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Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

GARFIELD HEIGHTS CITY SCHOOL DISTRICT

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 22, 2002**