

**GARFIELD HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 1999

GARFIELD HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

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STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

Lausche Building, 12th Floor
615 Superior Avenue, NW
Cleveland, Ohio 44113
Telephone 216-787-3665
800-626-2297
Facsimile 216-787-3361
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

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

We have audited the accompanying general-purpose financial statements of the Garfield Heights City School District, Cuyahoga County, Ohio, (the District) as of and for the year ended June 30, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Garfield Heights City School District, Cuyahoga County, Ohio, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2000 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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



Jim Petro
Auditor of State

February 24, 2000

GARFIELD HEIGHTS CITY SCHOOL DISTRICT
 COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 1999

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<u>Assets and Other Debits</u>				
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$ 2,225,223	\$ 941,653	\$ 0	\$ 509,742
Restricted Assets	291,600	0	0	0
Investments	258,000	0	0	0
Receivables:				
Taxes	13,464,373	0	95,312	337,647
Accounts	11,166	0	0	0
Intergovernmental	11,546	36,066	0	0
Accrued Interest	27,951	954	0	0
Interfund	66,900	0	0	0
Students	0	0	0	0
Materials and Supplies Inventory	2,881	4,098	0	0
Fixed Assets (Net, where Applicable, of Accumulated Depreciation)	0	0	0	0
<u>Other Debits</u>				
Amount to be Provided for General Long-Term Obligations	0	0	0	0
Total Assets and Other Debits	\$ 16,359,640	\$ 982,771	\$ 95,312	\$ 847,389

See the accompanying notes to the general purpose financial statements.

<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Types</u>	<u>Account Groups</u>		<u>Totals (Memorandum Only)</u>
<u>Enterprise</u>	<u>Internal Service</u>	<u>Trust And Agency</u>	<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
\$ 160,286	\$ 434,614	\$ 10,857	\$ 0	\$ 0	\$ 4,282,375
0	0	0	0	0	291,600
0	0	0	0	0	258,000
0	0	0	0	0	13,897,332
0	0	0	0	0	11,166
62,860	0	0	0	0	110,472
0	0	0	0	0	28,905
0	0	0	0	0	66,900
0	0	1,410	0	0	1,410
0	0	0	0	0	6,979
6,186	0	0	12,002,876	0	12,009,062
0	0	0	0	3,561,191	3,561,191
<u>\$ 229,332</u>	<u>\$ 434,614</u>	<u>\$ 12,267</u>	<u>\$ 12,002,876</u>	<u>\$ 3,561,191</u>	<u>\$ 34,525,392</u>

(Continued)

GARFIELD HEIGHTS CITY SCHOOL DISTRICT
 COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
 (CONTINUED)
 JUNE 30, 1999

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<u>Liabilities, Fund Equity and Other Credits</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 237,042	\$ 395,416	\$ 0	\$ 99,852
Accrued Wages and Benefits	2,076,601	105,010	0	0
Compensated Absences Payable	32,584	3,844	0	0
Claims Payable	0	0	0	0
Deferred Revenue	11,593,930	0	95,312	282,301
Intergovernmental Payable	364,756	2,005	0	0
Interfund Payable	0	5,000	0	56,000
Pension Obligation Payable	0	0	0	0
Matured Bonds Payable	0	0	0	0
Total Liabilities	14,304,913	511,275	95,312	438,153
<u>Fund Equity and Other Credits</u>				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Budget Stabilization	291,600	0	0	0
Reserved for Encumbrances	187,548	191,764	0	355,402
Reserved for Inventory	2,881	4,098	0	0
Reserved for Property Taxes	1,770,323	0	0	55,346
Unreserved:				
Undesignated	(197,625)	275,634	0	(1,512)
Total Fund Equity and Other Credits	2,054,727	471,496	0	409,236
Total Liabilities, Fund Equity and Other Credits	\$ 16,359,640	\$ 982,771	\$ 95,312	\$ 847,389

See accompanying notes to the general purpose financial statements.

<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Types</u>	<u>Account Groups</u>		<u>Totals (Memorandum Only)</u>
<u>Enterprise</u>	<u>Internal Service</u>	<u>Trust And Agency</u>	<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
\$ 37,587	\$ 22,452	\$ 708	\$ 0	\$ 0	\$ 793,057
6,477	0	0	0	0	2,188,088
32,537	0	0	0	3,111,929	3,180,894
0	177,378	0	0	0	177,378
0	0	0	0	0	11,971,543
19,840	0	0	0	41,946	428,547
0	0	5,900	0	0	66,900
0	0	0	0	162,316	162,316
0	0	0	0	245,000	245,000
<u>96,441</u>	<u>199,830</u>	<u>6,608</u>	<u>0</u>	<u>3,561,191</u>	<u>19,213,723</u>
0	0	0	12,002,876	0	12,002,876
132,891	234,784	0	0	0	367,675
0	0	0	0	0	291,600
0	0	0	0	0	734,714
0	0	0	0	0	6,979
0	0	0	0	0	1,825,669
0	0	5,659	0	0	82,156
<u>132,891</u>	<u>234,784</u>	<u>5,659</u>	<u>12,002,876</u>	<u>0</u>	<u>15,311,669</u>
<u>\$ 229,332</u>	<u>\$ 434,614</u>	<u>\$ 12,267</u>	<u>\$ 12,002,876</u>	<u>\$ 3,561,191</u>	<u>\$ 34,525,392</u>

GARFIELD HEIGHTS CITY SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
 AND SIMILAR TRUST FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999

	Governmental Fund Types				Fiduciary	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues						
Taxes	\$ 12,375,571	\$ 0	\$ 83,125	\$ 306,050	\$ 0	\$ 12,764,746
Intergovernmental	8,092,142	3,479,176	11,875	132,485	0	11,715,678
Tuition	23,349	0	0	0	0	23,349
Transportation Fees	0	0	0	0	0	0
Earnings on Investments	250,233	23,124	0	20,000	0	293,357
Food Services	0	28,206	0	0	0	28,206
Extracurricular Activities	0	194,557	0	0	0	194,557
Classroom Materials and Fees	0	35	0	0	0	35
Charges for Services	109,340	0	0	0	0	109,340
Miscellaneous	71,861	55,913	0	0	7,159	134,933
Total Revenues	20,922,496	3,781,011	95,000	458,535	7,159	25,264,201
Expenditures						
Instruction	11,982,023	737,347	0	11,956	0	12,731,326
Support Services:						
Pupils	1,276,866	346,186	0	0	0	1,623,052
Instructional Staff	539,221	277,472	0	331	0	817,024
Board of Education	40,293	0	0	0	0	40,293
Administration	1,824,270	46,441	0	0	500	1,871,211
Fiscal	584,339	5,502	0	1,263	0	591,104
Business	307,808	0	0	0	0	307,808
Operation and Maintenance						
of Plant Services	2,488,648	0	0	318,824	0	2,807,472
Pupil Transportation	598,555	0	0	0	0	598,555
Central	96,565	500	0	76,528	0	173,593
Operation of Non- Instructional Services	0	2,105,614	0	0	1,000	2,106,614
Extracurricular Activities	324,078	293,422	0	0	0	617,500
Debt Service:						
Principal Retirement	0	0	75,000	0	0	75,000
Interest and Fiscal Charges	0	0	20,000	0	0	20,000
Total Expenditures	20,062,666	3,812,484	95,000	408,902	1,500	24,380,552
Excess of Revenues Over (Under) Expenditures	859,830	(31,473)	0	49,633	5,659	883,649
Other Financing Sources (Uses)						
Operating Transfers In	0	61,500	0	15	0	61,515
Operating Transfers Out	(121,515)	0	0	0	0	(121,515)
Total Other Financing Sources (Uses)	(121,515)	61,500	0	15	0	(60,000)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	738,315	30,027	0	49,648	5,659	823,649
Fund Balances at Beginning of Year	1,316,412	437,371	0	359,588	0	2,113,371
Increase in Reserve for Inventory	0	4,098	0	0	0	4,098
Fund Balances at End of Year	\$ 2,054,727	\$ 471,496	\$ 0	\$ 409,236	\$ 5,659	\$ 2,941,118

See accompanying notes to the general purpose financial statements.

GARFIELD HEIGHTS CITY SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BUDGETARY BASIS)
 AND ACTUAL - ALL GOVERNMENTAL FUND TYPES AND SIMILAR TRUST FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999

	GENERAL FUND		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$11,890,986	\$11,390,988	\$ (499,998)
Intergovernmental	8,092,041	8,092,041	0
Tuition	22,529	23,349	820
Transportation Fees	0	0	0
Earnings on Investments	241,297	241,297	0
Food Services	0	0	0
Extracurricular Activities	0	0	0
Classroom Materials and Fees	0	0	0
Miscellaneous	161,179	165,238	4,059
Total Revenues	20,408,032	19,912,913	(495,119)
Expenditures			
Instruction	12,079,400	11,998,479	80,921
Support Services:			
Pupils	1,275,500	1,275,351	149
Instructional Staff	545,100	541,916	3,184
Board of Education	42,400	40,190	2,210
Administration	1,886,600	1,884,277	2,323
Fiscal	602,800	602,113	687
Business	346,500	346,261	239
Operation and Maintenance of Plant Services	2,527,700	2,524,386	3,314
Pupil Transportation	586,200	585,677	523
Central	150,800	149,990	810
Operation of Non-Instructional Services	0	0	0
Extracurricular Activities	319,200	319,023	177
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	20,362,200	20,267,663	94,537
Excess of Revenues Over (Under) Expenditures	45,832	(354,750)	(400,582)
Other Financing Sources (Uses)			
Proceeds from Sale of Notes	500,000	500,000	0
Operating Transfers In	0	0	0
Operating Transfers Out	(823,500)	(121,515)	701,985
Advances In	152,615	192,315	39,700
Advances Out	(217,000)	(216,615)	385
Refund of Prior Year Receipts	(126,000)	(125,721)	279
Refund of Prior Year Expenditures	172,018	172,019	1
Total Other Financing Sources (Uses)	(341,867)	400,483	742,350
Excess of Revenues and Other Financing Sources Over(Under) Expenditures and Other Financing Uses	(296,035)	45,733	341,768
Fund Balance at Beginning of Year	2,153,936	2,153,936	0
Prior Year Encumbrances Appropriated	230,275	230,275	0
Fund Balance at End of Year	\$ 2,088,176	\$ 2,429,944	\$ 341,768

See accompanying notes to the general purpose financial statements.

GARFIELD HEIGHTS CITY SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL-
 ALL GOVERNMENTAL FUND TYPES AND SIMILAR TRUST FUND (Continued)
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999

	<u>SPECIAL REVENUE FUNDS</u>		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$ 0	\$ 0	\$ 0
Intergovernmental	3,527,424	3,555,870	28,446
Tuition	0	0	0
Transportation Fees	0	0	0
Earnings on Investments	22,900	23,428	528
Food Services	26,500	28,207	1,707
Extracurricular Activities	185,100	194,557	9,457
Classroom Materials and Fees	0	35	35
Miscellaneous	47,000	51,983	4,983
Total Revenues	<u>3,808,924</u>	<u>3,854,080</u>	<u>45,156</u>
Expenditures			
Instruction	782,600	774,073	8,527
Support Services:			
Pupils	328,700	305,694	23,006
Instructional Staff	473,610	412,781	60,829
Board of Education	0	0	0
Administration	47,900	48,313	(413)
Fiscal	5,600	5,501	99
Business	0	0	0
Operation and Maintenance of Plant Services	0	0	0
Pupil Transportation	0	0	0
Central	0	500	(500)
Operating of Non-Instructional Services	2,256,281	2,256,222	59
Extracurricular Activities	312,600	310,008	2,592
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	<u>4,207,291</u>	<u>4,113,092</u>	<u>94,199</u>
Excess of Revenues Over (Under) Expenditures	<u>(398,367)</u>	<u>(259,012)</u>	<u>139,355</u>
Other Financing Sources (Uses)			
Proceeds from Sale of Notes	0	0	0
Operating Transfers In	61,800	61,500	(300)
Operating Transfers Out	0	0	0
Advances In	141,600	154,700	13,100
Advances Out	(149,700)	(192,300)	(42,600)
Refund of Prior Year Receipts	0	(149)	(149)
Refund of Prior Year Expenditures	2,510	3,929	1,419
Total Other Financing Sources (Uses)	<u>56,210</u>	<u>27,680</u>	<u>(28,530)</u>
Excess of Revenue and Other Financing Sources Over(Under) Expenditures and Other Financing Uses	<u>(342,157)</u>	<u>(231,332)</u>	<u>110,825</u>
Fund Balance at Beginning of Year	184,592	184,592	0
Prior Year Encumbrances Appropriated	405,663	405,663	0
Fund Balance at End of Year	<u>\$ 248,098</u>	<u>\$ 358,923</u>	<u>\$ 110,825</u>

See accompanying notes to the general purpose financial statements.

GARFIELD HEIGHTS CITY SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL-
 ALL GOVERNMENTAL FUND TYPES AND SIMILAR TRUST FUND (Continued)
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999

	<u>DEBT SERVICE FUNDS</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Taxes	\$ 0	\$ 500,000	\$ 500,000
Intergovernmental	0	0	0
Tuition	0	0	0
Transportation Fees	0	0	0
Earnings on Investments	0	0	0
Food Services	0	0	0
Extracurricular Activities	0	0	0
Classroom Materials and Fees	0	0	0
Miscellaneous	0	0	0
Total Revenues	<u>0</u>	<u>500,000</u>	<u>500,000</u>
Expenditures			
Instruction	0	0	0
Support Services:			
Pupils	0	0	0
Instructional Staff	0	0	0
Board of Education	0	0	0
Administration	0	0	0
Fiscal	0	0	0
Business	0	0	0
Operation and Maintenance of Plant Services	0	0	0
Pupil Transportation	0	0	0
Central	0	0	0
Operation of Non-Instructional Services	0	0	0
Extracurricular Activities	0	0	0
Debt Service:			
Principal Retirement	575,000	575,000	0
Interest and Fiscal Charges	20,000	20,000	0
Total Expenditures	<u>595,000</u>	<u>595,000</u>	<u>0</u>
Excess of Revenues Over (Under) Expenditures	<u>(595,000)</u>	<u>(95,000)</u>	<u>500,000</u>
Other Financing Sources (Uses)			
Proceeds from Sale of Notes	0	0	0
Operating Transfers In	595,000	95,000	(500,000)
Operating Transfers Out	0	0	0
Advances In	0	0	0
Advances Out	0	0	0
Refund of Prior Year Receipts	0	0	0
Refund of Prior Year Expenditures	0	0	0
Total Other Financing Sources (Uses)	<u>595,000</u>	<u>95,000</u>	<u>(500,000)</u>
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	0	0	0
Fund Balance at Beginning of Year	0	0	0
Prior Year Encumbrances Appropriated	0	0	0
Fund Balance at End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

See accompanying notes to the general purpose financial statements.

GARFIELD HEIGHTS CITY SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL-
 ALL GOVERNMENTAL FUND TYPES AND SIMILAR TRUST FUND (Continued)
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999

	<u>CAPITAL PROJECTS FUNDS</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Taxes	\$ 373,700	\$ 373,744	\$ 44
Intergovernmental	144,300	144,360	60
Tuition	0	0	0
Transportation Fees	0	0	0
Earnings on Investments	20,000	20,000	0
Food Services	0	0	0
Extracurricular Activities	0	0	0
Classroom Materials and Fees	0	0	0
Miscellaneous	0	0	0
Total Revenues	<u>538,000</u>	<u>538,104</u>	<u>104</u>
Expenditures			
Instruction	49,000	48,870	130
Support Services:			
Pupils	0	0	0
Instructional Staff	400	331	69
Board of Education	0	0	0
Administration	0	0	0
Fiscal	1,300	1,262	38
Business	0	0	0
Operation and Maintenance of Plant Services	640,100	640,152	(52)
Pupil Transportation	0	0	0
Central	86,500	86,463	37
Operation of Non-Instructional Services	0	0	0
Capital Outlay	0	0	0
Extracurricular Activities	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	<u>777,300</u>	<u>777,078</u>	<u>222</u>
Excess of Revenues Over (Under) Expenditures	<u>(239,300)</u>	<u>(238,974)</u>	<u>326</u>
Other Financing Sources (Uses)			
Proceeds from Sale of Notes	0	0	0
Operating Transfers In	0	0	0
Operating Transfers Out	0	(95,000)	(95,000)
Advances In	56,000	56,000	0
Advances Out	0	15	15
Refund of Prior Year Receipts	0	0	0
Refund of Prior Year Expenditures	0	0	0
Total Other Financing Sources (Uses)	<u>56,000</u>	<u>(38,985)</u>	<u>(94,985)</u>
Excess of Revenue and Other Financing Sources Over(Under) Expenditures and Other Financing Uses	<u>(183,300)</u>	<u>(277,959)</u>	<u>(94,659)</u>
Fund Balance at Beginning of Year	293,696	293,696	0
Prior Year Encumbrances Appropriated	38,752	38,752	0
Fund Balance at End of Year	<u>\$ 149,148</u>	<u>\$ 54,489</u>	<u>\$ (94,659)</u>

See accompanying notes to the general purpose financial statements.

GARFIELD HEIGHTS CITY SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL-
 ALL GOVERNMENTAL FUND TYPES AND SIMILAR TRUST FUND (Continued)
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999

	<u>EXPENDABLE TRUST FUND</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Taxes	\$ 0	\$ 0	\$ 0
Intergovernmental	0	0	0
Tuition	0	0	0
Transportation Fees	0	0	0
Earnings on Investments	0	0	0
Food Services	0	0	0
Extracurricular Activities	0	0	0
Classroom Materials and Fees	0	0	0
Miscellaneous	6,900	7,159	259
Total Revenues	<u>6,900</u>	<u>7,159</u>	<u>259</u>
Expenditures			
Instruction	0	0	0
Support Services:			
Pupils	0	0	0
Instructional Staff	0	0	0
Board of Education	0	0	0
Administration	0	0	0
Fiscal	2,000	1,500	500
Business	0	0	0
Operation and Maintenance of Plant Services	0	0	0
Pupil Transportation	0	0	0
Central	0	0	0
Operation of Non-Instructional Services	0	0	0
Extracurricular Activities	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	<u>2,000</u>	<u>1,500</u>	<u>500</u>
Excess of Revenues Over (Under) Expenditures	<u>4,900</u>	<u>5,659</u>	<u>759</u>
Other Financing Sources (Uses)			
Proceeds from Sale of Notes	0	0	0
Operating Transfers In	0	0	0
Operating Transfers Out	0	0	0
Advances In	0	0	0
Advances Out	0	0	0
Refund of Prior Year Receipts	0	0	0
Refund of Prior Year Expenditures	0	0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Revenue and Other Financing Sources Over(Under) Expenditures and Other Financing Uses	<u>4,900</u>	<u>5,659</u>	<u>759</u>
Fund Balance at Beginning of Year	0	0	0
Prior Year Encumbrances Appropriated	0	0	0
Fund Balance at End of Year	<u>\$ 4,900</u>	<u>\$ 5,659</u>	<u>\$ 759</u>

See accompanying notes to the general purpose financial statements.

GARFIELD HEIGHTS CITY SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCES - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL -
 ALL GOVERNMENTAL FUND TYPES AND SIMILAR TRUST FUND (Continued)
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999

	<u>TOTALS (MEMORANDUM ONLY)</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Taxes	\$ 12,264,686	\$ 12,264,732	\$ 46
Intergovernmental	11,763,765	11,792,271	28,506
Tuition	22,529	23,349	820
Transportation Fees	0	0	0
Earnings on Investments	284,197	284,725	528
Food Services	26,500	28,207	1,707
Extracurricular Activities	185,100	194,557	9,457
Classroom Materials and Fees	0	35	35
Miscellaneous	215,079	224,380	9,301
Total Revenues	<u>24,761,856</u>	<u>24,812,256</u>	<u>50,400</u>
Expenditures			
Instruction	12,911,000	12,821,422	89,578
Support Services:			
Pupils	1,604,200	1,581,045	23,155
Instructional Staff	1,019,110	955,028	64,082
Board of Education	42,400	40,190	2,210
Administration	1,934,500	1,932,590	1,910
Fiscal	611,700	610,376	1,324
Business	346,500	346,261	239
Operation and Maintenance of Plant Services	3,167,800	3,164,538	3,262
Pupil Transportation	586,200	585,677	523
Central	237,300	236,953	347
Operation of Non-Instructional Services	2,256,281	2,256,222	59
Extracurricular Activities	631,800	629,031	2,769
Debt Service:			
Principal Retirement	575,000	575,000	0
Interest and Fiscal Charges	20,000	20,000	0
Total Expenditures	<u>25,943,791</u>	<u>25,754,333</u>	<u>189,458</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,181,935)</u>	<u>(942,077)</u>	<u>239,858</u>
Other Financing Sources (Uses)			
Proceeds from Sale of Notes	500,000	500,000	0
Operating Transfers In	656,800	156,500	(500,300)
Operating Transfers Out	(823,500)	(216,515)	606,985
Advances In	350,215	403,015	52,800
Advances Out	(366,700)	(408,900)	(42,200)
Refund of Prior Year Receipts	(126,000)	(125,870)	130
Refund of Prior Year Expenditures	174,528	175,948	1,420
Total Other Financing Sources (Uses)	<u>365,343</u>	<u>484,178</u>	<u>118,835</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(816,592)</u>	<u>(457,899)</u>	<u>358,693</u>
Fund Balances at Beginning of Year	2,632,224	2,632,224	0
Prior Year Encumbrances Appropriated	674,690	674,690	0
Fund Balance at End of Year	<u>\$ 2,490,322</u>	<u>\$ 2,849,015</u>	<u>\$ 358,693</u>

See accompanying notes to the general purpose financial statements.

GARFIELD HEIGHTS CITY SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENSES, AND
 CHANGES IN RETAINED EARNINGS - ALL PROPRIETARY FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999

	<u>Proprietary Fund Types</u>		Totals
	<u>Enterprise Funds</u>	<u>Internal Service</u>	(Memorandum Only)
<u>Operating Revenues</u>			
Transportation Fees	\$ 0	\$ 103,699	\$ 103,699
Food Services	438,787	0	438,787
Extracurricular Activities	0	6,181	6,181
Classroom Materials and Fees	155,492	0	155,492
Charges for Services	0	1,767,836	1,767,836
Other Operating Revenues	1,694	0	1,694
Total Operating Revenues	<u>595,973</u>	<u>1,877,716</u>	<u>2,473,689</u>
<u>Operating Expenses</u>			
Salaries and Wages	317,082	0	317,082
Fringe Benefits	61,409	0	61,409
Purchased Services	32,652	93,559	126,211
Materials and Supplies	478,915	1,073	479,988
Capital Outlay	0	0	0
Depreciation	2,216	0	2,216
Claims	0	1,614,812	1,614,812
Other Operating Expenses	2,460	60,568	63,028
Total Operating Expenses	<u>894,734</u>	<u>1,770,012</u>	<u>2,664,746</u>
Operating Income (Loss)	<u>(298,761)</u>	<u>107,704</u>	<u>(191,057)</u>
<u>Non-Operating Revenues (Expenses)</u>			
Earnings on Investment	1,262	0	1,262
Operating Grants	214,717	0	214,717
Government Commodities	35,989	0	35,989
Other Non-Operating Revenue	98	0	98
Transfers In	0	60,000	60,000
Transfers Out	0	0	0
Total Non-Operating Revenues (Expenses)	<u>252,066</u>	<u>60,000</u>	<u>312,066</u>
Net Income (Loss)	<u>(46,695)</u>	<u>167,704</u>	<u>121,009</u>
Retained Earnings at Beginning of Year	<u>179,586</u>	<u>67,080</u>	<u>246,666</u>
Retained Earnings at End of Year	<u>\$ 132,891</u>	<u>\$ 234,784</u>	<u>\$ 367,675</u>

See accompanying notes to the general purpose financial statements.

GARFIELD HEIGHTS CITY SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENSES, AND
 CHANGES IN FUND EQUITY - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL-
 ALL PROPRIETARY FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999

	<u>ENTERPRISE FUNDS</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Operating Grants	\$ 243,000	\$ 243,074	\$ 74
Transportation Fees	0	0	0
Earnings on Investments	1,400	1,527	127
Food Services	438,700	438,786	86
Extracurricular Activities	0	0	0
Classroom Materials and Fees	148,600	155,492	6,892
Charges for Services	0	0	0
Miscellaneous	0	98	98
Total Revenues	<u>831,700</u>	<u>838,977</u>	<u>7,277</u>
Expenses			
Salaries and Wages	309,000	308,475	525
Fringe Benefits	66,200	66,188	12
Purchased Services	20,000	20,492	(492)
Materials and Supplies	553,200	552,768	432
Capital Outlay	2,500	2,469	31
Claims	0	0	0
Other	0	(9)	9
Total Expenses	<u>950,900</u>	<u>950,383</u>	<u>517</u>
Excess of Revenues Over (Under) Expenses	<u>(119,200)</u>	<u>(111,406)</u>	<u>7,794</u>
Other Financing Sources (Uses)			
Transfers In	0	0	0
Transfers Out	0	0	0
Advances In	0	0	0
Advances Out	0	0	0
Refund of Prior Year Expenditures	400	1,695	1,295
Total Other Financing Sources (Uses)	<u>400</u>	<u>1,695</u>	<u>1,295</u>
Excess of Revenue and Other Financing Sources Over (Under) Expenses and Other Financing Uses	<u>(118,800)</u>	<u>(109,711)</u>	<u>9,089</u>
Fund Equity at Beginning of Year	141,506	141,506	0
Prior Year Encumbrances Appropriated	57,419	57,419	0
Fund Equity at End of Year	<u>\$ 80,125</u>	<u>\$ 89,214</u>	<u>\$ 9,089</u>

See accompanying notes to the general purpose financial statements.

GARFIELD HEIGHTS CITY SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENSES, AND
 CHANGES IN FUND EQUITY - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL-
 ALL PROPRIETARY FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999

	<u>INTERNAL SERVICE FUNDS</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>Revenues</u>			
Operating Grants	\$ 0	\$ 0	\$ 0
Transportation Fees	102,700	103,699	999
Earnings on Investments	0	0	0
Food Services	0	0	0
Extracurricular Activities	5,200	6,181	981
Classroom Materials and Fees	0	0	0
Charges for Services	1,550,000	1,708,444	158,444
Miscellaneous	53,800	59,392	5,592
Total Revenues	1,711,700	1,877,716	166,016
<u>Expenses</u>			
Salaries and Wages	0	0	0
Fringe Benefits	0	0	0
Purchased Services	82,700	72,289	10,411
Materials and Supplies	1,100	1,073	27
Capital Outlay	0	0	0
Claims	0	0	0
Other	1,766,400	1,776,192	(9,792)
Total Expenses	1,850,200	1,849,554	646
Excess of Revenues Over (Under) Expenses	(138,500)	28,162	166,662
<u>Other Financing Sources (Uses)</u>			
Transfers In	60,000	60,000	0
Transfers Out	0	0	0
Advances In	0	0	0
Advances Out	0	0	0
Total Other Financing Sources (Uses)	60,000	60,000	0
Excess of Revenue and Other Financing Sources Over (Under) Expenses and Other Financing Uses	(78,500)	88,162	166,662
Fund Equity at Beginning of Year	315,826	315,826	0
Prior Year Encumbrances Appropriated	7,675	7,675	0
Fund Equity at End of Year	\$ 245,001	\$ 411,663	\$ 166,662

See accompanying notes to the general purpose financial statements.

GARFIELD HEIGHTS CITY SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENSES, AND
 CHANGES IN FUND EQUITY - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL-
 ALL PROPRIETARY FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999

	<u>TOTALS (MEMORANDUM ONLY)</u>		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues</u>			
Operating Grants	\$ 243,000	\$ 243,074	\$ 74
Transportation Fees	102,700	103,699	999
Earnings on Investments	1,400	1,527	127
Food Services	438,700	438,786	86
Extracurricular Activities	5,200	6,181	981
Classroom Materials and Fees	148,600	155,492	6,892
Charges for Services	1,550,000	1,708,444	158,444
Miscellaneous	53,800	59,490	5,690
Total Revenues	<u>2,543,400</u>	<u>2,716,693</u>	<u>173,293</u>
<u>Expenses</u>			
Salaries and Wages	309,000	308,475	525
Fringe Benefits	66,200	66,188	12
Purchased Services	102,700	92,781	9,919
Materials and Supplies	554,300	553,841	459
Capital Outlay	2,500	2,469	31
Claims	0	0	0
Other	1,766,400	1,776,183	(9,783)
Total Expenses	<u>2,801,100</u>	<u>2,799,937</u>	<u>1,163</u>
Excess of Revenues Over (Under) Expenses	<u>(257,700)</u>	<u>(83,244)</u>	<u>174,456</u>
<u>Other Financing Sources (Uses)</u>			
Transfers In	60,000	60,000	0
Transfers Out	0	0	0
Advances In	0	0	0
Advances Out	0	0	0
Refund of Prior Year Expenditures	400	1,695	1,295
Total Other Financing Sources (Uses)	<u>60,400</u>	<u>61,695</u>	<u>1,295</u>
Excess of Revenue and Other Financing Sources Over (Under) Expenses and Other Financing Uses	<u>(197,300)</u>	<u>(21,549)</u>	<u>175,751</u>
Fund Equity at Beginning of Year	457,332	457,332	0
Prior Year Encumbrances Appropriated	65,094	65,094	0
Fund Equity at End of Year	<u>\$ 325,126</u>	<u>\$ 500,877</u>	<u>\$ 175,751</u>

See accompanying notes to the general purpose financial statements.

GARFIELD HEIGHTS CITY SCHOOL DISTRICT
 COMBINED STATEMENT OF CASH FLOWS -
 ALL PROPRIETARY FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999

	<u>Proprietary Fund Types</u>		Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	
<i>Increase (Decrease) in Cash and Cash Equivalents</i>			
<u>Cash Flows from Operating Activities</u>			
Cash Received from Operations	\$ 594,278	\$ 1,877,716	\$ 2,471,994
Cash Paid to Employees for Services	(308,475)	0	(308,475)
Cash Paid for Employee Benefits	(66,188)	(1,692,672)	(1,758,860)
Cash Paid to Suppliers for Goods and Services	(466,199)	(73,362)	(539,561)
Cash Payments for Other Activities	(766)	(60,568)	(61,334)
Net Cash Provided by (Used in) Operating Activities	(247,350)	51,114	(196,236)
<u>Cash Flows from Non-Capital Financing Activities</u>			
Operating Grants Received	207,084	0	207,084
Transfers In	0	60,000	60,000
Transfers Out	0	0	0
Other	98	0	98
Net Cash Provided by Non-Capital Financing Activities	207,182	60,000	267,182
<u>Cash Flows from Investing Activities</u>			
Earnings on Investments	1,527	0	1,527
Net Cash Provided by Investing Activities	1,527	0	1,527
Net Increase (Decrease) in Cash and Cash Equivalents	(38,641)	111,114	72,473
Cash and Cash Equivalents - Beginning of Year	198,927	323,500	522,427
Cash and Cash Equivalents - End of Year	\$ 160,286	\$ 434,614	\$ 594,900
<u>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities</u>			
Operating Income (Loss)	(298,761)	107,704	(191,057)
<u>Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities</u>			
Depreciation Expense	2,216	0	2,216
Commodities	35,989	0	35,989
Increase (Decrease) in Liabilities:			
Accounts Payable	9,379	21,270	30,649
Claims Payable	0	(77,860)	(77,860)
Intergovernmental Payable	2,223	0	2,223
Compensated Absences Payable	(4,873)	0	(4,873)
Accrued Wages and Benefits	6,477	0	6,477
Total Adjustments	13,206	(56,590)	(43,384)
Net Cash Provided by (Used in) Operating Activities	\$ (247,350)	\$ 51,114	\$ (196,236)

GARFIELD HEIGHTS CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

NOTE 1: **DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

Garfield Heights City School District (the "School District") is organized under Article VI, Sections 2 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected *at-large for staggered four year terms*. The School District provides educational services as authorized by state statute and/or federal guidelines.

Reporting Entity

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

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

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

GARFIELD HEIGHTS CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(CONTINUED)

NOTE 1: **DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**
(Continued)

The following activities are included within the reporting entity:

Parochial Schools - Within the School District's boundaries, several non-public schools are operated by religious organizations. Current State legislation provides funding to these non-public schools. These monies are received and disbursed on behalf of the schools by the Treasurer of the School District, their contracted fiscal agent, as directed by the non-public schools and have been reported in a Special Revenue Fund in accordance with Governmental Accounting Standards Board Statement Number 24.

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 issued on or before November 30, 1989, to the proprietary funds provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

A. **Basis of Presentation - Fund Accounting**

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

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

GARFIELD HEIGHTS CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(CONTINUED)

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

A. **Basis of Presentation - Fund Accounting** (Continued)

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

Governmental Fund Types

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

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

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

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

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

Proprietary Fund Types

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

GARFIELD HEIGHTS CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(CONTINUED)

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

A. **Basis of Presentation - Fund Accounting** (Continued)

Proprietary Fund Types (Continued)

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

Internal Service Funds - Internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis.

Fiduciary Fund Types

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

Account Groups

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

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

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

GARFIELD HEIGHTS CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(CONTINUED)

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

B. **Measurement Focus and Basis of Accounting**

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

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

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

The modified accrual basis of accounting is followed for the governmental, expendable trust, and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: investment earnings, tuition, grants, and student fees.

GARFIELD HEIGHTS CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(CONTINUED)

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

B. **Measurement Focus and Basis of Accounting** (Continued)

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2000 operations, have been recorded as deferred revenue.

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

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

C. **Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

GARFIELD HEIGHTS CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(CONTINUED)

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

C. **Budgetary Process** (Continued)

All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Tax Budget

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Cuyahoga County Budget Commission for rate determination.

Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 1999.

GARFIELD HEIGHTS CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(CONTINUED)

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

C. **Budgetary Process** (Continued)

Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

Encumbrances

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

GARFIELD HEIGHTS CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(CONTINUED)

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

C. **Budgetary Process** (Continued)

Lapsing of Appropriations

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

D. **Cash and Investments**

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds, including proprietary funds, are maintained in this account or temporarily used to purchase short term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

During fiscal year 1999, investments were limited to STAROhio, the State Treasurer's Investment Pool, repurchase agreements, and certificates of deposits. All investments of the School District had a maturity of two years or less. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as certificates of deposits are reported at cost.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the state to pool their funds for investment purposes. STAROhio is not registered with SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of The Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 1999.

Following Ohio statutes, the Board of Education has specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 1999 amounted to \$250,233 which includes \$114,822 assigned from other School District funds.

GARFIELD HEIGHTS CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(CONTINUED)

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

D. **Cash and Investments** (Continued)

For purposes of the combined statement of cash flows, all proprietary fund types considers all highly liquid investments with an original maturity of three months or less when purchased by the School District to be cash equivalents.

E. **Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by statute to be set-aside by the School District to create a reserve for budget stabilization. See Note 21 for the calculation of the year-end restricted assets balance and the corresponding fund balance reserves.

F. **Inventory**

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

GARFIELD HEIGHTS CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(CONTINUED)

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

G. Fixed Assets and Depreciation

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of eight to twenty years.

H. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement types grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The School District currently participates in several state and federal programs, categorized as follows:

GARFIELD HEIGHTS CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(CONTINUED)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Intergovernmental Revenues (Continued)

Entitlements

General Fund

State Foundation Program
State Property Tax Relief

Non-Reimbursable Grants

Special Revenue Funds

Cleveland Foundation Grant
Venture Capital
Auxiliary Services
Education Management Information Systems
Disadvantaged Pupil Impact Aid
Title I
Title II
Eisenhower Professional Development
Title VI-B
Drug-Free Schools
Disadvantaged Pupil Program
Teacher Development
Excellence in Education
EHA Preschool Grant

Capital Projects Funds

School Net Plus

Reimbursable Grants

General Fund

Driver Education Reimbursement

Proprietary Funds

National School Lunch Program
Government Donated Commodities

Grants and entitlements amounted to approximately 46% of the School District's operating revenue during the 1999 fiscal year.

GARFIELD HEIGHTS CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(CONTINUED)

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

I. **Compensated Absences**

In conformity with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*, the vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent 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.

For governmental funds, the School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

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

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than 60 days after year end are generally considered not to have been paid with current available financial resources. The energy conservation loan is reported as a liability of the general long-term obligations account group until due.

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

GARFIELD HEIGHTS CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(CONTINUED)

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

J. **Accrued Liabilities and Long-Term Obligations** (Continued)

Under Ohio law, a debt service fund must be created and used for the payment of tax and revenue anticipation notes. Generally accepted accounting principles requires the reporting of the liability in the funds that received the proceeds. To comply with GAAP reporting requirements, the School District's debt service fund has been split among the appropriate funds. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.

K. **Interfund Transactions**

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

All other interfund transfers are reported as operating transfers.

L. **Fund Balance Reserves**

The School District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, inventories, property taxes, and budget stabilization. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents the distribution required by House Bill 412.

GARFIELD HEIGHTS CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(CONTINUED)

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

M. **Total Columns on General Purpose Financial Statements**

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

N. **Estimates**

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

NOTE 3: **ACCOUNTABILITY**

Fund balances at June 30, 1999 included the following individual fund deficits:

Special Revenue Funds

Public School Support	\$ 10,473
DPIA	291
Chapter One	410
Preschool Grant	29

The special revenue funds' deficits are due to the adjustments for accrued liabilities. The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

GARFIELD HEIGHTS CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(CONTINUED)

NOTE 4: **BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual - All Governmental Fund Types and Similar Trust Fund and the Combined Statement of Revenues, Expenses, and Changes in Fund Equity - Budget (Non-GAAP Budgetary Basis) and Actual - All Proprietary Fund Types 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:

- A. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- B. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- C. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund type (GAAP basis).
- D. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
- E. Proceeds from and principal payments on tax anticipation notes are reported on the operating statement (budget basis) rather than as a balance sheet transaction (GAAP basis).
- F. The School District repays short term debt from the debt service fund (budget basis) as opposed to the fund that received the proceeds (GAAP basis). Debt service fund resources used to pay both principal and interest have been allocated accordingly.

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

GARFIELD HEIGHTS CITY SCHOOL DISTRICT
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999
 (CONTINUED)

NOTE 4: **BUDGETARY BASIS OF ACCOUNTING** (Continued)

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Expendable Trust Fund</u>
GAAP Basis	\$ 738,315	\$ 30,027	\$ 0	\$ 49,648	\$ 5,659
Net Adjustments for					
Revenue Accruals	(449,841)	231,699	500,000	135,584	0
Proceeds from					
Sale of Notes	500,000	0	0	0	0
Net Adjustments for					
Expenditure Accruals	(397,860)	89,673	0	(7,937)	0
Principal Retirement	0	0	(500,000)	0	0
Adjustments for					
Encumbrances	(344,881)	(582,731)	0	(455,254)	0
Budget Basis	<u>\$ 45,733</u>	<u>\$ (231,332)</u>	<u>\$ 0</u>	<u>\$ (277,959)</u>	<u>\$ 5,659</u>

Net Income/Excess of Revenues Over(Under) Expenses and Transfers and Advances
 Proprietary Fund Types

	<u>Enterprise</u>	<u>Internal Service</u>
GAAP Basis	\$ (46,695)	\$ 167,704
Revenue Accrual	(7,368)	0
Expense Accrual	13,209	(56,590)
Depreciation Expense	2,216	0
Adjustments for Encumbrances	(71,073)	(22,952)
Budget Basis	<u>\$ (109,711)</u>	<u>\$ 88,162</u>

GARFIELD HEIGHTS CITY SCHOOL DISTRICT
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999
 (CONTINUED)

NOTE 4: **BUDGETARY BASIS OF ACCOUNTING** (Continued)

Legal Compliance and Accountability

Section 5705.41(B), Ohio Revised Code, states that no subdivision shall make any expenditure of money unless it has been appropriated. Section 5705.41(D), Ohio Revised Code, states in part that encumbrances should be charged against proper appropriations and actual disbursements plus outstanding encumbrances should not be greater than the total appropriations.

The following accounts had expenditures plus encumbrances in excess of appropriations contrary to Ohio Revised Code Section 5705.41.

<u>Fund/Function</u>	<u>Appropriation</u>	<u>Expenditure</u>	<u>Excess</u>
<u>Special Revenue Funds</u>			
Teacher Development Fund:			
Support Services:			
Instructional Staff	\$ 10,750	\$ 10,830	\$ (80)
Disadvantaged Pupil Impact Aid Fund:			
Instruction	100,500	100,656	(156)
Title III-NDEA Fund:			
Instruction	294,400	295,506	(1,106)
Support Services:			
Instructional Staff	23,000	23,035	(35)
Administration	29,300	29,340	(40)
Operation of Non-Instructional Services	0	100	(100)
Title I Fund:			
Operation of Non-Instructional Services	7,400	8,791	(1,391)
Title II Fund:			
Operation of Non-Instructional Services	7,200	7,258	(58)
Drug Free School Grant Fund:			
Instruction	2,600	22,523	(19,923)
Support Services:			
Administration	8,400	8,426	(26)
Central	0	500	(500)
Operation of Non-Instructional Services	931,681	931,727	(46)

GARFIELD HEIGHTS CITY SCHOOL DISTRICT
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999
 (CONTINUED)

NOTE 4: **BUDGETARY BASIS OF ACCOUNTING** (Continued)

Legal Compliance and Accountability (Continued)

<u>Fund/Function</u>	<u>Appropriation</u>	<u>Expenditure</u>	<u>Excess</u>
Learn and Serve Grant Fund:			
Support Services:			
Instructional Staff	315,960	316,059	(99)
Administration	2,000	2,587	(587)
 <u>Capital Projects Funds</u>			
Permanent Improvement:			
Support Services:			
Operation and Maintenance of Plant	640,100	640,152	(52)
Transfers Out	0	95,000	(95,000)
 <u>Enterprise Fund</u>			
Food Services:			
Purchased Services	20,000	20,492	(492)
 <u>Internal Service Funds</u>			
Special Rotary:			
Other	73,400	83,520	(10,120)

NOTE 5: **DEPOSITS AND INVESTMENTS**

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

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

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

GARFIELD HEIGHTS CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(CONTINUED)

NOTE 5: **DEPOSITS AND INVESTMENTS** (Continued)

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

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury notes, bills, bonds, or any other obligations or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or division (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

GARFIELD HEIGHTS CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(CONTINUED)

NOTE 5: **DEPOSITS AND INVESTMENTS** (Continued)

6. The State Treasurer's investment pool (STAROhio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Historically, the School District has not purchased these types of investments or issued these types of notes. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investment to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, *Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements*.

Cash on Hand - At fiscal year end, the School District had \$40 in undeposited cash on hand which is included on the balance sheet of the School District as part of "equity in pooled cash and cash equivalents".

The following information classifies deposits and investments by categories of risk as defined in GASB Statement Number 3, *Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements*.

GARFIELD HEIGHTS CITY SCHOOL DISTRICT
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999
 (CONTINUED)

NOTE 5: **DEPOSITS AND INVESTMENTS** (Continued)

Deposits

At June 30, 1999, the carrying amount of the School District's deposits was \$637,316 and the bank balance was \$789,876. Of the bank balance, \$465,518 was covered by Federal Depository Insurance and \$324,358 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

Investments

GASB Statement No. 3 requires the School District's investments be categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The School District invests in STAROhio, the State Treasurer's Investment Pool, which is not classified by degree of credit risk since it is not evidenced by securities that exist in physical or book entry form.

	<u>Category 3</u>	<u>Carrying Value</u>	<u>Market Value</u>
Repurchase Agreement	\$ 2,187,370	\$ 2,187,370	\$ 2,187,370
	<u>2,187,370</u>	<u>2,187,370</u>	<u>2,187,370</u>
STAROhio (Uncategorized)		2,007,249	2,007,249
Totals		<u>\$ 4,194,619</u>	<u>\$ 4,194,619</u>

GARFIELD HEIGHTS CITY SCHOOL DISTRICT
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999
 (CONTINUED)

NOTE 5: **DEPOSITS AND INVESTMENTS** (Continued)

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

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement 9	\$ 4,573,975	\$ 258,000
Investments:		
Certificate of Deposit (with maturities greater than 3 months)	258,000	(258,000)
Repurchase Agreement	(2,187,370)	2,187,370
STAROhio	(2,007,249)	2,007,249
Cash on Hand	(40)	0
GASB Statement 3	\$ 637,316	\$ 4,194,619

NOTE 6: **PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true value.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

GARFIELD HEIGHTS CITY SCHOOL DISTRICT
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999
 (CONTINUED)

NOTE 6: **PROPERTY TAXES** (Continued)

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Cuyahoga County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 1999 are available to finance fiscal year 2000 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1999 was \$1,770,323 in the general fund and \$55,346 in the capital projects fund.

The assessed values upon which fiscal year 1999 taxes were collected are:

	Second Half Collections		First Half Collections	
	1998		1999	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 316,969,440	87.30%	\$ 335,687,540	87.70%
Public Utility	16,754,830	4.62%	17,204,610	4.50%
Tangible Personal Property	29,342,690	8.08%	29,867,530	7.80%
Total Assessed Value	\$ 363,066,960	100.00%	\$ 382,759,680	100.00%
Tax Rate per \$1,000 of Assessed Valuation	\$ 50.70		\$ 50.30	

GARFIELD HEIGHTS CITY SCHOOL DISTRICT
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999
 (CONTINUED)

NOTE 7: **RECEIVABLES**

Receivables at June 30, 1999 consisted of property taxes, accounts (rent, billings for user charged services, and student fees), and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Driver Education	\$ 1,650
Worker's Compensation Refund	9,896
Total General Fund	11,546
<u>Special Revenue Funds</u>	
Title III	31,069
Drug Free School Grant	4,997
Total Special Revenue	36,066
<u>Enterprise Fund</u>	
National School Lunch Program	62,860
Total Intergovernmental Receivables	\$ 110,472

NOTE 8: **FIXED ASSETS**

A summary of the enterprise funds' fixed assets at June 30, 1999 follows:

Furniture & Equipment	\$ 195,221
Less Accumulated Depreciation	(189,035)
Net Fixed Assets	\$ 6,186

GARFIELD HEIGHTS CITY SCHOOL DISTRICT
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999
 (CONTINUED)

NOTE 8: **FIXED ASSETS** (Continued)

A summary of the changes in general fixed assets during fiscal year 1999 follows:

<u>Asset Category</u>	<u>Balance at 6/30/98</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 6/30/99</u>
Land and Improvements	\$ 1,115,170	\$ 0	\$ 0	\$ 1,115,170
Building and Improvements	5,884,246	0	0	5,884,246
Furniture, Fixtures and Equipment	3,824,782	298,556	38,803	4,084,535
Vehicles	739,713	179,212	0	918,925
Totals	<u>\$11,563,911</u>	<u>\$477,768</u>	<u>\$ 38,803</u>	<u>\$12,002,876</u>

NOTE 9: **RISK MANAGEMENT**

A. **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 the fiscal year 1999, the School District contracted with Nationwide Insurance Company for boiler and machinery, crime, property, and inland marine coverage. General liability is also protected by Nationwide Insurance Company as well as vehicles, including school buses. Coverages provided were as follows:

Building and Contents (\$1,000 deductible)	\$ 48,933,700
Boiler and Machinery (\$1,000 deductible)	17,773,200
Crime Insurance (no deductible)	5,000
Bodily Injury and Property Damage	2,000,000
Uninsured-Underinsured Motorists Bodily Injury (per person)	1,000,000
Comprehensive Automobile Liability (\$50 deductible)	2,000,000
Collision Automobile Liability (\$250 deductible)	2,000,000
General Liability (per occurrence)	1,000,000
General Liability (in aggregate)	3,000,000

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

GARFIELD HEIGHTS CITY SCHOOL DISTRICT
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999
 (CONTINUED)

NOTE 9: **RISK MANAGEMENT** (Continued)

B. **Worker's Compensation**

For fiscal year 1999, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald and Company provides administrative, cost control, and actuarial services to the GRP.

C. **Employee Insurance Benefits**

Medical and dental insurance is offered to employees through a self-insurance internal service fund. The School District is a member of a claims servicing pool in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. The claims liability of \$177,378 reported in the internal service fund at June 30, 1999 is based on an estimate provided by the third party administrator and the requirements of Government Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses (GASB 30). Changes in claims activity for the past two fiscal years are as follows:

	Balance at Beginning <u>of Year</u>	Current <u>Year Claims</u>	Claims <u>Payments</u>	Balance at <u>End of Year</u>
1998	\$ 270,232	\$1,445,951	\$1,460,945	\$ 255,238
1999	\$ 255,238	\$1,680,773	\$1,758,633	\$ 177,378

GARFIELD HEIGHTS CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(CONTINUED)

NOTE 10: **DEFINED BENEFIT PENSION PLANS**

A. **School Employees Retirement System**

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

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute 14 percent. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits: for fiscal year 1999, 7.7 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1998, 9.02 percent was used to fund the pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by SERS's Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$503,754, \$433,465, and \$300,511, respectively. Fifty-two percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997, with \$243,474 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the general fund and the general long-term obligations account group.

B. **State Teachers Retirement System**

The School District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

GARFIELD HEIGHTS CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(CONTINUED)

NOTE 10: **DEFINED BENEFIT PENSION PLANS** (Continued)

B. **State Teachers Retirement System** (Continued)

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. For fiscal year 1998, 10.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997, were \$1,514,565, \$1,427,750, and \$1,285,716, respectively. Eighty-four percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$241,252 representing the unpaid contribution for fiscal year 1999 is recorded as a liability within the general fund.

C. **Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 1999, one member of the Board of Education has elected social security. The Board's liability is 6.2 percent of wages paid.

NOTE 11: **POSTEMPLOYMENT BENEFITS**

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

GARFIELD HEIGHTS CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(CONTINUED)

NOTE 11: **POSTEMPLOYMENT BENEFITS** (Continued)

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients are to pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the School District, this amount equaled \$815,857 during the 1999 fiscal year. STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1998 (the latest information available) the balance of the Fund was \$2,156 million. For the fiscal year ended June 30, 1998 (the latest information available), net health care costs paid by STRS were \$219,224,000. There were 91,999 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 1999, employer contributions to fund health care benefits were 6.3 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay has been established at \$12,400. For the School District, this amount equaled \$60,729 during the 1999 fiscal year. The surcharge added to the unallocated portion of the 14 percent employer contribution rate provides for maintenance of the asset target level for the Health Care Fund. The target level for health care reserve is 125 percent of annual health care expenses. For the fiscal year ended June 30, 1998 (the latest information available), net health care costs paid by SERS were \$111,900,575 and the target level was \$139.9 million. There were approximately 50,000 eligible benefit recipients. At June 30, 1998 SERS had net assets available for payment of health care benefits of \$160.3 million.

GARFIELD HEIGHTS CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(CONTINUED)

NOTE 12: **EMPLOYEE BENEFITS**

A. **Compensated Absences**

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

Vacation Leave

Classified employees accumulate 20 days vacation leave depending upon length of service. Vacation days are credited to classified employees on the anniversary of their employment and must be used within the next 12 months. Accumulated unused vacation time is paid to classified employees upon termination of employment, with some restrictions. Teachers do not earn vacation time. As of June 30, 1999, the School District recorded, as a fund liability, a vacation leave liability of \$32,757 and \$124,208 in the General Long-Term Obligation Account Group.

Sick Leave

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

As of June 30, 1999, the School District recorded \$33,455 as a fund liability and \$2,453,015 in the General Long-Term Obligations Account Group for sick pay-related severance benefits.

Personal Leave

All employees are entitled to three days of personal leave, with pay, each school year (non-cumulative). As of June 30, 1999, the School District recorded \$1,530 as a fund liability and \$109,946 in the General Long-Term Obligations Account Group for personal leave benefits.

GARFIELD HEIGHTS CITY SCHOOL DISTRICT
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999
 (CONTINUED)

NOTE 12: **EMPLOYEE BENEFITS** (Continued)

A. **Compensated Absences** (Continued)

Severance Retirement Incentive

Effective for the 1998-1999, 1999-2000, and 2000-2001 school years, any bargaining unit member who first becomes eligible for retirement during a school year, as defined in the Modified Negotiation Agreement, accrues the right to an additional 100 days of severance pay at a per diem rate of \$250 if he/she actually retires between the end of the school year and July 10 of the school year in which the employee first becomes eligible. As of June 30, 1999, the School District recorded \$1,223 as a fund liability and \$424,760 in the general long-term obligations account group.

B. **Life Insurance**

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Unum, Inc.

NOTE 13: **SHORT-TERM OBLIGATIONS**

The School District borrowed \$500,000 from the Treasurer of State's Cash Flow Borrowing program for the year ended June 30, 1999. These notes were paid off during the year, leaving no liability at year-end.

NOTE 14: **LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 1999 were as follows:

	Principal Outstanding 6/30/98	Additions	Deductions	Principal Outstanding 6/30/99
Energy Conservation H.B. 264 - 6.25%	\$ 320,000	\$ 0	\$ (75,000)	\$ 245,000
Total Long-Term Bonds	320,000	0	(75,000)	245,000
Pension Obligation	180,784	162,316	(180,784)	162,316
Compensated Absences	2,289,889	822,040	0	3,111,929
Intergovernmental	41,765	41,946	(41,765)	41,946
Total General Long- Term Obligations	\$ 2,832,438	\$1,026,302	\$(297,549)	\$ 3,561,191

GARFIELD HEIGHTS CITY SCHOOL DISTRICT
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999
 (CONTINUED)

NOTE 14: **LONG-TERM OBLIGATIONS** (Continued)

Compensated absences, intergovernmental, and the pension obligation will be paid from the fund from which the employees' salaries are paid.

Principal and interest requirements to retire general obligation debt-energy conservation bonds outstanding at June 30, 1999 are as follows and will be paid from the permanent improvement fund:

Fiscal Year <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2000	\$ 80,000	\$ 15,312	\$ 95,312
2001	80,000	10,312	90,312
2002	85,000	5,312	90,312
Totals	<u>\$ 245,000</u>	<u>\$ 30,936</u>	<u>\$ 275,936</u>

NOTE 15: **SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The School District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects the more significant financial data relating to the enterprise funds of the School District as of and for the fiscal year ended June 30, 1999.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total Enterprise Funds</u>
Operating Revenues	\$ 439,197	\$ 156,776	\$ 595,973
Operating Expenses Less Depreciation	745,408	147,110	892,518
Depreciation Expense	2,216	0	2,216
Operating Income (Loss)	(308,427)	9,666	(298,761)
Donated Commodities	35,989	0	35,989
Operating Grants	214,717	0	214,717
Interest	1,262	0	1,262
Net Income (Loss)	(56,361)	9,666	(46,695)
Net Working Capital	22,682	104,023	126,705
Total Assets	123,863	105,469	229,332
Total Equity	28,868	104,023	132,891
Encumbrances Outstanding at 6/30/99	68,907	2,166	71,073

GARFIELD HEIGHTS CITY SCHOOL DISTRICT
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999
 (CONTINUED)

NOTE 16: **INTERFUND TRANSACTIONS**

A. **Interfund Loans Receivable/Payable**

Interfund balances at June 30, 1999 consist of the following individual interfund loans receivable and/or payable:

	<u>Interfund Loans Receivable</u>	<u>Interfund Loans Payable</u>
General Fund	\$ 66,900	\$ 0
<u>Special Revenue Funds</u>		
Drug Free Schools Grant	0	5,000
<u>Capital Projects Funds</u>		
Permanent Improvement Fund	0	56,000
<u>Agency Fund</u>		
Student Activity Fund	0	5,900
Total	<u>\$ 66,900</u>	<u>\$ 66,900</u>

B. **Operating Transfers**

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 0	\$ 121,515
<u>Special Revenue Funds</u>		
Cleveland Foundation Grant	25,000	0
District Managed Athletic Fund	36,500	0
Total Special Revenue Funds	<u>61,500</u>	<u>0</u>
<u>Debt Service Fund</u>		
Bond Retirement Fund	95,000	0
Total Debt Service Fund	<u>95,000</u>	<u>0</u>
<u>Capital Projects Fund</u>		
Permanent Improvement Fund	0	95,000
School Net Plus	15	0
Total Capital Projects Fund	<u>15</u>	<u>95,000</u>
<u>Internal Service Funds</u>		
Employee Benefits Fund	60,000	0
Total Internal Service Funds	<u>60,000</u>	<u>0</u>
Total	<u>\$ 216,515</u>	<u>\$ 216,515</u>

GARFIELD HEIGHTS CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(CONTINUED)

NOTE 17: **JOINTLY GOVERNED ORGANIZATIONS**

Ohio Schools' Council Association

The Ohio Schools Council is a jointly governed organization among 82 school districts. The jointly governed organization was formed to bring quality products and services at the lowest possible cost to the member districts. The Council sponsors an insurance purchasing plan in which the School District participates. The Council also sponsors a Workers' Compensation Group Rating Plan which is an insurance purchasing pool. Each district supports the Council by paying a one time fee of \$500 and an annual participation fee. The Council's Board consists of seven superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 1999, the School District paid \$700 to the Council. Financial information can be obtained by contacting Joseph Lesak, the Executive Secretary of the Ohio Schools Council at 155 Center Road, Bedford Heights, Ohio 44146.

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

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

Lake-Shore Northeast Ohio Computer Association

The School District is a participant in the Lake-Shore Northeast Ohio Computer Association (LNOCA) which is a computer consortium. LNOCA is an association made up of fourteen participating school districts. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. LNOCA is governed by an assembly consisting of the superintendents or other designees

GARFIELD HEIGHTS CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(CONTINUED)

NOTE 17: **JOINTLY GOVERNED ORGANIZATIONS**

Lake-Shore Northeast Ohio Computer Association (Continued)

of the member school district. The assembly exercises total control over the operation of LNOCA including budgeting, appropriating, contracting, and designating management. All the LNOCA revenues are generated from charges for services and state funding. In fiscal year 1999, \$59,327 was paid to LNOCA for services. To obtain information write to LNOCA, 7800 Wall Street, Valley View, Ohio 44104.

Cuyahoga Valley Career Center

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

NOTE 18: **INSURANCE PURCHASING POOL**

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), a public entity risk 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.

NOTE 19: **SCHOOL FUNDING**

On March 24, 1997 the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio School Funding Plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State Legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "School Foundation Program" which provides significant amounts of monetary support to this School District. During the fiscal year ended June 30, 1999, the School District received \$6,345,169 of School Foundation support for its general fund.

GARFIELD HEIGHTS CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(CONTINUED)

NOTE 19: **SCHOOL FUNDING** (Continued)

Also, the Court declared the spending reserve borrowing program unconstitutional. The spending reserve program allowed the School District to borrow against amounts anticipated to be collected from tangible personal property taxes after the School District's June 30 fiscal year end. During the fiscal year ended June 30, 1999, the School District borrowed \$500,000 under this program which the School District repaid. Historically, the School District has relied on this borrowing to meet their cash flow needs at the end of each fiscal year. State statute has recently been amended to gradually decrease the annual amount that may be borrowed under this program.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. At this time, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

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

NOTE 20: **CONTINGENCIES**

A. **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, 1999.

GARFIELD HEIGHTS CITY SCHOOL DISTRICT
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999
 (CONTINUED)

NOTE 20: **CONTINGENCIES** (Continued)

B. **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 ASIDE REQUIREMENTS**

The School District is required by State statute to annually set aside an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an additional amount for capital improvements. Amounts not spent by year-end or offset by similarly restricted resources must be held in cash at year-end and carried forward to be used for the same purposes in future years. Amounts are also to be set aside if the School District's base amount used for the yearly set-aside calculation increases 3 percent or more from the prior year. This amount is to be included in the budget stabilization reserve.

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

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Reserve</u>	<u>Total</u>
Set-Aside Balance Carried				
Forward July 1, 1998	\$ 0	\$ 0	\$ 125,721	
Current Year Set-Aside Requirement	331,758	331,758	165,879	
Current Year Offsets	(49,187)	0	0	
Qualifying Expenditures	(382,650)	(432,336)	0	
Total	<u>\$ (100,079)</u>	<u>\$ (100,578)</u>	<u>\$ 291,600</u>	
Cash Balance Carried Forward				
to Fiscal Year 2000	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 291,600</u>	
Amount Restricted for Budget Stabilization				\$ 291,600
Total Restricted Assets				<u>\$ 291,600</u>

GARFIELD HEIGHTS CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(CONTINUED)

NOTE 21: **SET ASIDE REQUIREMENTS** (Continued)

Although the School District had qualifying expenditures during the year that reduced the set-aside amounts below zero, these extra amounts may not be used to reduce the set-aside requirements of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year.

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GARFIELD HEIGHTS CITY SCHOOL DISTRICT
Cuyahoga County, Ohio

Schedule of Federal Awards Receipts and Expenditures
For the Year Ended June 30, 1999

Federal Grantor/ Pass-Through Grantor/ Program Title	Pass-Through Entity Number	CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U. S. Department of Agriculture						
<i>Passed Through the Ohio Department of Agriculture</i>						
Nutrition Cluster:						
Food Distribution	N/A	10.550	\$0	\$36,878	\$0	\$30,696
National School Lunch Program	04 PU 99	10.555	229,836	0	229,836	0
Total U. S. Department of Agriculture - Nutrition Cluster			\$229,836	\$36,878	\$229,836	\$30,696
U. S. Department of Education						
<i>Passed Through the Ohio Department of Education</i>						
Special Education Cluster:						
Special Education Grants to States	6B-SF 98 P	84.027	4,091	0	2,734	0
Special Education Grants to States	6B-SF 99 P	84.027	227,048	0	198,850	0
Subtotal for CFDA 84.027			231,139	0	201,584	0
Special Education - Pre-School	PG-S1 99 P	84.173	12,168	0	11,332	0
Total Special Education Cluster			243,307	0	212,916	0
Eisenhower Professional Development	MS-S1 97	84.281	0	0	949	0
Eisenhower Professional Development	MS-S1 98	84.281	0	0	2,769	0
Eisenhower Professional Development	MS-S1 99	84.281	10,068	0	6,872	0
Eisenhower Professional Development	MS-S2 97 C	84.281	87,994	0	69,048	0
Eisenhower Professional Development	MS-S2 98 C P	84.281	285,031	0	203,102	0
Eisenhower Professional Development	MS-S2 99	84.281	62,137	0	0	0
Total Eisenhower Professional Development			445,230	0	282,740	0
Title I Grants to Local Education Agencies	C1-S1 98	84.010	17,796	0	14,490	0
Title I Grants to Local Education Agencies	C2-S1 99	84.010	157,566	0	132,223	0
Total Title I Grants to Local Education Agencies			175,362	0	146,713	0
Goals 2000 State/Local Ed. Systemic Improvement	G2-S4 97 C	84.276	2,841	0	15,090	0
Goals 2000 State/Local Ed. Systemic Improvement	G2-S2 99	84.276	10,000	0	0	0
Total Goals 2000			12,841	0	15,090	0
Innovative Educational Program Strategies	C2-S1 97	84.298	0	0	266	0
Innovative Educational Program Strategies	C2-S1 98	84.298	0	0	304	0
Innovative Educational Program Strategies	C2-S1 99	84.298	24,074	0	13,572	0
Total Innovative Education Program Strategies			24,074	0	14,142	0
Safe and Drug Free Schools	DR-S1 98	84.186	0	0	4,799	0
Safe and Drug Free Schools	DR-S1 99	84.186	17,883	0	17,495	0
Safe and Drug Free Schools - Cleveland Diocese	DR-S2 97	84.186	0	0	525	0
Safe and Drug Free Schools - Cleveland Diocese	DR-S2 98	84.186	394,388	0	408,022	0
Safe and Drug Free Schools - Cleveland Diocese	DR-S2 99	84.186	523,181	0	459,223	0
Total Safe and Drug Free Schools			935,452	0	890,064	0

GARFIELD HEIGHTS CITY SCHOOL DISTRICT
Cuyahoga County, Ohio

Schedule of Federal Awards Receipts and Expenditures
For the Year Ended June 30, 1999

Federal Grantor/ Pass-Through Grantor/ Program Title	Pass-Through Entity Number	CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
Technology Literacy Challenge Fund	TF-S2 97 P	84.318	0	0	149,990	0
Technology Literacy Challenge Fund	TF-S2 98 P	84.318	162,500	0	103,397	0
Total Technology Literacy Challenge Fund			<u>162,500</u>	<u>0</u>	<u>253,387</u>	<u>0</u>
Total U. S. Department of Education			<u>1,998,766</u>	<u>0</u>	<u>1,815,052</u>	<u>0</u>
Passed Through State Department of Alcohol and Drug Addiction Services						
Passed Through Cuyahoga County - Alcohol and Drug Addiction Services Board						
Safe and Drug Free Schools	(B)	84.186 A	15,003	0	20,000	0
Total Federal Assistance			<u>\$2,243,605</u>	<u>\$36,878</u>	<u>\$2,064,888</u>	<u>\$30,696</u>

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

**Garfield Heights City School District
Cuyahoga County
For the Fiscal Year Ended June 30, 1999**

Notes to Schedule of Federal Awards Expenditures

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures is a summary of the activity of the District's federal awards programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - FOOD DISTRIBUTION

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

NOTE C - NATIONAL SCHOOL LUNCH PROGRAM

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

N/A - Not applicable.

CFDA - Catalog of Federal Domestic Assistance.

(B) - State grant number 18-18002-01-DFSDAR-99-9863



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

Lausche Building, 12th Floor
615 Superior Avenue, NW
Cleveland, Ohio 44113
Telephone 216-787-3665
800-626-2297
Facsimile 216-787-3361
www.auditor.state.oh.us

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

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

We have audited the financial statements of the Garfield Heights City School District, Cuyahoga County, Ohio, (the District) as of and for the year ended June 30, 1999, and have issued our report thereon dated February 24, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

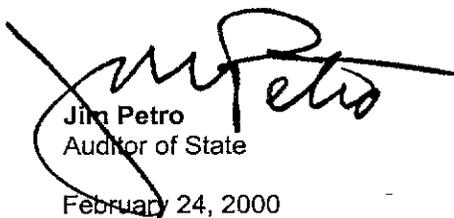
As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated February 24, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated February 24, 2000.

Garfield Heights City School District
Cuyahoga County
Report on Compliance and on Internal Control Required by
Government Auditing Standards
Page 2

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



Jim Petro
Auditor of State
February 24, 2000



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

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

Compliance

We have audited the compliance of the Garfield Heights City School District, Cuyahoga County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 1999. The District's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 1999.

Internal Control Over Compliance

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

Garfield Heights City School District
Cuyahoga County
Report on Compliance With Requirements Applicable to Its Major
Federal Program and Internal Control Over Compliance
In Accordance With OMB Circular A-133
Page 2

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. We noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated February 24, 2000.

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



Jim Petro
Auditor of State,
February 24, 2000

Garfield Heights City School District

June 30, 1999

SCHEDULE OF FINDINGS

1. SUMMARY OF AUDITOR'S RESULTS

A-133 §.505

(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unqualified
(d)(1)(ii)	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(ii)	<i>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any reported non-compliance at the financial statement level (GAGAS)?</i>	No
(d)(1)(iv)	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
(d)(1)(iv)	<i>Were there any other reportable internal control weakness conditions reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
(d)(1)(vi)	<i>Are there any reportable findings under Sec. .510?</i>	No
(d)(1)(vii)	<i>Major Programs (list)</i>	Safe and Drug Free Schools, CFDA No. 84.186
(d)(1)(viii)	<i>Dollar Threshold: Type A/B Programs</i>	Type A: \$300,000 Type B: All Others
(d)(1)(ix)	<i>Low Risk Auditee?</i>	Yes

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.



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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.

By: *Susan Babbitt*

Date: MAR 14 2000