



Dave Yost • Auditor of State

**GARFIELD HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY
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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Garfield Heights City School District, Cuyahoga County, Ohio (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Garfield Heights City School District, Cuyahoga County, Ohio, as of June 30, 2011, and the respective changes in financial position thereof and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

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



Dave Yost
Auditor of State

March 19, 2012

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Garfield Heights City School District

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

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

Financial Highlights

Key financial highlights for fiscal year 2011 are as follows:

- In fiscal year 2010, the Ohio School Facilities Commission earmarked \$18 million for reimbursement of expenses the School District incurs for major renovations at Elmwood Elementary and Maple Leaf Intermediate School. Elmwood Elementary will be wired for state-of-the-art technology and air conditioning units. Maple Leaf Intermediate will get an addition for a new gymnasium and new classrooms. These upgrades will make the School District a cleaner, safer and more technologically advanced learning place for our students. As of June 30, 2011, these renovations are still underway and all but \$4 million of the \$18 million has been received. The remaining \$4 million is expected to be received during fiscal year 2012.
- During fiscal year 2011, the Board of Education continued to offer an early retirement incentive program which was available to certified and classified employees. Retiring employees will receive the incentive over three years. This program helps the School District reduce personnel expenditures without having to lay off younger staff members.
- The School District has made huge strides to reconcile the leveling off, and in some cases even decline in its revenue stream. The School District has made severe cuts across the board, including eliminating thirteen teaching positions, six supplemental jobs, five administrative positions, and seven classified jobs. The School District also negotiated a salary freeze with the teachers's union. Another way the School District has increased revenue, is to implement a pay-to-play policy with athletics and other extracurricular activities. These cost cutting measures and revenue enhancements are part of the School District's continued commitment to fiscal responsibility.

Using this Financial Report

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

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

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

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While these statements contain information about the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2011?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the School District's Most Significant Funds

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

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

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

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

The School District as a Whole

Recall that the statement of net assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for the fiscal year 2011 compared to fiscal year 2010:

Table 1
 Net Assets
 Governmental Activities

	2011	2010	Change
Assets			
Current and Other Assets	\$39,814,283	\$47,490,781	(\$7,676,498)
Capital Assets, Net	56,766,521	50,162,946	6,603,575
<i>Total Assets</i>	<u>96,580,804</u>	<u>97,653,727</u>	<u>(1,072,923)</u>
Liabilities			
Current Liabilities	18,961,498	17,953,723	1,007,775
Long-Term Liabilities			
Due Within One Year	2,675,407	2,573,535	101,872
Due In More Than One Year	51,777,573	53,839,639	(2,062,066)
<i>Total Liabilities</i>	<u>73,414,478</u>	<u>74,366,897</u>	<u>(952,419)</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	9,273,632	(1,482,394)	10,756,026
Restricted for:			
Set Asides	500,000	500,000	0
Capital Projects	11,976,152	22,748,362	(10,772,210)
Debt Service	2,028,219	2,017,113	11,106
Other Purposes	855,725	1,068,242	(212,517)
Unrestricted	(1,467,402)	(1,564,493)	97,091
<i>Total Net Assets</i>	<u>\$23,166,326</u>	<u>\$23,286,830</u>	<u>(\$120,504)</u>

By comparing assets and liabilities, one can see the overall position of the School District has declined as evidenced by the decrease in net assets. This is primarily due to a decrease in the money to be received from OSFC for building improvements. Management continues to diligently plan expenses, staying carefully within the School District's revenues in an effort to extend the durations between its levy requests.

In order to further understand what makes up the changes in net assets for the current year, the following table gives readers further details regarding the results of activities for the current fiscal year. Table 2 shows total revenues, expenses and changes in net assets for the fiscal years 2011 and 2010.

Garfield Heights City School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2011

Unaudited

Table 2
Governmental Activities

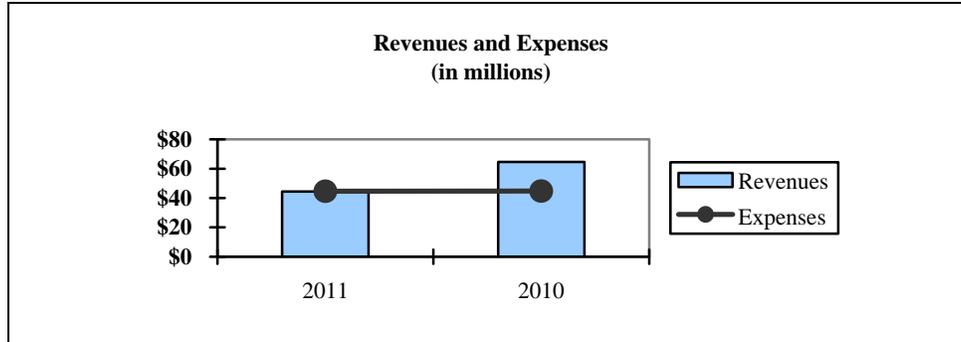
	2011	2010	Change
Program Revenues			
Charges for Services and Sales	\$893,514	\$995,192	(\$101,678)
Operating Grants, Contributions and Interest	6,173,572	6,801,369	(627,797)
Capital Grants and Interest	47,797	143,345	(95,548)
<i>Total Program Revenues</i>	<u>7,114,883</u>	<u>7,939,906</u>	<u>(825,023)</u>
General Revenues			
Property Taxes	17,284,460	17,693,180	(408,720)
Grants and Entitlements	19,820,593	38,126,388	(18,305,795)
Payment in Lieu of Taxes	0	667,558	(667,558)
Investment Earnings	158,033	124,465	33,568
Miscellaneous	51,968	97,452	(45,484)
<i>Total General Revenues</i>	<u>37,315,054</u>	<u>56,709,043</u>	<u>(19,393,989)</u>
<i>Total Revenues</i>	<u>44,429,937</u>	<u>64,648,949</u>	<u>(20,219,012)</u>
Program Expenses			
Instruction:			
Regular	18,076,904	17,926,867	(150,037)
Special	4,010,764	4,531,619	520,855
Vocational	260,483	449,054	188,571
Student Intervention Services	2,453,747	2,261,897	(191,850)
Support Services			
Pupils	2,219,154	2,936,780	717,626
Instructional Staff	2,141,239	2,492,879	351,640
Board of Education	42,263	98,672	56,409
Administration	3,236,955	3,051,333	(185,622)
Fiscal	852,651	1,076,896	224,245
Business	718,625	860,053	141,428
Operation and Maintenance of Plant	3,730,942	2,153,761	(1,577,181)
Pupil Transportation	1,022,116	1,022,779	663
Central	358,702	314,114	(44,588)
Operation of Non-Instructional Services	1,169,121	1,224,491	55,370
Operation of Food Service	1,345,031	1,366,004	20,973
Extracurricular Activities	470,152	416,490	(53,662)
Interest and Fiscal Charges	2,441,592	2,526,992	85,400
<i>Total Program Expenses</i>	<u>44,550,441</u>	<u>44,710,681</u>	<u>160,240</u>
<i>Change in Net Assets</i>	(120,504)	19,938,268	(20,058,772)
Net Assets Beginning of Year	<u>23,286,830</u>	<u>3,348,562</u>	<u>19,938,268</u>
Net Assets End of Year	<u>\$23,166,326</u>	<u>\$23,286,830</u>	<u>(\$120,504)</u>

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

Graph 1

Revenues and Expenses
(In Millions)

	2011	2010
Revenues	\$44.4	\$64.6
Expenses	44.6	44.7



Governmental Activities

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

Thus school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property tax revenue decreased due to the slumping economic conditions the State is facing.

Overall, instructional expenses decreased from the previous fiscal year due to the salary freeze and additional employees retiring. The decrease in pupils and instructional staff spending is due to a change in reporting structure, which now requires some expenditures to be reported as student intervention services. The increase in administrative spending is due to the reclassification of salaries from support services to administration based on a change in job position. The increase in operation and maintenance of plant is due to the additional payments made on the capital projects being done to update and renovate Elmwood and MapleLeaf Schools.

The School District actively pursues grants and controls expenses while still maintaining the high academic standards the residents expect of the School District. Revenue from grants decreased significantly in fiscal year 2011, primarily due to a decrease in the amount for the Ohio School Facilities Commission monies for renovations and remodeling of school buildings being received in fiscal year 2011 and from the conclusion of the State Fiscal Stabilization Funds' awards.

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

Parents continue to have the opportunity to pay for the student's lunch online. Each student uses his/her personal identification number, that accesses his/her account, when visiting the cafeteria. The School District also allows parents to pay for work book fees and extracurricular activities online.

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

The majority of the programs listed below rely on general revenues for financing. Clearly, the community that comprises the School District is the greatest source of financial support for the students of the Garfield Heights City Schools.

Table 3
 Total and Net Cost of Program Services
 Governmental Activities

	2011		2010	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction:				
Regular	\$18,076,904	\$15,840,574	\$17,926,867	\$15,592,515
Special	4,010,764	2,841,556	4,531,619	3,157,446
Vocational	260,483	258,175	449,054	439,761
Student Intervention Services	2,453,747	2,432,003	2,261,897	2,145,495
Support Services:				
Pupils	2,219,154	1,917,067	2,936,780	2,257,308
Instructional Staff	2,141,239	1,731,778	2,492,879	2,191,397
Board of Education	42,263	41,888	98,672	97,419
Administration	3,236,955	3,119,207	3,051,333	2,881,621
Fiscal	852,651	831,748	1,076,896	1,049,607
Business	718,625	607,058	860,053	828,224
Operation and Maintenance of Plant	3,730,942	3,628,042	2,153,761	3,591,428
Pupil Transportation	1,022,116	1,015,181	1,022,779	1,011,684
Central	358,702	350,527	314,114	300,731
Operation of Non-Instructional Services	1,169,121	29,914	1,224,491	313,682
Operation of Food Service	1,345,031	38,826	1,366,004	(232,031)
Extracurricular Activities	470,152	310,422	416,490	246,164
Interest and Fiscal Charges	2,441,592	2,441,592	2,526,992	2,526,992
Total	\$44,550,441	\$37,435,558	\$44,710,681	\$38,399,443

The School District's Funds

Information regarding the School District's major funds begins on page 16. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$57,320,643 and expenditures of \$53,095,595. The general fund had an increase in fund balance mainly due to decreases in instructional services as a result of the salary freeze and more employees retiring. The classroom facilities capital projects fund had an increase in fund balance due to intergovernmental revenues received from the Ohio School Facilities Commission that were partially offset by capital outlays. The bond retirement debt service fund had a decrease in fund balance due to additional payments for debt. As one can see from the Statement of Revenues,

Garfield Heights City School District

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

Expenditures and Changes in Fund Balances - Governmental Funds, intergovernmental monies from State and Federal grants comprise the School District largest revenue source, accounting for over 65 percent of total governmental revenue.

General Fund Budgeting Highlights

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

During the course of fiscal year 2011, the School District amended its general fund budget several times. The School District uses an operational unit budget process and has in place systems that are designed to tightly control expenses but provide flexibility for program based decision and management.

Due to conservative estimates for property taxes and intergovernmental revenue, the original budget basis revenue amount was much lower than final budget revenues. The School District's final budget basis expenditures were \$1,428,438 lower than the final estimate. This is due in large part to the School District's continued commitment to provide a quality education while still controlling the costs of that quality education.

Capital Assets and Debt Administration

Capital Assets

Table 4 shows fiscal 2011 balances compared to 2010:

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

	<u>2011</u>	<u>2010</u>
Land	\$833,150	\$833,150
Construction in Progress	8,204,886	84,955
Land Improvements	537,970	579,138
Buildings and Improvements	46,200,112	47,517,702
Furniture and Equipment	612,586	707,266
Vehicles	<u>377,817</u>	<u>440,735</u>
<i>Total Capital Assets</i>	<u>\$56,766,521</u>	<u>\$50,162,946</u>

The School District is in the process of making improvements to several school buildings to enhance the safety, security and health of the students. These increases were offset by the annual depreciation. Ohio law requires school districts to set aside three percent of certain revenues for capital improvements and an additional three percent for textbooks and instructional materials and supplies. For fiscal year 2011, this amounted to \$598,464 for each set aside. See Note 11 to the basic financial statements for additional information on the School District's capital assets and Note 21 for additional information regarding required set-asides.

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

Debt

Table 5 summarizes the bonds outstanding.

Table 5
 Outstanding Long-term Debt at June 30
 Governmental Activities

	2011	2010
2001 School Improvement Bonds	\$4,039,913	\$5,243,309
2004 School Improvement Bonds	8,266,086	8,361,089
2006 Energy Conservation Improvement Bonds	1,528,709	1,651,731
2006 Refunding Bonds	31,539,403	31,473,288
Capital Leases	4,473,354	5,275,234
Total	\$49,847,465	\$52,004,651

The 2001 School Improvement Bonds were issued for the purpose of converting the existing high school to a middle school and various other renovations. These bonds have a final maturity in December 2017. The 2004 School Improvement Bonds were issued for various improvements through the School District and they have a final maturity in December 2026. The 2006 Energy Conservation Improvement Bonds were issued for the installation, modification and remodeling of school buildings to conserve energy and they have a final maturity in December of 2020. The 2006 Refunding Bonds were issued to refund a portion of the 2001 School Improvement Bonds to take advantage of better interest rates. The refunding bonds have a final maturity in December 2026. The School District has entered into capital leases for building improvements, HVAC systems and telephone equipment. See Note 13 to the basic financial statements for additional information on the School District's long-term obligations.

School District Outlook

The School District relies heavily on its local property taxpayers. The last operating levy passed by the residents of the School District for new operating dollars was in November 1992. The School District has been affected by increased property tax delinquencies, changes in the personal property tax structure and commercial business uncertainties. Furthermore, the State of Ohio is facing major deficits which could significantly impact its future funding to school districts. Both of these factors make it increasingly difficult for the School District to meet educational programming needs, rising utility costs, and increased special education services required for our students in the future.

All scenarios require management to plan carefully and prudently to provide the resources to meet student needs over the next several years. All of the School District's financial abilities will be needed to meet the challenges of the future.

Garfield Heights City School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2011

Unaudited

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Allen Sluka, Treasurer at Garfield Heights City School District, 5640 Briarcliff Drive, Garfield Heights, Ohio 44125.

Basic Financial Statements

Garfield Heights City School District

Statement of Net Assets

June 30, 2011

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$13,939,584
Cash and Cash Equivalents with Fiscal Agent	767,298
Accounts Receivable	5,859
Accrued Interest Receivable	795
Intergovernmental Receivable	4,736,304
Property Taxes Receivable	19,425,318
Payments in Lieu of Taxes Receivable	611,811
Deferred Charges	327,314
Nondepreciable Capital Assets	9,038,036
Depreciable Capital Assets, Net	<u>47,728,485</u>
<i>Total Assets</i>	<u>96,580,804</u>
Liabilities	
Accounts Payable	289,099
Contracts Payable	888,895
Accrued Wages and Benefits	3,588,577
Intergovernmental Payable	1,276,656
Matured Compensated Absences Payable	292,528
Deferred Revenue	12,542,175
Accrued Interest Payable	83,568
Long-Term Liabilities:	
Due Within One Year	2,675,407
Due In More Than One Year	<u>51,777,573</u>
<i>Total Liabilities</i>	<u>73,414,478</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	9,273,632
Restricted for:	
Set Asides	500,000
Capital Projects	11,976,152
Debt Service	2,028,219
Food Service	520,498
Scholarships	102,415
Athletics and Music	46,597
Other Purposes	186,215
Unrestricted (Deficit)	<u>(1,467,402)</u>
<i>Total Net Assets</i>	<u>\$23,166,326</u>

See accompanying notes to the basic financial statements

Garfield Heights City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2011

	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest		
Governmental Activities					
Instruction:					
Regular	\$18,076,904	\$111,522	\$2,124,808	\$0	(\$15,840,574)
Special	4,010,764	22,657	1,146,551	0	(2,841,556)
Vocational	260,483	2,308	0	0	(258,175)
Student Intervention Services	2,453,747	21,744	0	0	(2,432,003)
Support Services:					
Pupils	2,219,154	16,363	285,724	0	(1,917,067)
Instructional Staff	2,141,239	16,865	392,596	0	(1,731,778)
Board of Education	42,263	375	0	0	(41,888)
Administration	3,236,955	27,674	90,074	0	(3,119,207)
Fiscal	852,651	7,315	13,588	0	(831,748)
Business	718,625	108,939	2,628	0	(607,058)
Operation and Maintenance of Plant	3,730,942	29,853	25,250	47,797	(3,628,042)
Pupil Transportation	1,022,116	6,935	0	0	(1,015,181)
Central	358,702	3,175	5,000	0	(350,527)
Operation of Non-Instructional Services	1,169,121	0	1,139,207	0	(29,914)
Operation of Food Service	1,345,031	359,324	946,881	0	(38,826)
Extracurricular Activities	470,152	158,465	1,265	0	(310,422)
Interest and Fiscal Charges	2,441,592	0	0	0	(2,441,592)
Totals	\$44,550,441	\$893,514	\$6,173,572	\$47,797	(37,435,558)

General Revenues

Property Taxes Levied for:

General Purposes	13,894,076
Debt Service	3,053,808
Capital Outlay	336,576
Grants and Entitlements not Restricted to Specific Programs	19,820,593
Investment Earnings	158,033
Miscellaneous	51,968

Total General Revenues 37,315,054

Change in Net Assets (120,504)

Net Assets Beginning of Year - Restated (See Note 3) 23,286,830

Net Assets End of Year \$23,166,326

See accompanying notes to the basic financial statements

Garfield Heights City School District
Balance Sheet
Governmental Funds
June 30, 2011

	General	Classroom Facilities	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$3,339,437	\$5,755,038	\$850,078	\$3,995,031	\$13,939,584
Cash and Cash Equivalents			0		
With Fiscal Agents	767,298	0	0	0	767,298
Accounts Receivable	4,289	0	0	1,570	5,859
Accrued Interest Receivable	795	0	0	0	795
Intergovernmental Receivable	0	4,199,362	0	536,942	4,736,304
Interfund Receivable	933,657	0	0	0	933,657
Property Taxes Receivable	15,197,887	0	3,816,762	410,669	19,425,318
Payments in Lieu of Taxes Receivable	611,811	0	0	0	611,811
<i>Total Assets</i>	<u>\$20,855,174</u>	<u>\$9,954,400</u>	<u>\$4,666,840</u>	<u>\$4,944,212</u>	<u>\$40,420,626</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$147,015	\$21,301	\$0	\$120,783	\$289,099
Contracts Payable	0	888,895	0	0	888,895
Accrued Wages and Benefits	3,259,318	0	0	329,259	3,588,577
Interfund Payable	0	0	0	933,657	933,657
Matured Compensated Absences Payable	262,156	0	0	30,372	292,528
Intergovernmental Payable	1,106,566	2,103	0	167,987	1,276,656
Deferred Revenue	13,695,177	4,199,362	3,306,650	447,016	21,648,205
<i>Total Liabilities</i>	<u>18,470,232</u>	<u>5,111,661</u>	<u>3,306,650</u>	<u>2,029,074</u>	<u>28,917,617</u>
Fund Balances					
Restricted	503,318	4,842,739	1,360,190	3,733,647	10,439,894
Assigned	544,787	0	0	0	544,787
Unassigned (Deficit)	1,336,837	0	0	(818,509)	518,328
<i>Total Fund Balances</i>	<u>2,384,942</u>	<u>4,842,739</u>	<u>1,360,190</u>	<u>2,915,138</u>	<u>11,503,009</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$20,855,174</u>	<u>\$9,954,400</u>	<u>\$4,666,840</u>	<u>\$4,944,212</u>	<u>\$40,420,626</u>

See accompanying notes to the basic financial statements

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

Total Governmental Fund Balances \$11,503,009

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

Capital assets used in governmental activities are not financial
 resources and therefore are not reported in the funds. 56,766,521

Other long-term assets are not available to pay for current-period
 expenditures and therefore are deferred in the funds.

Property Taxes	4,817,928
Grants	88,740
Ohio School Facilities Commission	<u>4,199,362</u>

Total 9,106,030

Bond issuance costs will be amortized over the life of the bonds on
 the statement of net assets. 327,314

In the statement of activities, interest is accrued on outstanding
 bonds, whereas in governmental funds, an interest
 expenditure is reported when due. (83,568)

Long-term liabilities are not due and payable in the current period
 and therefore are not reported in the funds.

General Obligation Bonds	(42,967,266)
Accretion	(1,853,947)
Premium on Bonds	(2,122,131)
Accounting Loss	1,569,233
Compensated Absences	(4,512,182)
Capital Leases	(4,473,354)
Early Retirement Incentive	<u>(93,333)</u>

Total (54,452,980)

Net Assets of Governmental Activities \$23,166,326

See accompanying notes to the basic financial statements

Garfield Heights City School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2011

	General	Classroom Facilities	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$13,290,026	\$0	\$2,891,041	\$320,080	\$16,501,147
Intergovernmental	19,169,081	13,728,394	651,512	6,144,844	39,693,831
Interest	158,033	5,990	0	2,261	166,284
Tuition and Fees	331,034	0	0	38,986	370,020
Extracurricular Activities	0	0	0	84,928	84,928
Contributions and Donations	0	0	0	13,899	13,899
Charges for Services	55,082	0	0	359,640	414,722
Rentals	23,844	0	0	0	23,844
Miscellaneous	28,004	2,250	0	21,714	51,968
<i>Total Revenues</i>	<u>33,055,104</u>	<u>13,736,634</u>	<u>3,542,553</u>	<u>6,986,352</u>	<u>57,320,643</u>
Expenditures					
Current:					
Instruction:					
Regular	12,494,128	0	0	2,318,400	14,812,528
Special	2,533,865	0	0	1,427,486	3,961,351
Vocational	260,268	0	0	0	260,268
Student Intervention Services	2,447,096	0	0	0	2,447,096
Support Services:					
Pupils	1,890,530	0	0	366,205	2,256,735
Instructional Staff	1,851,697	0	0	255,107	2,106,804
Board of Education	42,263	0	0	0	42,263
Administration	3,110,643	0	0	102,790	3,213,433
Fiscal	817,766	0	12,576	14,628	844,970
Business	704,786	0	0	3,536	708,322
Operation and Maintenance of Plant	3,335,409	0	0	348,808	3,684,217
Pupil Transportation	777,720	0	0	0	777,720
Central	352,999	0	0	434	353,433
Operation of Non-Instructional Services	237	0	0	1,196,055	1,196,292
Operation of Food Service	0	0	0	1,273,527	1,273,527
Extracurricular Activities	320,335	0	0	131,495	451,830
Capital Outlay	1,180,498	8,893,953	0	50,192	10,124,643
Debt Service:					
Principal Retirement	688,791	0	1,720,000	113,089	2,521,880
Interest and Fiscal Charges	45,294	0	1,970,656	42,333	2,058,283
<i>Total Expenditures</i>	<u>32,854,325</u>	<u>8,893,953</u>	<u>3,703,232</u>	<u>7,644,085</u>	<u>53,095,595</u>
<i>Net Change in Fund Balances</i>	200,779	4,842,681	(160,679)	(657,733)	4,225,048
<i>Fund Balances Beginning of Year - Restated (See Note 3)</i>	<u>2,184,163</u>	<u>58</u>	<u>1,520,869</u>	<u>3,572,871</u>	<u>7,277,961</u>
<i>Fund Balances End of Year</i>	<u>\$2,384,942</u>	<u>\$4,842,739</u>	<u>\$1,360,190</u>	<u>\$2,915,138</u>	<u>\$11,503,009</u>

See accompanying notes to the basic financial statements

Garfield Heights City School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2011*

Net Change in Fund Balances - Total Governmental Funds \$4,225,048

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

This is the amount by which depreciation exceeded capital outlay in the current period.

Capital Asset Additions	8,165,776	
Current Year Depreciation	<u>(1,562,201)</u>	
 Total		 6,603,575

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

Property Taxes	783,313	
Ohio School Facilities Commission	(17,927,755)	
Grants	<u>4,253,736</u>	
 Total		 (12,890,706)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 2,521,880

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

Accrued Interest	3,206	
Amortization of Premium	127,613	
Amortization of Accounting Loss	(98,077)	
Accretion	(394,230)	
Amortization of Issuance Costs	<u>(21,821)</u>	
 Total		 (383,309)

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

Compensated Absences	(138,659)	
Early Retirement Incentive	<u>(58,333)</u>	
 Total		 <u>(196,992)</u>

Change in Net Assets of Governmental Activities (\$120,504)

See accompanying notes to the basic financial statements

Garfield Heights City School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2011

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property Taxes	\$12,474,014	\$13,020,000	\$13,309,300	\$289,300
Intergovernmental	18,100,676	19,030,000	19,312,736	282,736
Interest	19,645	25,000	20,961	(4,039)
Tuition and Fees	501,321	492,200	528,058	35,858
Charges for Services	56,350	54,000	55,445	1,445
Rentals	25,450	20,000	27,154	7,154
Miscellaneous	21,088	12,351	24,499	12,148
<i>Total Revenues</i>	<u>31,198,544</u>	<u>32,653,551</u>	<u>33,278,153</u>	<u>624,602</u>
Expenditures				
Current:				
Instruction:				
Regular	13,296,759	13,296,759	12,672,690	624,069
Special	2,771,951	2,771,951	2,707,312	64,639
Vocational	316,264	316,264	300,428	15,836
Student Intervention Services	2,610,713	2,610,713	2,463,188	147,525
Support Services:				
Pupils	2,109,131	2,109,131	2,029,814	79,317
Instructional Staff	1,989,103	1,989,103	1,891,853	97,250
Board of Education	49,119	49,119	49,119	0
Administration	3,184,986	3,184,986	3,049,896	135,090
Fiscal	895,302	879,941	830,554	49,387
Business	768,784	806,816	750,917	55,899
Operation and Maintenance of Plant	3,476,473	3,476,473	3,396,619	79,854
Pupil Transportation	867,372	867,372	867,372	0
Central	372,147	372,147	352,502	19,645
Operation of Non-Instructional Services	252	252	251	1
Extracurricular Activities	327,951	339,919	325,485	14,434
Capital Outlay	479,237	479,237	451,271	27,966
Debt Service:				
Principal Retirement	300,340	300,340	282,814	17,526
<i>Total Expenditures</i>	<u>33,815,884</u>	<u>33,850,523</u>	<u>32,422,085</u>	<u>1,428,438</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(2,617,340)</u>	<u>(1,196,972)</u>	<u>856,068</u>	<u>2,053,040</u>
Other Financing Sources (Uses)				
Advances In	170,765	200,000	182,200	(17,800)
Advances Out	(767,122)	(767,122)	(722,357)	44,765
<i>Total Other Financing Sources (Uses)</i>	<u>(596,357)</u>	<u>(567,122)</u>	<u>(540,157)</u>	<u>26,965</u>
<i>Net Change in Fund Balance</i>	(3,213,697)	(1,764,094)	315,911	2,080,005
<i>Fund Balance Beginning of Year</i>	1,996,298	1,996,298	1,996,298	0
Prior Year Encumbrances Appropriated	429,591	429,591	429,591	0
<i>Fund Balance (Deficit) End of Year</i>	<u>(\$787,808)</u>	<u>\$661,795</u>	<u>\$2,741,800</u>	<u>\$2,080,005</u>

See accompanying notes to the basic financial statements

Garfield Heights City School District
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2011

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$99,705</u>
Liabilities	
Due to Students	\$37,097
Undistributed Monies	<u>62,608</u>
<i>Total Liabilities</i>	<u>\$99,705</u>

See accompanying notes to the basic financial statements

Garfield Heights City School District

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

Note 1 - Description of the School District and Reporting Entity

Garfield Heights City School District (the School District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by State and Federal agencies. The Board of Education employs 196 classified employees, 244 certificated full and part-time teaching, tutor and nursing personnel, and 20 administrators who provide services to 4,000 students and other community members.

Reporting Entity

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

Non-public Schools - Within the School District 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 schools by the treasurer of the School District, as directed by the non-public school. These transactions are reported in a special revenue fund and as a governmental activity of the School District.

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

The School District is associated with three jointly governed organizations, one insurance purchasing pool and one shared risk pool. These organizations include the Lake-Shore Northeast Ohio Computer Association, Cuyahoga Valley Career Center, Ohio Schools' Council, Ohio School Boards Association Workers' Compensation Group Rating Program and Suburban Health Consortium. These organizations are presented in Notes 14 and 15 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

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

Garfield Heights City School District

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

Basis of Presentation

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

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

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

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

Fund Accounting

The School District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The School District has no proprietary funds.

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

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

Classroom Facilities Fund This capital projects fund accounts for financial resources restricted for the renovation and remodeling of classroom facilities.

Garfield Heights City School District

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

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

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

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

Measurement Focus

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

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

Basis of Accounting

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

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year in which the taxes are levied (See Note 8). Revenue from

Garfield Heights City School District

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

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

Cash and Cash Equivalents

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

During fiscal year 2011, investments were limited to U.S. Treasury capital, federal home loan bank notes, federal national mortgage association notes, federal home loan mortgage corporation notes, money market and STAR Ohio.

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

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

Garfield Heights City School District

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

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 2011 amounted to \$158,033, which includes \$111,600 assigned from other School District funds.

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

Capital Assets

The School District's only capital assets are general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

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

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

Description	Governmental Activities Estimated Lives
Land Improvements	15 - 20 years
Buildings and Improvements	10 - 50 years
Furniture and Fixtures	5 - 20 years
Vehicles	10 years
Textbooks	5 years

Interfund Balances

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

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer 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.

Garfield Heights City School District

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

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

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

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

Accrued Liabilities and Long-term Obligations

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

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

Internal Activity

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

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

Fund Balance

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

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

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

Garfield Heights City School District

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

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

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

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

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

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for non-public schools and extracurricular activities.

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

Operating Revenues and Expenses

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

Bond Issuance Costs

Bond issuance costs for underwriting fees and bond insurance for the 2006 refunding school improvement bonds are being amortized using the straight-line method over the life of the certificates on the government-wide statements. The straight-line method of amortization is not materially different from the effective-interest method.

Garfield Heights City School District

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

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

Bond Premiums and Discounts

On the government-wide financial statements, bond premiums and discounts are deferred and amortized over the term of the bonds using the straight line method. Bond premiums are presented as an increase of the face amount of the general obligation bonds payable. On fund financial statements, bond premiums are receipted in the year the bonds are issued. On the government-wide financial statements, bond discounts are presented as a decrease of the face amount of the general obligation bonds payable. On the fund financial statements, bond discounts are expended in the year the bonds are issued.

Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence.

Estimates

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

Budgetary Data

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original and final budgeted amounts in the budgetary statements reflect the amounts in the amended certificate when the original and final appropriations were passed by the Board of Education. Prior to June 30, the Board requested and received an amended certificate in which estimated revenue closely reflects actual revenue for the fiscal year.

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

Garfield Heights City School District

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

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

Changes in Accounting Principles

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

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

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

Restatement of Prior Year’s Fund Balance

The implementation of GASB Statement No. 54 had the following effect on fund balances of the major and nonmajor funds as they were previously reported.

	General	Classroom Facilities	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Fund Balance at June 30, 2010	\$2,103,861	\$58	\$1,520,869	\$3,653,173	\$7,277,961
Change in Fund Structure	80,302	0	0	(80,302)	0
Adjusted Fund Balance at June 30, 2010	<u>\$2,184,163</u>	<u>\$58</u>	<u>\$1,520,869</u>	<u>\$3,572,871</u>	<u>\$7,277,961</u>

During the year it was determined that long-term liabilities were overstated by \$1,628,668. This restatement increased net assets at June 30, 2010 from \$21,658,162 to \$23,286,830.

Note 4 – Fund Balances

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

Garfield Heights City School District

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

Fund Balances	General	Classroom Facilities	Bond Retirement	Other Governmental Funds	Total
<i>Restricted for</i>					
Teacher Development	\$3,318	\$0	\$0	\$9,430	\$12,748
Set-Asides	500,000	0	0	0	500,000
Food Service Operations	0	0	0	601,452	601,452
Technology Improvements	0	0	0	27,664	27,664
Classroom Facilities Maintenance	0	0	0	26,159	26,159
Athletics	0	0	0	46,597	46,597
Community Involvement	0	0	0	170,112	170,112
Non-Public Schools	0	0	0	19,023	19,023
Debt Service Payments	0	0	1,360,190	0	1,360,190
Capital Improvements	0	4,842,739	0	2,833,210	7,675,949
<i>Total Restricted</i>	503,318	4,842,739	1,360,190	3,733,647	10,439,894
<i>Assigned to</i>					
Other Purposes	544,787	0	0	0	544,787
<i>Unassigned (Deficit)</i>	1,336,837	0	0	(818,509)	518,328
<i>Total Fund Balances</i>	\$2,384,942	\$4,842,739	\$1,360,190	\$2,915,138	\$11,503,009

Note 5 - Accountability and Compliance

Accountability

Fund balances at June 30, 2011, included the following individual fund deficits:

Special Revenue Funds

Public Preschool	\$7,980
School Net Professional Development	1,041
Alternative Schools	19,504
Title VI-B	14,200
Federal Stimulus	10,608
Technology II-D Grant	2,731
Title I School Improvement	57,379
Title I Subsidy	498,910
Preschool Grant	33,899
Class Size Reduction	172,257

The special revenue funds deficit balances resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur.

Garfield Heights City School District

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

Compliance

The general fund had original appropriations in excess of original certifications plus beginning balances in the amount of \$787,808 contrary to section 5709.41, of the Ohio Revised Code. This oversight was identified and corrected by fiscal year end.

Note 6 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual presented for the general fund 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) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than restricted, committed or assigned fund balance (GAAP).
4. Investments are reported at cost (budget) rather than fair value (GAAP).
5. Advances-In and Advances Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements:

	Net Change in Fund Balance General Fund
	<u>General</u>
GAAP Basis	\$200,779
Net Adjustment for Revenue Accruals	223,782
Advances In	182,200
Beginning Fair Value Adjustment for Investments	(925)
Ending Fair Value Adjustment for Investments	192
Net Adjustment for Expenditure Accruals	1,029,685
Advances Out	(722,357)
Encumbrances	<u>(597,445)</u>
Budget Basis	<u><u>\$315,911</u></u>

Garfield Heights City School District

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

Note 7 - Deposits and Investments

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

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

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

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

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

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

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

Garfield Heights City School District

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

Investments

Investments are reported at fair value. As of June 30, 2011, the School District had the following investments:

Investment Type	Fair Value	Maturity	Standard and Poors Rating	Percentage of Total Investments
U.S Treasury Capital	\$274,637	Less than one year	AAAm	2.76 %
Federal Home Loan Bank Notes	364,591	Less than two years	AAAm	3.66
Federal National Mortgage Association Notes	767,298	Less than one year	AAAm	7.71
Federal Home Loan Mortgage Corporation Notes	680,138	Less than two years	AAAm	6.83
Money Market	7,858,796	Daily	AAAm	78.94
STAR Ohio	9,685	58.3 Days	N/A	N/A
Total Investments	<u>\$9,955,145</u>			

Interest Rate Risk. As a means of limiting its exposure to fair value losses caused by rising interest rates, the School District's investment policy requires that operating funds be invested primarily in short-term investments maturing within five years from the date of purchase and that the School District's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity. State statute limits investments in repurchase agreements to 30 days and the market value of the securities must exceed the principal value of the agreement by at least 2 percent and be marked to market daily.

Credit Risk. The U.S. Treasury Capital, Federal Home Loan Bank Notes, Federal National Mortgage Association Notes, Federal Home Loan Mortgage Corporation Notes, Money Market and STAR Ohio all carry a credit rating of AAAm by Standard and Poors. Ohio law requires that Star Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that addresses credit risk.

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

Note 8 – Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2011 represents collections of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed value listed as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the

Garfield Heights City School District

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

first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2011 represents collections of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien December 31, 2009, were levied after April 1, 2010 and are collected in calendar year 2011 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2010 (other than public utility property tax) represents the collection of 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing and equipment, furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

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

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

The amount available as an advance at June 30, 2011 was \$2,114,521 in the general fund, \$510,112 in the bond retirement fund and \$52,393 in the permanent improvements capital projects fund. The amount available as an advance at June 30, 2010 was \$2,133,795 in the general fund, \$528,241 in the bond retirement fund and \$52,758 in the permanent improvements capital projects fund.

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

Garfield Heights City School District

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

The assessed values upon which the fiscal year 2011 taxes were collected are:

	2010 Second Half Collections		2011 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$427,404,400	96.49%	\$428,284,750	97.10%
Public Utility Personal	8,393,690	1.89	8,588,720	1.95
General Business Personal	7,163,110	1.62	4,213,750	0.95
Total	\$442,961,200	100.00%	\$441,087,220	100.00%
Full Tax Rate per \$1,000 of assessed valuation	\$56.50		\$56.50	

Note 9 - Receivables

Receivables at June 30, 2011, consisted of taxes, payments in lieu of taxes, Ohio School Facilities Commission grant, accounts (contributions and other), tuition and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables, except for delinquent property taxes and the Ohio School Facilities Commission grant, are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

Intergovernmental Receivables	Amounts
Ohio School Facilities Commission	\$4,199,362
Title I Grant	320,600
Special Education Part B-IDEA Grant	80,555
Technology II-D Grant	74,815
Improving Teacher Quality Title II-A Grant	37,721
Early Childhood Education Grant	21,740
Alternative Schools Grant	1,511
Total	\$4,736,304

Garfield Heights City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

Note 10 - Interfund Balances

Funds:	Interfund Receivable	Interfund Payable
General Fund	\$933,657	\$0
Other Governmental Funds:		
Public Preschool	0	17,200
SchoolNet, Professional Development	0	1,050
Alternative Schools	0	5,843
Title VI-B	0	6,887
Federal Stimulus	0	77,503
Title I - School Improvement	0	104,000
Title I	0	572,779
Drug Free Schools	0	25,388
Classroom Size Reduction	0	123,007
<i>Total</i>	\$933,657	\$933,657

These loans were made to support programs and projects in various special revenue funds pending the receipt of grant money that will be used to repay the loans. These loans are expected to be repaid in one year.

Note 11 – Capital Assets

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

	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011
Capital Assets, not being depreciated				
Land	\$833,150	\$0	\$0	\$833,150
Construction in Progress	84,955	8,119,931	0	8,204,886
<i>Total Capital Assets, not being depreciated</i>	918,105	8,119,931	0	9,038,036
Capital Assets, being depreciated				
Land Improvements	1,195,728	0	0	1,195,728
Buildings and Improvements	57,355,824	0	0	57,355,824
Furniture and Fixtures	2,520,768	4,245	0	2,525,013
Vehicles	1,686,924	41,600	0	1,728,524
<i>Total Capital Assets, being depreciated</i>	62,759,244	45,845	0	62,805,089
Less: Accumulated Depreciation				
Land Improvements	(616,590)	(41,168)	0	(657,758)
Buildings and Improvements	(9,838,122)	(1,317,590)	0	(11,155,712)
Furniture and Fixtures	(1,813,502)	(98,925)	0	(1,912,427)
Vehicles	(1,246,189)	(104,518)	0	(1,350,707)
<i>Total Accumulated Depreciation</i>	(13,514,403)	(1,562,201) *	0	(15,076,604)
<i>Total Capital Assets, being depreciated, net</i>	49,244,841	(1,516,356)	0	47,728,485
<i>Governmental Activities Capital Assets, Net</i>	\$50,162,946	\$6,603,575	\$0	\$56,766,521

Garfield Heights City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

* Depreciation expense was charged to governmental functions as follows:

Instruction	
Regular	\$1,404,329
Special	1,018
Support Services	
Instructional Staff	6,202
Business	2,320
Operation and Maintenance of Plant	5,904
Pupil Transportation	106,272
Operation of Food Service	28,027
Extracurricular Activities	8,129
Total Depreciation Expense	<u>\$1,562,201</u>

Note 12 – Capital Leases

Equipment Lease

In prior years, the School District entered into leases for HVAC systems and telephone equipment. These lease obligations meet the criteria of a capital lease as defined by Financial Accounting Standards Board Statement Number 13, "Accounting for Leases," and have been recorded on the government-wide statements. The original amounts capitalized for the capital leases and the book value as of June 30, 2011 follows:

	<u>Amounts</u>
Asset:	
Equipment	\$4,969,694
Less: Accumulated depreciation	<u>(3,778,404)</u>
Current Book Value	<u>\$1,191,290</u>

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2011.

	<u>Amounts</u>
2012	\$607,307
2013	156,036
2014	147,724
2015	139,411
2016	139,411
2017-2019	<u>348,522</u>
Total Mimimum Lease Payments	1,538,411
Less: Amount representing interest	<u>(170,375)</u>
Present Value of Mimimum Lease Payments	<u>\$1,368,036</u>

Capital lease payments have been reclassified and reflected as debt service in the fund financial statements for the general fund and the vocational education special revenue fund. These expenditures are reflected as program expenditures on a budgetary basis.

Garfield Heights City School District

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

Building Leases

2003 Building Lease This capital lease obligation recorded on the government wide statements relates to the improvement of several buildings in the School District. As part of these agreements, Banc One Leasing Corporation, as lessor, deposited \$3,000,000 into the School District's account in 2003. The School District will be making annual sinking fund payments over a fifteen year period to Banc One Leasing Corporation, its escrow agent, which will invest the sinking fund dollars at an interest rate that will generate at least \$909,800 over the lease period, the difference between the sinking payments and the lease principal payment. It is the assumption of the School District that the money in the sinking fund will be invested and earn enough interest to allow the lease to be paid in full in March 2018.

The following is a schedule of the sinking fund payments required under the lease and escrow agreements:

Year Ending June 30	2003 Building Lease		
	Principal	Sinking fund Payments	Total Lease Payment
2012	\$0	\$149,300	\$149,300
2013	0	149,300	\$149,300
2014	0	149,300	\$149,300
2015	0	149,300	\$149,300
2016	0	149,300	\$149,300
2017-2018	3,000,000	149,300	\$3,149,300
Total	<u>\$3,000,000</u>	<u>\$895,800</u>	<u>\$3,895,800</u>

2004 Building Lease This capital lease obligation recorded on the government wide statements relates to the improvement of several buildings in the School District. As part of these agreements, Banc One Leasing Corporation, as lessor, deposited \$2,000,000 into the School District's account in 2004. The School District will be making annual interest and sinking fund payments over a fourteen year period to Banc One Leasing Corporation, its escrow agent, which will pay the annual interest and invest the sinking fund dollars at an interest rate that will generate at least \$482,720 over the lease period, the difference between the sinking payments and the lease principal payment. It is the assumption of the School District that the money in the sinking fund will be invested and earn enough interest to allow the lease to be paid in full in September 2018.

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

	Amounts
2012	\$133,514
2013	133,514
2014	133,514
2015	133,514
2016	133,514
2017-2018	2,150,314
Total Mimimum Lease Payments	2,817,884
Less: Amount representing interest	(817,884)
Present Value of Mimimum Lease Payments	<u>\$2,000,000</u>

Garfield Heights City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

The following is a schedule of the interest and sinking fund payments required under the lease and escrow agreements:

Fiscal Year Ending June 30	2004 Building Lease			
	Serial Bonds		Sinking Fund	Total Lease
	Principal	Interest	Payment	Payment
2012	\$0	\$16,800	\$116,714	\$133,514
2013	0	16,800	116,714	133,514
2014	0	16,800	116,714	133,514
2015	0	16,800	116,714	133,514
2016	0	16,800	116,714	133,514
2017 - 2018	2,000,000	33,600	233,428	2,267,028
Total	<u>\$2,000,000</u>	<u>\$117,600</u>	<u>\$816,998</u>	<u>\$2,934,598</u>

Note 13 – Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2011 were as follows:

	Principal Outstanding June 30, 2010	Additions	Deductions	Principal Outstanding June 30, 2011	Amount Due in One Year
Governmental Activities					
General Obligation Bonds					
2001 School Improvement Bonds					
Serial Bonds	\$4,330,000	\$0	(\$1,315,000)	\$3,015,000	\$850,000
Capital Appreciation Bonds	342,275	0	0	342,275	0
Accretion	571,034	111,604	0	682,638	0
Total 2001 School Improvement Bonds	<u>5,243,309</u>	<u>111,604</u>	<u>(1,315,000)</u>	<u>4,039,913</u>	<u>850,000</u>
2004 School Improvement Bonds					
Serial Bonds	3,030,000	0	(150,000)	2,880,000	385,000
Term Bonds	4,400,000	0	0	4,400,000	0
Unamortized Premium	147,396	0	(2,790)	144,606	0
Capital Appreciation Bonds	495,000	0	0	495,000	0
Accretion	288,693	57,787	0	346,480	0
Total 2004 School Improvement Bonds	<u>8,361,089</u>	<u>57,787</u>	<u>(152,790)</u>	<u>8,266,086</u>	<u>385,000</u>
2006 Energy Conservation Improvement Bonds					
Serial Bonds	1,620,000	0	(120,000)	1,500,000	130,000
Unamortized Premium	31,731	0	(3,022)	28,709	0
Total 2006 School Improvement Bonds	<u>1,651,731</u>	<u>0</u>	<u>(123,022)</u>	<u>1,528,709</u>	<u>130,000</u>
2006 Refunding Bonds					
Serial Bonds	22,935,000	0	(135,000)	22,800,000	140,000
Capital Appreciation Bonds	1,179,991	0	0	1,179,991	0
Accretion	599,990	224,839	0	824,829	0
Term Bonds	6,355,000	0	0	6,355,000	0
Unamortized Premium	2,070,617	0	(121,801)	1,948,816	0
Unamortized Refunding Loss	(1,667,310)	0	98,077	(1,569,233)	0
Total 2006 Refunding Bonds	<u>31,473,288</u>	<u>224,839</u>	<u>(158,724)</u>	<u>31,539,403</u>	<u>140,000</u>
<i>Total General Obligation Bonds</i>	<u>\$46,729,417</u>	<u>\$394,230</u>	<u>(\$1,749,536)</u>	<u>\$45,374,111</u>	<u>\$1,505,000</u>

Garfield Heights City School District

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

Governmental Activities Continued	Principal Outstanding June 30, 2010	Additions	Deductions	Principal Outstanding June 30, 2011	Amount Due in One Year
Other Long-term Obligations					
Compensated Absences	\$4,373,523	\$444,661	(\$306,002)	\$4,512,182	\$309,874
Early Retirement Incentive	35,000	69,998	(11,665)	93,333	35,000
Capital Leases	5,275,234	0	(801,880)	4,473,354	825,533
<i>Total Other Long-term Obligations</i>	<u>9,683,757</u>	<u>514,659</u>	<u>(1,119,547)</u>	<u>9,078,869</u>	<u>1,170,407</u>
<i>Total Governmental Activities</i>					
<i>Long-Term Liabilities</i>	<u>\$56,413,174</u>	<u>\$908,889</u>	<u>(\$2,869,083)</u>	<u>\$54,452,980</u>	<u>\$2,675,407</u>

General obligation bonds will be paid from the general obligation bond retirement fund. Compensated absences will be paid from the general fund and the food service, auxiliary services, public school preschool, preschool, alternative school, title VI-B, title I and classroom reduction special revenue funds. The early retirement incentive will be paid from the general fund. Capital leases will be paid from the general fund and the permanent improvement capital projects fund.

2001 School Improvement Bonds

On November 19, 2001, the School District issued \$41,497,275 school improvement bonds for the purpose of converting the existing high school to a middle school and various other renovations throughout the School District. These bonds were partially refunded on October 4, 2006. Interest payments at rates ranging from 3 percent to 5.5 percent are due on June 1 and December 1 of each year, until the principal amount is paid. After the refunding, the bond issue consists of \$6,800,000 of serial bonds and \$342,275 of capital appreciation bonds.

The serial bonds were issued for a ten year period with a final maturity of December 15, 2017.

The capital appreciation bonds remained outstanding at June 30, 2011. The capital appreciation bonds were originally sold at a discount of \$1,382,725, which is being accreted annually until the point of maturity of the capital appreciation bonds, which is 2016.

The maturity amount of outstanding capital appreciation bonds at June 30, 2011 is \$342,275. The accretion recorded for 2011 was \$111,604, for a total outstanding bond liability of \$1,024,913 at June 30, 2011.

2004 School Improvement Bonds

On January 15, 2004, the School District issued \$10,500,000 school improvement bonds for the purpose of improving various buildings throughout the School District. The bonds were issued at a premium of \$192,290. Interest payments at rates ranging from 2 percent to 7.284 percent are due on June 15 and December 15 of each year, until the principal amount is paid. The bond issue consists of \$5,605,000 of serial bonds, \$495,000 of capital appreciation bonds and \$4,400,000 of term bonds.

The serial bonds were issued for a six year period with a final maturity date of December 15, 2011.

The capital appreciation bonds remained outstanding at June 30, 2011. The capital appreciation bonds were originally sold at a discount of \$455,000, which is being accreted annually until the point of maturity of the capital appreciation bonds, which is 2013 through 2014.

Garfield Heights City School District

*Notes to the Basic Financial Statements
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The maturity amount of outstanding capital appreciation bonds at June 30, 2011 is \$495,000. The accretion recorded for 2011 was \$57,787, for a total outstanding bond liability of \$841,480 at June 30, 2011.

The term bonds maturing on December 15, 2020, 2022, 2026 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 15 in the years and in the respective principal amounts as follows:

Year	Issue		
	\$1,530,000	\$1,655,000	\$1,215,000
2020	\$750,000	\$0	\$0
2022	0	810,000	0
2026	0	0	540,000
Total	\$750,000	\$810,000	\$540,000
Stated Maturity	12/15/2020	12/15/2022	12/15/2026

The remaining principal amount of the term bonds (\$780,000, \$845,000 and \$675,000) will mature at the stated maturity.

2006 Energy Conservation Improvement Bonds

On July 14, 2005, the School District issued \$2,050,000 energy conservation improvement bonds for the purpose of installing, modifying and remodeling school buildings to conserve energy. The bonds were issued at a premium of \$83,354. The bonds mature on June 1 and December 1 of each of the years 2005 through 2020. Interest payments of 4.8 percent per year are due on June 1 and December 1 of each year, until the principal amount is paid.

2006 Refunding Bonds

On October 4, 2006, the School District issued \$31,339,991 refunded general obligation bonds for the purpose of refunding \$31,340,000 of the School District's outstanding 2001 school improvement bonds. The refunding bonds mature on December 15 of each of the years 2006 through 2026. Interest payments, at rates ranging from 4 percent to 12.26 percent per year are payable on June 15 and December 15 of each year, until the principal amount is paid.

The bonds were sold at a premium of \$2,245,438. Net proceeds of \$31,148,071 were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, \$31,340,000 of these bonds is considered defeased and the liability for the refunded bonds have been removed from the School District's financial statements.

The School District decreased its total debt service payments by \$525,253 as a result of the advance refunding. The School District also incurred an economic gain (difference between the present values of the old and new debt service payments) of \$926,115.

The bond issue consists of \$23,805,000 of serial bonds, \$1,179,991 of capital appreciation bonds and \$6,355,000 of term bonds.

The serial bonds were issued for a six year period with a final maturity date of December 15, 2024.

Garfield Heights City School District

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

The capital appreciation bonds remained outstanding at June 30, 2011. The capital appreciation bonds were originally sold at a discount of \$1,445,009, which is being accreted annually until the point of maturity of the capital appreciation bonds, which is 2013 through 2014.

The maturity amount of outstanding capital appreciation bonds at June 30, 2011 is \$1,179,991. The accretion recorded for 2011 was \$224,839, for a total outstanding bond liability of \$2,004,820 at June 30, 2011.

The term bonds maturing on December 15, 2026, are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

	Issue
Year	<u>\$6,355,000</u>
2025	\$4,410,000
Stated Maturity	12/15/2026

The remaining principal amount of the term bonds (\$1,945,000) will mature at the stated maturity.

The overall debt margin of the School District as of June 30, 2011 was \$7,948,052 with an unvoted debt margin of \$436,873.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2011 are as follows:

Fiscal Year Ending June 30	School Improvement Bonds					
	Serial Bonds		Capital Appreciation Bonds		Term Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$1,505,000	\$1,527,845	\$0	\$0	\$0	\$0
2013	135,000	1,497,766	900,780	904,220	0	0
2014	140,000	1,491,166	774,211	995,789	0	0
2015	2,180,000	1,472,576	0	0	0	0
2016	605,000	1,445,251	342,275	1,382,725	0	0
2017 - 2021	12,410,000	5,941,708	0	0	1,530,000	451,246
2022 - 2026	13,220,000	4,131,088	0	0	6,605,000	509,840
2027 - 2030	0	0	0	0	2,620,000	56,097
Total	<u>\$30,195,000</u>	<u>\$17,507,400</u>	<u>\$2,017,266</u>	<u>\$3,282,734</u>	<u>\$10,755,000</u>	<u>\$1,017,183</u>

Fiscal Year Ending June 30	School Improvement Bonds	
	Total	
	Principal	Interest
2012	\$1,505,000	\$1,527,845
2013	1,035,780	2,401,986
2014	914,211	2,486,955
2015	2,180,000	1,473,576
2016	947,275	2,827,976
2017 - 2021	13,940,000	6,801,395
2022 - 2026	19,825,000	4,640,928
2027 - 2030	2,620,000	56,097
Total	<u>\$42,967,266</u>	<u>\$22,216,758</u>

Garfield Heights City School District

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

Note 14 - Jointly Governed Organizations

Lake-Shore Northeast Ohio Computer Association (LNOCA)

The Lakeshore Northeast Ohio Computer Association (LNOCA) is a jointly governed computer service bureau that was formed for the purpose of providing data services to the eleven member districts. Major areas of service provided by LNOCA include accounting, payroll, inventory, career guidance services, handicapped student tracking, pupil scheduling, attendance reporting and grade reporting. Each school is represented on the LNOCA Board of Directors by its superintendent. Each year, the Board of Directors elects a Chairman, a Vice Chairman and a Recording Secretary. The Treasurer of the fiscal agent is a nonvoting, ex-officio member of the Board of Directors. The Cuyahoga County Educational Service Center serves as the fiscal agent of LNOCA. Each school district supports LNOCA based upon a per pupil charge dependent upon the software packages used. In fiscal year 2011, the School District paid \$114,359 to LNOCA. Financial information can be obtained by contacting the Treasurer of the fiscal agent at 5700 West Canal Road, Valley View, Ohio 44125.

Cuyahoga Valley Career Center

The Cuyahoga Valley Career Center (a joint vocational school district) is a distinct political subdivision of the State of Ohio operated under the direction of a Board, consisting of representatives from each participating school district's elected board, which possess its own budgeting and taxing authority. Accordingly, the Cuyahoga Valley Career Center is not part of the School District and its operations are not included as part of the reporting entity. The School District made no contributions to the Cuyahoga Valley Career Center during fiscal year 2011. Financial information can be obtained by contacting the Treasurer at the Cuyahoga Valley Career Center, 8001 Brecksville Road, Brecksville, Ohio 44141.

Ohio Schools' Council

The Ohio Schools Council (Council) is a jointly governed organization among 158 school districts. The jointly governed organization was created by school districts for the purpose of saving money through volume purchases. Each district supports the Council by paying an annual participation fee. Each school district member's superintendent serves as a representative of the Assembly. The Assembly elects five of the Council's Board members and the remaining four are representatives of the Greater Cleveland School Superintendents' Association. The Council operates under a nine-member Board of Directors (the Board). The Board is the policy making authority of the Council. The Board meets monthly September to June. The Board appoints an Executive Director who is responsible for receiving and disbursing funds, investing available funds, preparing financial reports for the Board and Assembly and carrying out such other responsibilities as designated by the Board. In fiscal year 2011, the School District paid \$130,766 to the Council. Financial information can be obtained by contacting Dr. David A. Cottrell, the Executive Director of the Ohio Schools' Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

The School District participates in the natural gas purchase program. This program allows the School District to purchase natural gas at reduced rates. There are currently 139 participants in the program including the Garfield Heights School District. The participants make monthly payments based on estimated usage. Each September, these estimated payments are compared to their actual usage for the year (July to June). Districts that paid more in estimated billings than their actual billings are issued credits on future billings beginning in September until the credits are exhausted and districts that did not pay enough on estimated billings are invoiced for the difference on the September monthly estimated billing.

Garfield Heights City School District

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

Note 15 – Public Entity Risk Pools

Insurance Purchasing Pool

The School District participates in the Ohio School Boards Association 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 Executive 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.

Suburban Health Consortium

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

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

Any Consortium Member wishing to withdraw from participation in the Consortium or any benefit program shall notify the Fiscal Agent at least one hundred eighty (180) days prior to the effective date of withdrawal. Upon withdrawal of a Consortium Member, the Consortium shall pay the run out of all claims for such Consortium Member provided such Consortium Member has paid to the Consortium, prior to the effective date of withdrawal a withdrawal fee in the amount equal to two months' premiums at the Consortium Member's current rate. Payment of the withdrawal fee does not extend insurance coverage for two months.

Garfield Heights City School District

*Notes to the Basic Financial Statements
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Upon automatic withdrawal, for non-payment of premiums required by the Consortium Agreement, the Consortium shall pay the run out of all claims for such Consortium Member provided that the Consortium has received from such Consortium Member all outstanding and unpaid premiums and other amounts and the withdrawal fee equal to two months' premiums at the Consortium Member's current rates. Any Consortium Member which withdraws from the Consortium pursuant to the Consortium Agreement shall have no claim to the Consortium's assets. Financial information for the Consortium can be obtained from the Treasurer of the North Royalton City School District (the Fiscal Agent) at 6579 Royalton Road, North Royalton, Ohio 44133.

Note 16 - Risk Management

Workers' Compensation

For fiscal year 2011, the School District pays its workers' compensation premium to the State based on the rate determined by the Ohio Bureau of Worker's Compensation. The firm of Careworks provides administrative and cost controls to the district.

Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2011, the School District contracted with Ohio Casualty Insurance Company for building and contents, boiler and machinery, crime insurance, general liability and vehicle insurance. The coverage amounts are:

Type of Coverage	Deductible	Coverage
Building and Contents	\$2,500	\$101,522,512
Crime Insurance	500	50,000
Bodily Injury and Property Damage	0	1,000,000
Uninsured-Underinsured Motorists	0	1,000,000
Inland Marine	250	1,530,221
Comprehensive Automobile Liability	250	1,000,000
Collision Automobile Liability	500	1,000,000
Pollution Liability	0	1,000,000
General Liability (per occurrence)	1,000	1,000,000
General Liability (in aggregate)	0	3,000,000
Errors and Omissions	2,500	1,000,000
Sexual Misconduct	0	1,000,000

Note 17 – Defined Benefit Pension Plans

School Employees Retirement System

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

Garfield Heights City School District

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2011, the allocation to pension and death benefits was 11.81 percent. The remaining 2.19 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$745,953, \$980,168 and \$676,701, respectively. For fiscal year 2011, 38.66 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

State Teachers Retirement System

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

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

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

Garfield Heights City School District

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The School District's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$2,154,403 and \$28,825 for the fiscal year ended June 30, 2011, \$2,256,236 and \$24,513 for the fiscal year ended June 30, 2010 and \$2,076,719 and none for the fiscal year ended June 30, 2009. For fiscal year 2011, 81.45 percent has been contributed for the DB plan and 81.45 percent has been contributed for the Combined Plan, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

Contributions made to STRS Ohio for the DC Plan for fiscal year 2011 were \$39,063 made by the School District and \$27,902 made by the plan members. In addition, member contributions of \$20,589 were made for fiscal year 2011 for the defined contribution portion of the Combined Plan.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2011, all the members of the Board of Education have elected Social Security. The Board's liability is 14 percent of wages paid.

Note 18 – Postemployment Benefits

School Employee Retirement System

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2011, 1.43 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2011, this amount was \$35,800. During fiscal year 2011, the School District paid \$79,329 in surcharge.

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

The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010 and 2009 were \$90,323, \$35,280 and \$309,689, respectively. For fiscal year 2011, 38.66 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

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The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2011, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010 and 2009, were \$48,004, \$58,289 and \$55,833 respectively. For fiscal year 2011, 38.66 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010 and 2009 were \$161,445, \$167,504 and \$159,748 respectively. For fiscal year 2011, 81.45 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

Note 19 - Other Employee Benefits

Compensated Absences

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

Vacation Leave Classified employees accumulate vacation leave depending upon length of service. Vacation days are credited to classified employees on the anniversary of their employment. 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 in accordance with negotiated agreement not to exceed 77 days, calculated at current wage rates, upon retirement.

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. Unused personal leave rolls over to sick leave in the next fiscal year.

Garfield Heights City School District

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

Life Insurance Benefits

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

Health Insurance Benefits

The School District provides employee medical and prescription drug insurance through Medical Mutual of Ohio. Employees contribute \$25 per month, regardless of full time or part-time status. The insurance plans include no deductibles for family or single coverage, with the exception of \$50 for emergency room services.

Retirement Incentive

Certified Employees Any bargaining unit member who first becomes eligible for retirement during a school year, as defined below, accrues the right to an additional 100 days of severance pay at a per diem rate of \$350 if they actually retire between the end of the school year and July 10 of the school year in which the employee first becomes eligible. Any eligible employee who wishes to participate in this incentive must elect to participate by providing written notice to the Superintendent's office prior to March 1st of the school year in which they retire. A bargaining unit member shall be eligible for this incentive to retire when they first meet any one of the following three criteria as defined by State Teachers Retirement System's criteria for retirement eligibility:

1. Any age with 30 or more years of service credit; or
2. Age 55 or older with 25 or more years of service credit; or
3. Age 60 or older with five or more years of service credit.

Half payment will be made in one lump sum within sixty days after proof of retirement, and half deferred to July 1st after the calendar year in which they retire.

Classified Employees A bargaining unit member shall be eligible for the Early Retirement Incentive Program on the date they become eligible under one of the School Employees Retirement System's criteria. This criteria is defined as:

1. At least five years of service for a pension at 60 or later;
2. At least 25 years of service to retire between 55 and 60; or
3. At least 30 years of service to retire at any age.

The first time a bargaining unit member becomes eligible to retire, they shall receive 100 percent of the retirement incentive amount if they elect to retire at that time as shown on the schedule. The second time a bargaining unit member becomes eligible to retire; they shall receive fifty percent of the retirement incentive amount if they elect to retire at that time. If a bargaining unit member passes on the first two eligibility criterion, they will no longer be eligible for the incentive. The retirement incentive amounts are determined using the retired employee's current base salary for classification and years of service. Any eligible employee who wishes to participate in this incentive program must elect in writing stating they want to participate prior to the school year end in which they retire. This incentive will be payable in two payments on or near July 1st following their retirement date.

Garfield Heights City School District

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

Note 20 - Contingencies

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, 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, 2011.

Litigation

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

Note 21 - Set Asides

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year 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 change in the fiscal year end set aside amounts for textbooks, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute.

	Budget Stabilization	Capital Improvements	Textbooks/ Instructional Materials
Set-Aside Reserve Balance as of June 30, 2010	\$500,000	\$0	(\$1,622,090)
Current Year Set-aside Requirement	0	598,464	598,464
Offsets	0	(128,854)	0
Qualifying Disbursements	0	(8,039,742)	(165,793)
Total	<u>\$500,000</u>	<u>(\$7,570,132)</u>	<u>(\$1,189,419)</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$500,000</u>	<u>\$0</u>	<u>\$0</u>
Set-aside Reserve Balance as of June 30, 2011	<u>\$500,000</u>	<u>\$0</u>	<u>\$0</u>

The School District had qualifying disbursements during the fiscal year that reduced the textbook set-aside amount below zero. Effective July 1, 2011, the textbook set aside is no longer required and has been removed from existing law. This negative balance is therefore not presented as being carried forward to a future fiscal year. Although the School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement of future years. This negative balance is therefore not presented as being carried forward to future years.

Garfield Heights City School District

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

Note 22 – Contractual Commitments

At June 30, 2011, the School District's significant contractual commitments consisted of:

<u>Project</u>	<u>Contract Amount</u>	<u>Amount Paid to date</u>	<u>Remaining Contract</u>
Maple Leaf Renovation/Addition	\$7,143,554	\$4,066,510	\$3,077,044
Elmwood Renovation	5,802,935	4,115,834	1,687,101
Design Services	1,073,328	933,795	139,533
	<u>\$14,019,817</u>	<u>\$9,116,139</u>	<u>\$4,903,678</u>

**GARFIELD HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

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

FEDERAL GRANTOR <i>Pass Through Grantor</i>	Federal CFDA		Non-Cash		Non-Cash
Program Title	Number	Receipts	Receipts	Expenditures	Expenditures
U.S. DEPARTMENT OF AGRICULTURE					
<i>Passed Through Ohio Department of Education</i>					
Nutrition Cluster:					
School Breakfast Program	10.553	\$243,432	\$0	\$243,432	\$0
School Lunch Program	10.555	675,888	52,032	675,888	52,032
Total Nutrition Cluster		<u>919,320</u>	<u>52,032</u>	<u>919,320</u>	<u>52,032</u>
Total U.S. Department of Agriculture		<u>919,320</u>	<u>52,032</u>	<u>919,320</u>	<u>52,032</u>
U.S. DEPARTMENT OF EDUCATION					
<i>Passed Through Ohio Department of Education</i>					
Title I Cluster					
Title I Grants to Local Educational Agencies	84.010	628,849	0	968,364	0
School Improvement Subsidy A, Title I	84.010	0	0	18,301	0
School Improvement Subsidy G, Title I	84.377	42,961	0	16,546	0
ARRA - Title I Grants to Local Educational Agencies	84.389	161,375	0	184,347	0
Total Title I		<u>833,185</u>	<u>0</u>	<u>1,187,558</u>	<u>0</u>
Special Education Cluster:					
Special Education--Grants to States (IDEA, Part B)	84.027	1,135,046	0	951,070	0
ARRA - Special Education--Grants to States (IDEA, Part B)	84.391	367,259	0	382,714	0
Total Special Education--Grants to States (IDEA, Part B)		<u>1,502,305</u>	<u>0</u>	<u>1,333,784</u>	<u>0</u>
Special Education--Preschool Grants	84.173	24,311	0	25,092	0
ARRA - Special Education--Preschool Grants	84.392	0	0	1,661	0
Total Special Education--Preschool Grants		<u>24,311</u>	<u>0</u>	<u>26,753</u>	<u>0</u>
Total Special Education Cluster		<u>1,526,616</u>	<u>0</u>	<u>1,360,537</u>	<u>0</u>
Safe and Drug-Free Schools and Communities	84.186	10,525	0	10,587	0
Safe and Drug-Free Schools and Communities - Cleveland Diocese	84.186	157,708	0	4,170	0
Total Safe and Drug-Free Schools and Communities		<u>168,233</u>	<u>0</u>	<u>14,757</u>	<u>0</u>
Education Technology (Title II, Part D)	84.318	5,140	0	6,426	0
ARRA - Education Technology (Title II, Part D)	84.386	151,827	0	223,816	0
Total Education Technology (Title II, Part D)		<u>156,967</u>	<u>0</u>	<u>230,242</u>	<u>0</u>
Improving Teacher Quality (Title II-A)	84.367	94,309	0	136,507	0
Improving Teacher Quality (Title II-A) - Cleveland Diocese	84.367	342,064	0	343,528	0
Total Improving Teacher Quality (Title II-A)		<u>436,373</u>	<u>0</u>	<u>480,035</u>	<u>0</u>
ARRA - State Fiscal Stabilization Fund (SFSF)	84.394	1,370,113	0	1,360,033	0
Total U.S. Department of Education		<u>4,491,487</u>	<u>0</u>	<u>4,633,162</u>	<u>0</u>
Total		<u><u>\$5,410,807</u></u>	<u><u>\$52,032</u></u>	<u><u>\$5,552,482</u></u>	<u><u>\$52,032</u></u>

The accompanying notes are an integral part of this schedule.

**GARFIELD HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

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

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C - CHILD NUTRITION CLUSTER

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

NOTE D – FOOD DONATION PROGRAM

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

CFDA – Catalog of Federal Domestic Assistance



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Garfield Heights City School District, Cuyahoga County, Ohio (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 19, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-01 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

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

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

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

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



Dave Yost
Auditor of State

March 19, 2012



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

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

To the Board of Education:

Compliance

We have audited the compliance of 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 could directly and materially affect each of the Garfield Heights City School District's major federal programs for the year ended June 30, 2011. The *summary of auditor's results* section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the Government's compliance based on our audit.

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

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

Internal Control Over Compliance

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

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

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

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



Dave Yost
Auditor of State

March 19, 2012

**GARFIELD HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	Special Education Cluster: 84.027 & 84.391- Special Education: Grants to States (IDEA, PART B) 84.173 & 84.392- Special Education-Preschool Grants 84.394- State Fiscal Stabilization Fund
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**GARFIELD HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011
(Continued)**

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

FINDING NUMBER 2011-01

Proper Reporting of Financial Statements – Material Weakness

Sound financial reporting is the responsibility of the Treasurer and the Board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

During our testing of unrecorded liabilities we noted contracts payable was understated by \$849,119 in the Classroom Facilities Fund resulting in an adjustment to the financial statements.

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

We recommend the Board adopt policies and procedures for controls over recording of financial transactions and over financial reporting to help ensure the information accurately reflects the activity of the Council and thereby increasing the reliability of the financial data throughout the year.

Official's Response:

During the fiscal year 2011 conversion to an accrual financial reporting basis, various contracts payable were inadvertently not recorded. This resulted in an understatement of this amount in the Classroom Facilities fund on a modified accrual basis. On a full accrual basis this amount was offset by an equal Construction in Progress addition that increased assets. Therefore, on a full accrual basis there was no effect to Total Net Assets.

For the fiscal year 2012 conversion, the District has implemented procedures to ensure the inclusion of all payables.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None



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Independent Accountants' Report on Applying Agreed-Upon Procedure

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether [insert name of school district] (the District [replace with School for community schools]) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

We noted the Board amended its anti-harassment policy at its meeting on November 15, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

March 19, 2012

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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
APRIL 17, 2012**