



**GARFIELD HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**GARFIELD HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

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

We have audited the accompanying general-purpose financial statements of the Garfield Heights City School District, Cuyahoga County, Ohio, (the District) as of and for the year ended June 30, 2000, 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, 2000, 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.

As described in Note 3 to the general purpose financial statements, the District changed its classification of the Expendable Trust Fund.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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 Receipts and 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

December 15, 2000

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Garfield Heights City School District

Combined Balance Sheet

All Fund Types and Account Groups

June 30, 2000

| | Governmental Fund Types | | |
|--|-------------------------|--------------------|---------------------|
| | General | Special Revenue | Capital Projects |
| <i>Assets and Other Debits</i> | | | |
| Assets | | | |
| Equity in Pooled Cash and | | | |
| Cash Equivalents | \$1,443,210 | \$812,671 | \$332,859 |
| Receivables: | | | |
| Taxes | 12,838,434 | 0 | 402,739 |
| Accounts | 3,210 | 0 | 0 |
| Intergovernmental | 11,663 | 127,245 | 98,482 |
| Accrued Interest | 36,165 | 0 | 0 |
| Interfund Receivable | 18,000 | 0 | 0 |
| Due from Other Funds | 27,294 | 0 | 0 |
| Inventory Held for Resale | 0 | 0 | 0 |
| Materials and Supplies | | | |
| Inventory | 3,110 | 3,056 | 0 |
| Restricted Assets: | | | |
| Equity in Pooled Cash and | | | |
| Cash Equivalents | 332,281 | 0 | 0 |
| Fixed Assets (Net, where applicable, of Accumulated Depreciation) | 0 | 0 | 0 |
| Other Debits | | | |
| Amount to be Provided from | | | |
| General Government Resources | 0 | 0 | 0 |
| <i>Total Assets and Other Debits</i> | \$14,713,367 | \$942,972 | \$834,080 |

| Proprietary Fund Types | | Fiduciary Fund Type | Account Groups | | Totals (Memorandum Only) |
|---------------------------|---------------------|------------------------|----------------------------|-------------------------------------|--------------------------------|
| Enterprise | Internal Service | Agency | General Fixed Assets | General Long-Term Obligations | |
| \$146,569 | \$498,295 | \$12,492 | \$0 | \$0 | \$3,246,096 |
| 0 | 0 | 0 | 0 | 0 | 13,241,173 |
| 517 | 0 | 0 | 0 | 0 | 3,727 |
| 22,056 | 0 | 0 | 0 | 0 | 259,446 |
| 0 | 0 | 0 | 0 | 0 | 36,165 |
| 0 | 0 | 0 | 0 | 0 | 18,000 |
| 0 | 0 | 0 | 0 | 0 | 27,294 |
| 10,769 | 0 | 0 | 0 | 0 | 10,769 |
| 0 | 0 | 0 | 0 | 0 | 6,166 |
| 0 | 0 | 0 | 0 | 0 | 332,281 |
| 3,970 | 0 | 0 | 12,558,133 | 0 | 12,562,103 |
| <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>3,904,256</u> | <u>3,904,256</u> |
| <u>\$183,881</u> | <u>\$498,295</u> | <u>\$12,492</u> | <u>\$12,558,133</u> | <u>\$3,904,256</u> | <u>\$33,647,476</u> |

(continued)

Garfield Heights City School District
Combined Balance Sheet
All Fund Types and Account Groups (continued)
June 30, 2000

| | Governmental Fund Types | | |
|--|-------------------------|--------------------|---------------------|
| | General | Special Revenue | Capital Projects |
| <i>Liabilities,</i> | | | |
| <i>Fund Equity and Other Credits</i> | | | |
| Liabilities | | | |
| Accounts Payable | \$127,268 | \$78,328 | \$1,584 |
| Contracts Payable | 12,500 | 0 | 0 |
| Accrued Wages and Benefits | 2,034,145 | 117,596 | 0 |
| Compensated Absences Payable | 45,412 | 0 | 0 |
| Interfund Payable | 0 | 18,000 | 0 |
| Due to Other Funds | 0 | 27,294 | 0 |
| Intergovernmental Payable | 184,611 | 4,396 | 2 |
| Deferred Revenue | 11,453,076 | 0 | 359,372 |
| Due to Students | 0 | 0 | 0 |
| Claims Payable | 0 | 0 | 0 |
| Energy Conservation Bonds Payable | 0 | 0 | 0 |
| <i>Total Liabilities</i> | 13,857,012 | 245,614 | 360,958 |
| Fund Equity and Other Credits | | | |
| Investment in General Fixed Assets | 0 | 0 | 0 |
| Retained Earnings: | | | |
| Unreserved | 0 | 0 | 0 |
| Fund Balance: | | | |
| Reserved for Encumbrances | 235,773 | 313,211 | 53,972 |
| Reserved for Inventory | 3,110 | 3,056 | 0 |
| Reserved for Bus Purchases | 33,836 | 0 | 0 |
| Reserved for Budget Stabilization | 298,445 | 0 | 0 |
| Reserved for Property Taxes | 1,093,815 | 0 | 34,313 |
| Unreserved, Undesignated (Deficit) | (808,624) | 381,091 | 384,837 |
| <i>Total Fund Equity and Other Credits</i> | 856,355 | 697,358 | 473,122 |
| <i>Total Liabilities, Fund Equity and Other Credits</i> | \$14,713,367 | \$942,972 | \$834,080 |

See accompanying notes to the general purpose financial statements

| Proprietary Fund Types | | Fiduciary Fund Type | Account Groups | | | Totals (Memorandum Only) |
|---------------------------|---------------------|------------------------|----------------------------|-------------------------------------|---------------------|--------------------------------|
| Enterprise | Internal Service | Agency | General Fixed Assets | General Long-Term Obligations | | |
| \$3,772 | \$245 | \$0 | \$0 | \$0 | \$211,197 | |
| 0 | 0 | 0 | 0 | 0 | 12,500 | |
| 0 | 0 | 0 | 0 | 0 | 2,151,741 | |
| 36,321 | 0 | 0 | 0 | 3,560,289 | 3,642,022 | |
| 0 | 0 | 0 | 0 | 0 | 18,000 | |
| 0 | 0 | 0 | 0 | 0 | 27,294 | |
| 17,036 | 5 | 0 | 0 | 178,967 | 385,017 | |
| 10,769 | 0 | 0 | 0 | 0 | 11,823,217 | |
| 0 | 0 | 12,492 | 0 | 0 | 12,492 | |
| 0 | 232,425 | 0 | 0 | 0 | 232,425 | |
| 0 | 0 | 0 | 0 | 165,000 | 165,000 | |
| <u>67,898</u> | <u>232,675</u> | <u>12,492</u> | <u>0</u> | <u>3,904,256</u> | <u>18,680,905</u> | |
| 0 | 0 | 0 | 12,558,133 | 0 | 12,558,133 | |
| 115,983 | 265,620 | 0 | 0 | 0 | 381,603 | |
| 0 | 0 | 0 | 0 | 0 | 602,956 | |
| 0 | 0 | 0 | 0 | 0 | 6,166 | |
| 0 | 0 | 0 | 0 | 0 | 33,836 | |
| 0 | 0 | 0 | 0 | 0 | 298,445 | |
| 0 | 0 | 0 | 0 | 0 | 1,128,128 | |
| 0 | 0 | 0 | 0 | 0 | (42,696) | |
| <u>115,983</u> | <u>265,620</u> | <u>0</u> | <u>12,558,133</u> | <u>0</u> | <u>14,966,571</u> | |
| <u>\$183,881</u> | <u>\$498,295</u> | <u>\$12,492</u> | <u>\$12,558,133</u> | <u>\$3,904,256</u> | <u>\$33,647,476</u> | |

Garfield Heights City School District
*Combined Statement of Revenues, Expenditures
and Changes in Fund Balances
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2000*

| | Governmental Fund Types | | |
|--|-------------------------|--------------------|-----------------|
| | General | Special Revenue | Debt Service |
| Revenues | | | |
| Taxes | \$11,434,301 | \$0 | \$0 |
| Intergovernmental | 8,359,840 | 2,859,489 | 0 |
| Interest | 281,101 | 28,035 | 0 |
| Tuition and Fees | 360,634 | 0 | 0 |
| Rentals | 64,593 | 0 | 0 |
| Extracurricular Activities | 0 | 224,925 | 0 |
| Contributions and Donations | 0 | 263,976 | 0 |
| Miscellaneous | 255 | 0 | 0 |
| <i>Total Revenues</i> | <u>20,500,724</u> | <u>3,376,425</u> | <u>0</u> |
| Expenditures | | | |
| Current: | | | |
| Instruction: | | | |
| Regular | 10,939,373 | 90,847 | 0 |
| Special | 1,656,825 | 450,762 | 0 |
| Vocational | 171,336 | 0 | 0 |
| Adult/Continuing | 0 | 0 | 0 |
| Support Services: | | | |
| Pupils | 1,509,227 | 316,301 | 0 |
| Instructional Staff | 548,448 | 169,622 | 0 |
| Board of Education | 41,431 | 0 | 0 |
| Administration | 2,096,081 | 71,117 | 0 |
| Fiscal | 695,905 | 9,374 | 0 |
| Business | 364,791 | 0 | 0 |
| Operation and Maintenance of Plant | 2,587,413 | 0 | 0 |
| Pupil Transportation | 579,256 | 0 | 0 |
| Central | 138,873 | 10,000 | 0 |
| Operation of Non-Instructional Services | 110 | 1,747,921 | 0 |
| Extracurricular Activities | 335,256 | 315,408 | 0 |
| Capital Outlay | 0 | 0 | 0 |
| Debt Service: | | | |
| Principal Retirement | 0 | 0 | 80,000 |
| Interest and Fiscal Charges | 0 | 0 | 15,313 |
| <i>Total Expenditures</i> | <u>21,664,325</u> | <u>3,181,352</u> | <u>95,313</u> |
| <i>Excess of Revenues Over (Under) Expenditures</i> | <u>(1,163,601)</u> | <u>195,073</u> | <u>(95,313)</u> |
| Other Financing Sources | | | |
| Operating Transfers In | 0 | 35,000 | 95,313 |
| Operating Transfers Out | (35,000) | 0 | 0 |
| <i>Total Other Financing Sources (Uses)</i> | <u>(35,000)</u> | <u>35,000</u> | <u>95,313</u> |
| <i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i> | <u>(1,198,601)</u> | <u>230,073</u> | <u>0</u> |
| <i>Fund Balances Beginning of Year (Restated Note 3)</i> | 2,054,727 | 477,155 | 0 |
| Increase in Reserve for Inventory | 229 | (1,042) | 0 |
| Residual Equity Transfers Out | 0 | (8,828) | 0 |
| <i>Fund Balances at End of Year</i> | <u>\$856,355</u> | <u>\$697,358</u> | <u>\$0</u> |

See accompanying notes to the general purpose financial statements

| Capital Projects | Totals (Memorandum Only) |
|---------------------|--------------------------------|
| \$367,376 | \$11,801,677 |
| 150,945 | 11,370,274 |
| 0 | 309,136 |
| 0 | 360,634 |
| 0 | 64,593 |
| 0 | 224,925 |
| 0 | 263,976 |
| 0 | 255 |
| 518,321 | 24,395,470 |
| 0 | 11,030,220 |
| 0 | 2,107,587 |
| 0 | 171,336 |
| 0 | 0 |
| 0 | 1,825,528 |
| 0 | 718,070 |
| 0 | 41,431 |
| 0 | 2,167,198 |
| 0 | 705,279 |
| 0 | 364,791 |
| 0 | 2,587,413 |
| 0 | 579,256 |
| 0 | 148,873 |
| 0 | 1,748,031 |
| 0 | 650,664 |
| 359,122 | 359,122 |
| 0 | 80,000 |
| 0 | 15,313 |
| 359,122 | 25,300,112 |
| 159,199 | (904,642) |
| 0 | 130,313 |
| (95,313) | (130,313) |
| (95,313) | 0 |
| 63,886 | (904,642) |
| 409,236 | 2,941,118 |
| 0 | (813) |
| 0 | (8,828) |
| \$473,122 | \$2,026,835 |

Garfield Heights City School District
*Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2000*

| | General Fund | | |
|---|--------------------|--------------------|--|
| | Revised Budget | Actual | Variance Favorable (Unfavorable) |
| Revenues | | | |
| Taxes | \$11,753,176 | \$11,919,386 | \$166,210 |
| Intergovernmental | 9,003,423 | 8,359,723 | (643,700) |
| Interest | 268,388 | 268,388 | 0 |
| Tuition and Fees | 344,025 | 344,025 | 0 |
| Rentals | 62,119 | 62,119 | 0 |
| Extracurricular Activities | 0 | 0 | 0 |
| Contributions and Donations | 0 | 0 | 0 |
| <i>Total Revenues</i> | <u>21,431,131</u> | <u>20,953,641</u> | <u>(477,490)</u> |
| Expenditures | | | |
| Current: | | | |
| Instruction: | | | |
| Regular | 11,104,421 | 11,064,166 | 40,255 |
| Special | 1,673,429 | 1,662,119 | 11,310 |
| Vocational | 180,699 | 173,443 | 7,256 |
| Support Services: | | | |
| Pupils | 1,544,575 | 1,536,228 | 8,347 |
| Instructional Staff | 597,630 | 584,524 | 13,106 |
| Board of Education | 49,126 | 43,786 | 5,340 |
| Administration | 2,180,131 | 2,156,917 | 23,214 |
| Fiscal | 726,655 | 701,616 | 25,039 |
| Business | 419,614 | 380,218 | 39,396 |
| Operation and Maintenance of Plant | 2,819,184 | 2,744,408 | 74,776 |
| Pupil Transportation | 761,063 | 732,196 | 28,867 |
| Central | 179,753 | 164,690 | 15,063 |
| Operation of Non-Instructional Services | 0 | 0 | 0 |
| Extracurricular Activities | 347,000 | 340,983 | 6,017 |
| Capital Outlay | 0 | 0 | 0 |
| Debt Service: | | | |
| Principal Retirement | 0 | 0 | 0 |
| Interest and Fiscal Charges | 0 | 0 | 0 |
| <i>Total Expenditures</i> | <u>22,583,280</u> | <u>22,285,294</u> | <u>297,986</u> |
| <i>Excess of Revenues Over (Under) Expenditures</i> | <u>(1,152,149)</u> | <u>(1,331,653)</u> | <u>(179,504)</u> |
| Other Financing Sources | | | |
| Advances In | 0 | 66,900 | 66,900 |
| Advances Out | (600,000) | (18,000) | 582,000 |
| Operating Transfers In | 0 | 0 | 0 |
| Operating Transfers Out | (320,000) | (35,000) | 285,000 |
| <i>Total Other Financing Sources (Uses)</i> | <u>(920,000)</u> | <u>13,900</u> | <u>933,900</u> |
| <i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures</i> | <u>(2,072,149)</u> | <u>(1,317,753)</u> | <u>754,396</u> |
| <i>Fund Balances Beginning of Year</i> | 2,429,941 | 2,429,941 | 0 |
| Prior Year Encumbrances Appropriated | 344,881 | 344,881 | 0 |
| Residual Equity Transfers | 0 | 0 | 0 |
| <i>Fund Balances End of Year</i> | <u>\$702,673</u> | <u>\$1,457,069</u> | <u>\$754,396</u> |

| Special Revenue Funds | | | Debt Service Fund | | |
|-----------------------|------------------|----------------------------------|-------------------|-----------------|----------------------------------|
| Revised Budget | Actual | Variance Favorable (Unfavorable) | Revised Budget | Actual | Variance Favorable (Unfavorable) |
| \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 3,438,447 | 2,783,396 | (655,051) | 0 | 0 | 0 |
| 16,794 | 27,586 | 10,792 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 203,300 | 223,186 | 19,886 | 0 | 0 | 0 |
| 268,691 | 248,890 | (19,801) | 0 | 0 | 0 |
| <u>3,927,232</u> | <u>3,283,058</u> | <u>(644,174)</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| 363,352 | 194,901 | 168,451 | 0 | 0 | 0 |
| 482,257 | 437,051 | 45,206 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 397,701 | 338,087 | 59,614 | 0 | 0 | 0 |
| 204,961 | 174,874 | 30,087 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 65,945 | 71,117 | (5,172) | 0 | 0 | 0 |
| 21,000 | 10,045 | 10,955 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 11,000 | 10,000 | 1,000 | 0 | 0 | 0 |
| 2,469,124 | 2,280,840 | 188,284 | 0 | 0 | 0 |
| 395,425 | 334,063 | 61,362 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 80,000 | 80,000 | 0 |
| 0 | 0 | 0 | 15,313 | 15,313 | 0 |
| <u>4,410,765</u> | <u>3,850,978</u> | <u>559,787</u> | <u>95,313</u> | <u>95,313</u> | <u>0</u> |
| <u>(483,533)</u> | <u>(567,920)</u> | <u>(84,387)</u> | <u>(95,313)</u> | <u>(95,313)</u> | <u>0</u> |
| 18,000 | 18,000 | 0 | 0 | 0 | 0 |
| (5,000) | (5,000) | 0 | 0 | 0 | 0 |
| 35,000 | 35,000 | 0 | 95,313 | 95,313 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| <u>48,000</u> | <u>48,000</u> | <u>0</u> | <u>95,313</u> | <u>95,313</u> | <u>0</u> |
| (435,533) | (519,920) | (84,387) | 0 | 0 | 0 |
| 364,582 | 364,582 | 0 | 0 | 0 | 0 |
| 582,997 | 582,997 | 0 | 0 | 0 | 0 |
| 0 | (8,828) | (8,828) | 0 | 0 | 0 |
| <u>\$512,046</u> | <u>\$418,831</u> | <u>(\$93,215)</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |

(continued)

Garfield Heights City School District
*Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual
All Governmental Fund Types (continued)
For the Fiscal Year Ended June 30, 2000*

| | Capital Projects Funds | | |
|---|------------------------|------------------|--|
| | Revised Budget | Actual | Variance Favorable (Unfavorable) |
| Revenues | | | |
| Taxes | \$388,362 | \$379,355 | (\$9,007) |
| Intergovernmental | 51,462 | 52,462 | 1,000 |
| Interest | 0 | 0 | 0 |
| Tuition and Fees | 0 | 0 | 0 |
| Rentals | 0 | 0 | 0 |
| Extracurricular Activities | 0 | 0 | 0 |
| Contributions and Donations | 0 | 0 | 0 |
| <i>Total Revenues</i> | <u>439,824</u> | <u>431,817</u> | <u>(8,007)</u> |
| Expenditures | | | |
| Current: | | | |
| Instruction: | | | |
| Regular | 0 | 0 | 0 |
| Special | 0 | 0 | 0 |
| Vocational | 0 | 0 | 0 |
| Support Services: | | | |
| Pupils | 0 | 0 | 0 |
| Instructional Staff | 0 | 0 | 0 |
| Board of Education | 0 | 0 | 0 |
| Administration | 0 | 0 | 0 |
| Fiscal | 0 | 0 | 0 |
| Business | 0 | 0 | 0 |
| Operation and Maintenance of Plant | 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 |
| Capital Outlay | 597,138 | 512,944 | 84,194 |
| Debt Service: | | | |
| Principal Retirement | 0 | 0 | 0 |
| Interest and Fiscal Charges | 0 | 0 | 0 |
| <i>Total Expenditures</i> | <u>597,138</u> | <u>512,944</u> | <u>84,194</u> |
| <i>Excess of Revenues Over (Under) Expenditures</i> | <u>(157,314)</u> | <u>(81,127)</u> | <u>76,187</u> |
| Other Financing Sources | | | |
| Advances In | 0 | 0 | 0 |
| Advances Out | (56,000) | (56,000) | 0 |
| Operating Transfers In | 0 | 0 | 0 |
| Operating Transfers Out | (95,315) | (95,313) | 2 |
| <i>Total Other Financing Sources (Uses)</i> | <u>(151,315)</u> | <u>(151,313)</u> | <u>2</u> |
| <i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures</i> | <u>(308,629)</u> | <u>(232,440)</u> | <u>76,189</u> |
| <i>Fund Balances Beginning of Year</i> | 54,488 | 54,488 | 0 |
| Prior Year Encumbrances Appropriated | 455,254 | 455,254 | 0 |
| Residual Equity Transfers | 0 | 0 | 0 |
| <i>Fund Balances End of Year</i> | <u>\$201,113</u> | <u>\$277,302</u> | <u>\$76,189</u> |

See accompanying notes to the general purpose financial statements

| Totals (Memorandum Only) | | |
|--------------------------|--------------------|--|
| Revised Budget | Actual | Variance Favorable (Unfavorable) |
| \$12,141,538 | \$12,298,741 | \$157,203 |
| 12,493,332 | 11,195,581 | (1,297,751) |
| 285,182 | 295,974 | 10,792 |
| 344,025 | 344,025 | 0 |
| 62,119 | 62,119 | 0 |
| 203,300 | 223,186 | 19,886 |
| 268,691 | 248,890 | (19,801) |
| <u>25,798,187</u> | <u>24,668,516</u> | <u>(1,129,671)</u> |
| 11,467,773 | 11,259,067 | 208,706 |
| 2,155,686 | 2,099,170 | 56,516 |
| 180,699 | 173,443 | 7,256 |
| 1,942,276 | 1,874,315 | 67,961 |
| 802,591 | 759,398 | 43,193 |
| 49,126 | 43,786 | 5,340 |
| 2,246,076 | 2,228,034 | 18,042 |
| 747,655 | 711,661 | 35,994 |
| 419,614 | 380,218 | 39,396 |
| 2,819,184 | 2,744,408 | 74,776 |
| 761,063 | 732,196 | 28,867 |
| 190,753 | 174,690 | 16,063 |
| 2,469,124 | 2,280,840 | 188,284 |
| 742,425 | 675,046 | 67,379 |
| 597,138 | 512,944 | 84,194 |
| 80,000 | 80,000 | 0 |
| 15,313 | 15,313 | 0 |
| <u>27,686,496</u> | <u>26,744,529</u> | <u>941,967</u> |
| <u>(1,888,309)</u> | <u>(2,076,013)</u> | <u>(187,704)</u> |
| 18,000 | 84,900 | 66,900 |
| (661,000) | (79,000) | 582,000 |
| 130,313 | 130,313 | 0 |
| (415,315) | (130,313) | 285,002 |
| <u>(928,002)</u> | <u>5,900</u> | <u>933,902</u> |
| (2,816,311) | (2,070,113) | 746,198 |
| 2,849,011 | 2,849,011 | 0 |
| 1,383,132 | 1,383,132 | 0 |
| 0 | (8,828) | (8,828) |
| <u>\$1,415,832</u> | <u>\$2,153,202</u> | <u>\$737,370</u> |

Garfield Heights City School District
*Combined Statement of Revenues,
Expenses and Changes in Retained Earnings
All Proprietary Fund Types
For the Fiscal Year Ended June 30, 2000*

| | Enterprise | Internal Service | Totals (Memorandum Only) |
|--|------------------|---------------------|--------------------------------|
| Operating Revenues | | | |
| Sales | \$584,066 | \$0 | \$584,066 |
| Charges for Services | 0 | 1,876,928 | 1,876,928 |
| <i>Total Operating Revenues</i> | <u>584,066</u> | <u>1,876,928</u> | <u>2,460,994</u> |
| Operating Expenses | | | |
| Salaries | 312,819 | 700 | 313,519 |
| Fringe Benefits | 83,984 | 7 | 83,991 |
| Purchased Services | 13,920 | 232,846 | 246,766 |
| Materials and Supplies | 129,104 | 28,592 | 157,696 |
| Cost of Sales | 401,260 | 0 | 401,260 |
| Depreciation | 2,216 | 0 | 2,216 |
| Claims | 0 | 1,583,947 | 1,583,947 |
| <i>Total Operating Expenses</i> | <u>943,303</u> | <u>1,846,092</u> | <u>2,789,395</u> |
| <i>Operating Income (Loss)</i> | <u>(359,237)</u> | <u>30,836</u> | <u>(328,401)</u> |
| Non-Operating Revenues | | | |
| Federal Donated Commodities | 46,325 | 0 | 46,325 |
| Interest | 1,140 | 0 | 1,140 |
| Operating Grants | 294,864 | 0 | 294,864 |
| <i>Total Non-Operating Revenues</i> | <u>342,329</u> | <u>0</u> | <u>342,329</u> |
| <i>Net Income (Loss)</i> | <u>(16,908)</u> | <u>30,836</u> | <u>13,928</u> |
| <i>Retained Earnings Beginning of Year</i> | <u>132,891</u> | <u>234,784</u> | <u>367,675</u> |
| <i>Retained Earnings End of Year</i> | <u>\$115,983</u> | <u>\$265,620</u> | <u>\$381,603</u> |

See accompanying notes to the general purpose financial statements

Garfield Heights City School District
*Combined Statement of Revenues, Expenses and Changes
in Fund Equity - Budget (Non-GAAP Basis) and Actual
All Proprietary Fund Types
For the Fiscal Year Ended June 30, 2000*

| | Enterprise Funds | | Variance Favorable (Unfavorable) |
|---|-------------------|-----------|--|
| | Revised Budget | Actual | |
| Revenues | | | |
| Sales | \$705,455 | \$646,409 | (\$59,046) |
| Charges for Services | 0 | 0 | 0 |
| Interest | 988 | 988 | 0 |
| Operating Grants | 272,807 | 272,807 | 0 |
| <i>Total Revenues</i> | 979,250 | 920,204 | (59,046) |
| Expenses | | | |
| Salaries | 340,000 | 339,043 | 957 |
| Fringe Benefits | 64,000 | 63,257 | 743 |
| Purchased Services | 14,582 | 13,921 | 661 |
| Materials and Supplies | 584,653 | 524,768 | 59,885 |
| Claims | 0 | 0 | 0 |
| <i>Total Expenses</i> | 1,003,235 | 940,989 | 62,246 |
| <i>Excess of Revenues Over (Under) Expenses</i> | (23,985) | (20,785) | 3,200 |
| <i>Fund Equity Beginning of Year</i> | 89,215 | 89,215 | 0 |
| Prior Year Encumbrances Appropriated | 71,073 | 71,073 | 0 |
| <i>Fund Equity End of Year</i> | \$136,303 | \$139,503 | \$3,200 (continued) |

Garfield Heights City School District
*Combined Statement of Revenues, Expenses and Changes
in Fund Equity - Budget (Non-GAAP Basis) and Actual
All Proprietary Fund Types (continued)
For the Fiscal Year Ended June 30, 2000*

| | Internal Service Fund | | |
|---|-----------------------|------------------|--|
| | Revised Budget | Actual | Variance Favorable (Unfavorable) |
| Revenues | | | |
| Sales | \$0 | \$0 | \$0 |
| Charges for Services | 2,040,000 | 1,876,928 | (163,072) |
| Interest | 0 | 0 | 0 |
| Operating Grants | 0 | 0 | 0 |
| <i>Total Revenues</i> | <u>2,040,000</u> | <u>1,876,928</u> | <u>(163,072)</u> |
| Expenses | | | |
| Salaries | 778 | 707 | 71 |
| Fringe Benefits | 0 | 0 | 0 |
| Purchased Services | 264,983 | 256,024 | 8,959 |
| Materials and Supplies | 28,178 | 28,592 | (414) |
| Claims | 1,777,593 | 1,528,900 | 248,693 |
| <i>Total Expenses</i> | <u>2,071,532</u> | <u>1,814,223</u> | <u>257,309</u> |
| <i>Excess of Revenues Over (Under) Expenses</i> | (31,532) | 62,705 | 94,237 |
| <i>Fund Equity Beginning of Year</i> | 411,663 | 411,663 | 0 |
| Prior Year Encumbrances Appropriated | <u>22,952</u> | <u>22,952</u> | <u>0</u> |
| <i>Fund Equity End of Year</i> | <u>\$403,083</u> | <u>\$497,320</u> | <u>\$94,237</u> |

See accompanying notes to the general purpose financial statements

Totals
(Memorandum Only)

| Revised Budget | Actual | Variance Favorable (Unfavorable) |
|-------------------------|-------------------------|--|
| \$705,455 | \$646,409 | (\$59,046) |
| 2,040,000 | 1,876,928 | (163,072) |
| 988 | 988 | 0 |
| <u>272,807</u> | <u>272,807</u> | <u>0</u> |
| <u>3,019,250</u> | <u>2,797,132</u> | <u>(222,118)</u> |
| 340,778 | 339,750 | 1,028 |
| 64,000 | 63,257 | 743 |
| 279,565 | 269,945 | 9,620 |
| 612,831 | 553,360 | 59,471 |
| <u>1,777,593</u> | <u>1,528,900</u> | <u>248,693</u> |
| <u>3,074,767</u> | <u>2,755,212</u> | <u>319,555</u> |
| (55,517) | 41,920 | 97,437 |
| 500,878 | 500,878 | 0 |
| <u>94,025</u> | <u>94,025</u> | <u>0</u> |
| <u><u>\$539,386</u></u> | <u><u>\$636,823</u></u> | <u><u>\$97,437</u></u> |

Garfield Heights City School District
Combined Statement of Cash Flows
All Proprietary Fund Types
For the Fiscal Year Ended June 30, 2000

| | Enterprise | Internal Service | Totals (Memorandum Only) |
|---|--------------------|---------------------|--------------------------------|
| <i>Increase (Decrease) in Cash and Cash Equivalents</i> | | | |
| Cash Flows from Operating Activities | | | |
| Cash Received from Customers | \$646,410 | \$234,066 | \$880,476 |
| Cash Received from Quasi-External Transactions with Other Funds | 0 | 1,642,862 | 1,642,862 |
| Cash Payments to Suppliers for Goods and Services | (531,774) | (283,640) | (815,414) |
| Cash Payments to Employees for Services | (339,043) | (707) | (339,750) |
| Cash Payments for Employee Benefits | (63,257) | 0 | (63,257) |
| Cash Payments for Claims | 0 | (1,528,900) | (1,528,900) |
| | <u>(287,664)</u> | <u>63,681</u> | <u>(223,983)</u> |
| Cash Flows from Noncapital Financing Activities | | | |
| Operating Grants Received | 272,807 | 0 | 272,807 |
| Cash Flows from Investing Activities | | | |
| Interest on Investments | 1,140 | 0 | 1,140 |
| | <u>(13,717)</u> | <u>63,681</u> | <u>49,964</u> |
| <i>Net Increase (Decrease) in Cash and Cash Equivalents</i> | | | |
| Cash and Cash Equivalents Beginning of Year | 160,286 | 434,614 | 594,900 |
| <i>Cash and Cash Equivalents End of Year</i> | <u>\$146,569</u> | <u>\$498,295</u> | <u>\$644,864</u> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities: | | | |
| <i>Operating Income (Loss)</i> | <u>(\$359,237)</u> | <u>\$30,836</u> | <u>(\$328,401)</u> |
| Adjustments: | | | |
| Depreciation | 2,216 | 0 | 2,216 |
| Donated Commodities Used During Year | 46,325 | 0 | 46,325 |
| (Increase)/Decrease in Assets: | | | |
| Accounts Receivable | (517) | 0 | (517) |
| Intergovernmental Receivable | 62,860 | 0 | 62,860 |
| Increase/(Decrease) in Liabilities: | | | |
| Accounts Payable | (33,815) | (22,207) | (56,022) |
| Accrued Wages and Benefits | (6,477) | 0 | (6,477) |
| Compensated Absences Payable | 3,784 | 0 | 3,784 |
| Intergovernmental Payable | (2,803) | 5 | (2,798) |
| Claims Payable | 0 | 55,047 | 55,047 |
| | <u>71,573</u> | <u>32,845</u> | <u>104,418</u> |
| <i>Total Adjustments</i> | | | |
| <i>Net Cash Provided by (Used for) Operating Activities</i> | <u>(\$287,664)</u> | <u>\$63,681</u> | <u>(\$223,983)</u> |

See accompanying notes to the general purpose financial statements

Garfield Heights City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

Note 1 - Description of the School District and Reporting Entity

Garfield Heights City School District (the "School District") is organized under Article VI, Section 2 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. This Board controls the School District's seven instructional/support facilities by 215 non-certified employees, 237 certified full time teaching personnel and administrative employees to provide services to 3,328 students and other community members.

Reporting Entity

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

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

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

The School District is associated with three jointly governed organization and one public entity risk pool. These organizations include the Lake-Shore Northeast Ohio Computer Association, Ohio School's Council Association, Cuyahoga Valley Career Center, and Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 14 and 15 to the general purpose financial statements.

Note 2 - Summary of Significant Accounting Policies

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

Garfield Heights City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

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

A. Basis Of Presentation - Fund Accounting

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

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

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

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

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

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

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

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

Garfield Heights City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

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

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

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

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

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

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

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

B. Measurement Focus and Basis of Accounting

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

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

Garfield Heights City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

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

The modified accrual basis of accounting is followed for the governmental and agency funds. 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 year end.

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

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, 2000, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2001 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 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 in 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. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each fund and function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Advances in and advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid. Advances do not equal because of an advance from an agency fund.

Garfield Heights City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

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

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

Estimated Resources Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statement reflect the amounts in the final amended certificate issued during fiscal year 2000.

Appropriations Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is enacted by the Board of Education at the fund, 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, 2000

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

D. Cash and Cash Equivalents

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

During fiscal year 2000, investments were limited to STAROhio, certificates of deposit, Victory Federal Money market account, Victory Gradison Government Reserves and repurchase agreements.

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

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for at June 30, 2000.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2000 amounted to \$281,101 which includes \$153,951 assigned from other School District funds.

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

E. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses and amounts required by statute to be set aside by the School District for the creation of a reserve for budget stabilization. See Note 19 for additional information regarding set-asides.

F. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does

Garfield Heights City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

not constitute available expendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food, recreational materials and school supplies held for resale and are expensed when used.

G. Fixed Assets and Depreciation

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

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

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

H. 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 type 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:

Entitlements

General Fund

State Foundation Program
School Bus Purchase Reimbursement
State Property Tax Relief

Garfield Heights City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

Non-Reimbursable Grants

Special Revenue Funds

Venture Capital Grant
Disadvantaged Pupil Impact Aid
Education Management Information Systems
Title I
Title VI
Title VI-B
Drug Free Schools
Preschool Grant
E-Rate Grant
Goals 2000
Textbook Subsidy

Capital Projects Fund

School Net Plus
School Net Professional Development

Reimbursable Grants

General Fund

Driver Education Reimbursement

Proprietary Funds

National School Lunch Program
Government Donated Commodities

Grants and entitlements received in governmental funds amounted to forty-nine percent of the School District's operating revenues during the 2000 fiscal year.

I. Interfund Assets and Liabilities

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

J. Compensated Absences

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

Sick leave benefits are accrued as a liability using the termination method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave

Garfield Heights City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for classified, certified and administrative employees after five years of service with the School District.

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

K. Accrued Liabilities and Long-term Obligations

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

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

L. Interfund Transactions

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

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

M. Fund Balance Reserves

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

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

Garfield Heights City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

N. Estimates

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

O. Totals Columns on General Purpose Financial Statements

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

Note 3 - Restatement of Prior Year's Fund Equity

The expendable trust fund has been reclassified as a special revenue fund. The result was a decrease to the expendable trust funds' balance of \$5,659, thus eliminating the fund type, and an increase to the special revenue funds' balance as of June 30, 1999 by \$5,659. The summary of the restatement is as follows:

| | Special Revenue | Expendable Trust |
|---|-------------------------|---------------------|
| Fund Balance as Previously Reported | \$471,496 | \$5,659 |
| Reclassification of Expendable Trust Fund | <u>5,659</u> | <u>(5,659)</u> |
| Restated Beginning Fund Balance | <u><u>\$477,155</u></u> | <u><u>\$0</u></u> |

The effect of this change in the excess revenues and other financing sources over (under) expenditures and other financing uses as previously reported for the year ended June 30, 1999 is as follows:

| | Special Revenue | Expendable Trust |
|---|------------------------|---------------------|
| Excess as Previously Reported | \$30,027 | \$5,659 |
| Reclassification of Expendable Trust Fund | <u>5,659</u> | <u>(5,659)</u> |
| Restated Excess as of June 30, 1999 | <u><u>\$35,686</u></u> | <u><u>\$0</u></u> |

Note 4 - Accountability and Compliance

A. Fund Deficits

Fund balances at June 30, 2000, including the following individual fund deficits:

| | |
|---------------------|----------|
| D.D. Eisenhower | \$30,949 |
| Title I | 5,392 |
| Preschool | 67 |
| Reducing Class Size | 10,643 |

Garfield Heights City School District
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For the Fiscal Year Ended June 30, 2000

At June 30, 2000 the deficits in the D.D. Eisenhower, Title I, Preschool, and Reducing Class Size special revenue funds resulted from the conversion to generally accepted accounting principles and 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.

B. Compliance

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

| <u>Fund/Object/Function</u> | <u>Appropriations</u> | <u>Expenditures Encumbrances</u> | <u>Excess</u> |
|-------------------------------|-----------------------|--------------------------------------|---------------|
| <i>General:</i> | | | |
| Special Instruction | | | |
| Materials and Supplies | \$20,429 | \$22,505 | \$2,076 |
| Pupil Support | | | |
| Fringe Benefits | 185,000 | 187,711 | 2,711 |
| <i>Special Revenue Funds:</i> | | | |
| District Managed Activity | | | |
| Operating Transfer Out | 0 | 8,828 | 8,828 |
| Teacher Development | | | |
| Regular Instruction | | | |
| Salaries | 5,000 | 5,325 | 325 |
| D.D. Eisenhower | | | |
| Regular Instruction | | | |
| Materials and Supplies | 2,013 | 2,213 | 200 |
| Special Instruction | | | |
| Purchased Services | 61,748 | 62,650 | 902 |
| Materials and Supplies | 5,623 | 5,682 | 59 |
| Title VI-B | | | |
| Administration | | | |
| Purchased Services | 5,368 | 10,541 | 5,173 |
| Preschool | | | |
| Pupil Support | | | |
| Purchased Services | 3,036 | 4,294 | 1,258 |
| Goals 2000 | | | |
| Instructional Staff | | | |
| Purchased Services | 0 | 8,245 | 8,245 |
| <i>Internal Service Fund:</i> | | | |
| Rotary | | | |
| Operating Expenses | | | |
| Materials and Supplies | 28,178 | 28,592 | 414 |

Garfield Heights City School District
Notes to the General Purpose Financial Statements
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Note 5 - Budgetary Basis of Accounting

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund type (GAAP basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Unrecorded cash, which consists of unrecorded interest, is not reported by the School District the budget basis operating statements, but is reported on the GAAP basis operating statements.

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

| Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental Fund Types | | | |
|---|---------------|--------------------|---------------------|
| | General | Special Revenue | Capital Projects |
| GAAP Basis | (\$1,198,601) | \$230,073 | \$63,886 |
| Net Adjustment for | | | |
| Revenue Accruals | 448,419 | (96,510) | (86,503) |
| Unrecorded Cash | 4,499 | 3,144 | 0 |
| Advance In | 66,900 | 18,000 | 0 |
| Net Adjustment for | | | |
| Expenditure Accruals | (307,047) | (278,662) | (98,267) |
| Advances Out | (18,000) | (5,000) | (56,000) |
| Encumbrances | (313,923) | (390,965) | (55,556) |
| Budget Basis | (\$1,317,753) | (\$519,920) | (\$232,440) |

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For the Fiscal Year Ended June 30, 2000

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

| | Enterprise | Internal Service |
|-------------------------------------|------------|---------------------|
| GAAP Basis | (\$16,908) | \$30,836 |
| Net Adjustment for Revenue Accruals | (6,342) | 0 |
| Unrecorded Cash | 152 | 0 |
| Net Adjustment for Expense Accruals | 7,011 | 32,844 |
| Depreciation Expense | 2,216 | 0 |
| Adjustment for Encumbrances | (6,914) | (975) |
| Budget Basis | (\$20,785) | \$62,705 |

Note 6 - Deposits and Investments

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

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

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

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

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

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

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

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

Unreported Cash At fiscal year end, the School District had \$7,795 in unreported cash on hand which is included on the balance sheet of the School District as part of "equity in pooled cash and cash equivalents."

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

Garfield Heights City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

Deposits At fiscal year end, the carrying amount of the School District's deposits was \$1,006,275 and the bank balance was \$276,817. Of the bank balance:

\$204,121 was covered by federal depository insurance; and

\$72,696 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution trust department or agent in the School District's name all State statutory requirements for the deposit of money have been followed, non compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Insurance Corporation.

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

| | Category 3 | Carrying Value | Fair Value |
|--|------------|----------------|-------------|
| Repurchase Agreement | \$516,932 | \$516,932 | \$516,932 |
| Victory Federal Money Market | | 379,709 | 379,709 |
| Victory Gradison Government Reserves Money Market | | 18,073 | 18,073 |
| STAROhio | | 1,649,593 | 1,649,593 |
| <i>Totals</i> | | \$2,564,307 | \$2,564,307 |

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 | Investments |
|--|------------------------------|-------------|
| <i>GASB Statement 9</i> | \$3,578,377 | \$0 |
| Unrecorded Cash | (7,795) | 0 |
| Investments: | | |
| Repurchase Agreement | (516,932) | 516,932 |
| Victory Federal Money Market | (379,709) | 379,709 |
| Victory Gradison Government Reserves Money Market | (18,073) | 18,073 |
| STAROhio | (1,649,593) | 1,649,593 |
| <i>GASB Statement 3</i> | \$1,006,275 | \$2,564,307 |

Garfield Heights City School District
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For the Fiscal Year Ended June 30, 2000

Note 7 - Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2000 for real and public utility property taxes represents collections of calendar 1999 taxes. Property tax payments received during calendar 2000 for tangible personal property (other than public utility property) is for calendar 2000 taxes.

Real property taxes are levied after April 1, 2000, on the assessed value listed as of January 1, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value: public utility real property is assessed at thirty-five percent of true value. 2000 public utility property taxes became a lien December 31, 1999, are levied after April 1, 2000, and are collected in 2001 with real property taxes.

2000 tangible personal property taxes are levied after April 1, 2000, on the value as of December 31, 1999. Collections are made in 2000. Tangible personal property assessments are twenty-five percent of true value. The assessed values upon which the fiscal year 2000 taxes were collected are:

| | 1999 Second Half Collections | | 2000 First Half Collections | |
|---|---------------------------------|---------|--------------------------------|---------|
| | Amount | Percent | Amount | Percent |
| Agricultural/Residential And Other Real Estate | \$335,687,540 | 87.70% | \$325,198,810 | 87.31% |
| Public Utility Personal | 17,204,610 | 4.50 | 17,649,840 | 4.74 |
| Tangible Personal Property | 29,867,530 | 7.80 | 29,619,680 | 7.95 |
| | \$382,759,680 | 100.00% | \$372,468,330 | 100.00% |

| | | |
|--|---------|---------|
| Tax Rate per \$1,000 of assessed valuation | \$50.30 | \$49.80 |
|--|---------|---------|

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

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. This year, the June 2000 tangible personal property tax settlement was not received until July of 2000.

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, 2000, are available to finance fiscal year 2001 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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Accrued property taxes receivable represent delinquent taxes outstanding, real property, personal property and public utility taxes which became measurable as of June 30, 2000 and a delayed personal property settlement made in July. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 and the delayed settlement is intended to finance current year operations. The amount available as an advance at June 30, 2000, was \$1,128,128. \$1,093,815 was available to the general fund, and \$34,313 was available to the permanent improvement capital projects fund.

Note 8 - Fixed Assets

A summary of the enterprise funds' fixed assets at June 30, 2000, follows:

| | |
|-------------------------------|-----------|
| Furniture and Equipment | \$195,221 |
| Less accumulated depreciation | (191,251) |
| Net Fixed Assets | \$3,970 |

A summary of the changes in general fixed assets during fiscal year 2000 follows:

| | Balance 06/30/99 | Additions | Deletions | Balance 06/30/00 |
|-------------------------|---------------------|-----------|-----------|---------------------|
| Land | \$1,115,170 | \$0 | \$0 | \$1,115,170 |
| Buildings/Improvements | 5,884,246 | 135,100 | 0 | 6,019,346 |
| Furniture and Equipment | 4,084,535 | 380,574 | 15,542 | 4,449,567 |
| Vehicles | 918,925 | 55,125 | 0 | 974,050 |
| Total | \$12,002,876 | \$570,799 | \$15,542 | \$12,558,133 |

Note 9 - Risk Management

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2000, the School District contracted with Nationwide Insurance Company for building and contents, boiler and machinery, and crime. General liability is also protected by Nationwide Insurance Company as well as vehicles. Coverages are as follows:

| Company | Type of Coverage | Coverage |
|----------------------|------------------------------------|--------------|
| Nationwide Insurance | Building and Contents | \$48,933,700 |
| | Boiler and Machinery | 17,773,200 |
| | Crime Insurance | 5,000 |
| | Bodily Injury and Property Damage | 2,000,000 |
| | Uninsured-Underinsured Motorist | 1,000,000 |
| | Comprehensive Automobile Liability | 2,000,000 |
| | Collision Automobile Liability | 2,000,000 |
| | General Liability (per occurrence) | 1,000,000 |
| | General Liability (in aggregate) | 3,000,000 |

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

B. Workers' Compensation

For fiscal year 2000, the School District participated in the Ohio School Board Association's Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 15). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

C. Employee Medical Benefits

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

The claims liability of \$232,425 reported in the internal service fund at June 30, 2000, is based on an estimate provided by the Treasurer and the requirements GASB No. 10 which requires that a liability for unpaid claims cost, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in the fund's claims liability amount in 1998, 1999 and 2000 were:

| | Balance at Beginning of Year | Current Claims | Claim Payments | Balance at End of Year |
|------|---------------------------------|-------------------|-------------------|---------------------------|
| 1998 | \$270,232 | \$1,445,951 | \$1,460,945 | \$255,238 |
| 1999 | 255,238 | 1,680,773 | 1,758,633 | 177,378 |
| 2000 | 177,378 | 1,583,947 | 1,528,900 | 232,425 |

Note 10 - Defined Benefit Pension Plans

A. School Employees Retirement System

Garfield Heights City School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority

Garfield Heights City School District
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to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2000, 5.5 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1999, 7.7 percent was used to fund the pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$563,055, \$503,754 and \$433,465 respectively; 68.68 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. \$90,989 representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

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

For the fiscal year ended June 30, 2000, plan members are required to contribute 9.3 percent of their annual covered salaries. The School District is required to contribute 14 percent; 6 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, 2000, 1999, and 1998 were \$1,604,723, \$1,514,565 and \$1,427,750, respectively; 97.77 percent has been contributed for fiscal year 2000, and 100 percent for fiscal years 1999 and 1998. \$15,692 represents the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS have an option to choose Social Security or the SERS/STRS. As of June 30, 2000 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

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and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2000, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$937,451 for fiscal year 2000.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1999, (the latest information available) the balance in the Fund was \$2,783 million. For the year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000 and STRS had 95,796 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 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, 2000, employer contributions to fund health care benefits were 8.5 percent of covered payroll, an increase of 2.2 percent for fiscal year 2000. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay has been established at \$12,400. For the School District, the amount to fund health care benefits, including surcharge, during the 2000 fiscal year equaled \$468,262.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 1999, (the latest information available), were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999, SERS had net assets available for payment of health care benefits of \$188.0 million. SERS has approximately 51,000 participants receiving health care benefits.

Note 12 - Employee Benefits

A. Life Insurance

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

B. Compensated Absences

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

Garfield Heights City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

Vacation Leave

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

Sick Leave

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

Personal Leave

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

Note 13 - Long Term Obligations

Changes in long-term obligations of the School District during fiscal year 2000 were as follows:

| | Principal Outstanding 6/30/99 | Additions | Deductions | Principal Outstanding 6/30/00 |
|--|-------------------------------------|--------------------|--------------------|-------------------------------------|
| General Obligation Bonds | | | | |
| 1992 6.25% | | | | |
| Energy Conservation Bonds | \$245,000 | \$0 | \$80,000 | \$165,000 |
| <i>Total General Obligation Bonds</i> | 245,000 | 0 | 80,000 | 165,000 |
| Intergovernmental Payable | 204,262 | 178,967 | 204,262 | 178,967 |
| Compensated Absences | 3,111,929 | 3,560,289 | 3,111,929 | 3,560,289 |
| Total General Long Term Obligations | <u>\$3,561,191</u> | <u>\$3,739,256</u> | <u>\$3,396,191</u> | <u>\$3,904,256</u> |

The energy conservation bonds are paid from the debt service fund. Intergovernmental and compensated absences will be paid from the fund from which the employees' salaries are paid.

The School District's overall legal debt margin at June 30, 2000 was \$33,522,150 with an unvoted debt margin of \$372,468 at June 30, 2000. Principal and interest requirements to retire general obligation debt-energy conservation bonds outstanding at June 30, 2000, are as follows:

Garfield Heights City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

| Fiscal Year Ending June 30, | Principal | Interest | Total |
|--------------------------------|-----------|----------|-----------|
| 2001 | 80,000 | 10,312 | 90,312 |
| 2002 | 85,000 | 5,312 | 90,312 |
| Total | \$165,000 | \$15,624 | \$180,624 |

Note 14 - Jointly Governed Organizations

A. Lake Shore Northeast Ohio Computer Association (LNOCA)

The School District is a participant in the Lake-Shore Northeast Ohio Computer Association (LNOCA) which is a computer consortium. LNOCA is an association made up of fourteen participating school districts. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. LNOCA is governed by an assembly consisting of the superintendents or other designees of the member school district. The assembly exercises total control over the operation of LNOCA including budgeting, appropriating, contracting, and designating management. All the LNOCA revenues are generated from charges for services and state funding. In fiscal year 2000, \$70,842 was paid to LNOCA for services. To obtain information write to LNOCA, 7800 Wall Street, Valley View, Ohio 44104.

B. Ohio Schools Council

The Ohio Schools Council Association (Council) is a jointly governed organization among eighty-three school districts. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to the member districts. Each district supports the Council by paying an annual participation fee. The Council's Board consists of seven superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 2000, the School District paid \$750 to the Council. Financial information can be obtained by contacting Albert G. Vasek, the Executive Secretary of the Ohio Schools Council at 155 Center Road, Bedford, 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 Corp., a non-profit corporation with a self-appointing board, issued \$119,140,000 in debt to purchase eight years of electricity from Cleveland Electric Illuminating (CEI) for the participants. The participating school districts are not obligated in any manner for this debt. If a participating school district terminates its agreement, the district is required to repay the savings to CEI and CEI will refund the remaining prepayment related to that participant to Energy Acquisition Corporation.

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

Garfield Heights City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

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

C. Cuyahoga Valley Career Center

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

Note 15 - Insurance Purchasing Pool

Ohio School Boards Workers' Compensation Group Rating Program

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

Note 16 - Contingencies

A. Grants

The School District receives financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2000.

B. Litigation

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

Garfield Heights City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

Note 17 - Segment Information for Enterprise Funds

The School District maintains two Enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects the more significant financial data relating to the enterprise funds of the Garfield Heights City School District as of and for the fiscal year ended June 30, 2000.

| | Food Service | Uniform School Supplies | Totals |
|-----------------------------|-----------------|-------------------------------|-----------|
| Operating Revenues | \$434,190 | \$149,876 | \$584,066 |
| Depreciation | 2,216 | 0 | 2,216 |
| Operating Income (Loss) | (380,010) | 20,773 | (359,237) |
| Federal Donated Commodities | 46,325 | 0 | 46,325 |
| Operating Grants | 294,864 | 0 | 294,864 |
| Interest | 1,140 | 0 | 1,140 |
| Net Income (Loss) | (37,681) | 20,773 | (16,908) |
| Net Working Capital | (12,783) | 124,796 | 112,013 |
| Total Assets | 55,313 | 128,568 | 183,881 |
| Total Equity | (8,813) | 124,796 | 115,983 |
| Encumbrances at June 30, | 118 | 6,796 | 6,914 |

Note 18 - State School Funding Decision

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 Ohio General Assembly 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 the School District. During the fiscal year ended June 30, 2000, the School District received \$6,821,053 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Commons 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. On May 11, 2000 the Ohio Supreme Court rendered an opinion on this issue. The court concluded, "...the mandate of the [Ohio] Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant further attention, study, and development by the General Assembly...", including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

Garfield Heights City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

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 19 - Set-Aside Calculations and Fund Reserves

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

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

| | <u>Textbooks</u> | <u>Capital Improvements</u> | <u>Budget Stabilization</u> |
|---|--------------------|---------------------------------|---------------------------------|
| Set-aside reserve balance as of June 30, 1999 | (\$100,079) | \$0 | \$125,721 |
| Current year set-aside requirement | 518,172 | 518,172 | 172,724 |
| Qualifying Disbursements | (780,726) | (1,139,269) | 0 |
| Totals | <u>(\$362,633)</u> | <u>(\$621,097)</u> | <u>\$298,445</u> |
| Set-aside Balance Carried Forward to | | | |
| Future Fiscal Years | <u>(\$362,633)</u> | <u>\$0</u> | <u>\$298,445</u> |
| Set-aside Reserve Balance as of June 30, 2000 | <u>\$0</u> | <u>\$0</u> | <u>\$298,445</u> |

The School District had qualifying disbursements during the fiscal year that reduced the textbook set-aside amount below zero. This extra amount may be used to reduce the set-aside requirements of future fiscal years. Although the School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement of future years. This negative balance is therefore not presented as being carried forward to future years. The total reserve balance for the three set-asides at the end of the fiscal year was \$298,445.

Note 20 - Receivables

Receivables at June 30, 2000 consisted of property taxes, accounts (rent, billings for user charged services, and tuition and fees), interfund, and intergovernmental grants. All receivables are considered collectible in full due to the liability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

Garfield Heights City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

The intergovernmental receivables were:

| <i>General Fund:</i> | Amounts |
|---------------------------------------|-----------|
| City of Garfield Heights | \$9,999 |
| Cleveland Municipal School District | 1,542 |
| Mayfield City School District tuition | 122 |
| <i>Total General Fund</i> | 11,663 |
| <i>Special Revenue Funds:</i> | |
| Other Grants | 15,086 |
| D. D. Eisenhower | 5,532 |
| Miscellaneous Federal Grants | 4,658 |
| Alternative Schools | 87,500 |
| Drug Free Schools | 171 |
| Title I | 14,298 |
| <i>Total Special Revenue Funds</i> | 127,245 |
| <i>Capital Project Fund:</i> | |
| Schoolnet Plus | 98,482 |
| <i>Enterprise Fund:</i> | |
| Food Service | 22,056 |
| <i>Total All Funds</i> | \$259,446 |

Note 21 - Interfund Transactions

At June 30, 2000, the interfund balances consisted of the following:

| Fund | Receivable | Payable |
|------------------------|------------|----------|
| General Fund | \$18,000 | \$0 |
| Special Revenue Fund: | | |
| D.D. Eisenhower | 0 | 18,000 |
| Total | \$18,000 | \$18,000 |
| | | |
| Fund | Due From | Due To |
| General Fund | \$27,294 | \$0 |
| Special Revenue Funds: | | |
| Teacher Development | 0 | 10,284 |
| Drug Free | 0 | 17,010 |
| Total | \$27,294 | \$27,294 |

Garfield Heights City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

Note 22 - Subsequent Events

The School District placed a 25 year 7.1 mill permanent improvement levy for a new high school building and remodeling other buildings on the November 8, 2000, ballot. The levy passed and is expected to generate \$41.5 million over 25 years.

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GARFIELD HEIGHTS CITY SCHOOL DISTRICT
Cuyahoga County

Schedule of Federal Awards Receipts and Expenditures
For the Year Ended June 30, 2000

| Federal Grantor/ Pass-Through Grantor/ Program Title | Pass-Through Entity Number | CFDA Number | Receipts | Non-Cash Receipts | Expenditures | Non-Cash Expenditures |
|---|-------------------------------|----------------|------------------|----------------------|------------------|--------------------------|
| U. S. Department of Agriculture | | | | | | |
| <i>Passed Through the Ohio Department of Education</i> | | | | | | |
| Nutrition Cluster: | | | | | | |
| Food Distribution | N/A | 10.550 | \$0 | \$43,642 | \$0 | \$46,325 |
| National School Lunch Program | 04PU00 | 10.555 | 262,284 | 0 | 262,284 | 0 |
| Total U. S. Department of Agriculture - Nutrition Cluster | | | \$262,284 | \$43,642 | \$262,284 | \$46,325 |
| U. S. Department of Education | | | | | | |
| <i>Passed Through the Ohio Department of Education</i> | | | | | | |
| Special Education Cluster: | | | | | | |
| Special Education Grants to States | 6B-SF99P | 84.027 | 0 | 0 | 28,198 | 0 |
| Special Education Grants to States | 6B-SF00P | 84.027 | 253,727 | 0 | 211,609 | 0 |
| Subtotal for CFDA 84.027 | | | 253,727 | 0 | 239,807 | 0 |
| Special Education - Pre-School | PG-S1 00P | 84.173 | 13,002 | 0 | 13,838 | 0 |
| Total Special Education Cluster | | | 266,729 | 0 | 253,645 | 0 |
| Eisenhower Professional Development | MS-S1 98 | 84.281 | 0 | 0 | 3,196 | 0 |
| Eisenhower Professional Development | MS-S1 99 | 84.281 | 3,440 | 0 | 5,532 | 0 |
| Eisenhower Professional Development | MS-S1 00 | 84.281 | 0 | 0 | 2,750 | 0 |
| Eisenhower Professional Development | MS-S2 98 C | 84.281 | 22,086 | 0 | 104,175 | 0 |
| Eisenhower Professional Development | MS-S2 99 CP | 84.281 | 155,069 | 0 | 272,997 | 0 |
| Eisenhower Professional Development | MS-S2 99 CP | 84.281 | 41,326 | 0 | 1,129 | 0 |
| Total Eisenhower Professional Development | | | 221,921 | 0 | 389,779 | 0 |
| Title I Grants to Local Education Agencies | C1-S1 99 | 84.010 | 0 | 0 | 25,343 | 0 |
| Title I Grants to Local Education Agencies | C2-S1 00 | 84.010 | 162,217 | 0 | 152,742 | 0 |
| Total Title I Grants to Local Education Agencies | | | 162,217 | 0 | 178,085 | 0 |
| Goals 2000 State/Local Ed. Systemic Improvement | G2-S4 99 C | 84.276 | 0 | 0 | 10,000 | 0 |
| Goals 2000 State/Local Ed. Systemic Improvement | G2-S4 00 C | 84.276 | 8,245 | 0 | 8,245 | 0 |
| Total Goals 2000 | | | 8,245 | 0 | 18,245 | 0 |
| Innovative Educational Program Strategies | C2-S1 99 | 84.298 | 4,232 | 0 | 10,671 | 0 |
| Innovative Educational Program Strategies | C2-S1 00 | 84.298 | 28,438 | 0 | 23,366 | 0 |
| Total Innovative Education Program Strategies | | | 32,670 | 0 | 34,037 | 0 |
| Safe and Drug Free Schools | DR-S1 99 | 84.186 | 4,997 | 0 | 388 | 0 |
| Safe and Drug Free Schools - Cleveland Diocese | DR-S2 01 | 84.186 | 445,573 | 0 | 369,137 | 0 |
| Safe and Drug Free Schools - Cleveland Diocese | DR-S2 99 | 84.186 | 0 | 0 | 63,958 | 0 |
| Total Safe and Drug Free Schools | | | 450,570 | 0 | 433,483 | 0 |

GARFIELD HEIGHTS CITY SCHOOL DISTRICT
Cuyahoga County

Schedule of Federal Awards Receipts and Expenditures
For the Year Ended June 30, 2000

| Federal Grantor/ Pass-Through Grantor/ Program Title | Pass-Through Entity Number | CFDA Number | Receipts | Non-Cash Receipts | Expenditures | Non-Cash Expenditures |
|---|-------------------------------|----------------|--------------------|----------------------|--------------------|--------------------------|
| Technology Literacy Challenge Fund | TF-S2 99 2B | 84.318 | 0 | 0 | 59,103 | 0 |
| Technology Literacy Challenge Fund | TF-S2 00 0B | 84.318 | 37,500 | 0 | 37,500 | 0 |
| Technology Literacy Challenge Fund | TF-S2 01 1B | 84.318 | 25,000 | 0 | 0 | 0 |
| Technology Literacy Challenge Fund | TF-S2 00 V | 84.318 | 27,000 | 0 | 27,000 | 0 |
| Total Technology Literacy Challenge Fund | | | 89,500 | 0 | 123,603 | 0 |
| Title VI Class Size Reduction | 0440040-CR-S1-00 | 84.340 | 52,593 | 0 | 49,861 | 0 |
| Total US Department of Education | | | 1,546,729 | 43,642 | 1,743,022 | 46,325 |
| 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 | 15,000 | 0 | 14,983 | 0 |
| Total Federal Assistance | | | \$1,561,729 | \$43,642 | \$1,758,005 | \$46,325 |

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

**GARFIELD HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY
FISCAL YEAR ENDED JUNE 30, 2000**

NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DISTRIBUTION

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

NOTE C - NATIONAL SCHOOL LUNCH PROGRAM

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

CFDA - Catalog of Federal Domestic Assistance.

N/A - Not applicable.

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

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OFFICE OF THE AUDITOR

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

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

We have audited the financial statements of the Garfield Heights City School District, Cuyahoga County, Ohio, (the District) as of and for the year ended June 30, 2000, and have issued our report thereon dated December 18, 2000, in which we noted the District changed its classification of the Expendable Trust Fund. 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 a certain immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated December 15, 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 another matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 15, 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 and the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

December 15, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

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

Compliance

We have audited the compliance of the Garfield Heights City School District, Cuyahoga County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2000. The District's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with 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 each of its major federal programs for the year ended June 30, 2000.

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.

**Internal Control Over Compliance
(Continued)**

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. However, we noted another matter involving the internal control over federal compliance that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 15, 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

December 15, 2000

**GARFIELD HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY
JUNE 30, 2000**

SCHEDULE OF FINDINGS

| |
|--|
| 1. SUMMARY OF AUDITOR'S RESULTS |
|--|

OMB CIRCULAR A-133 Section .505

| | | |
|--------------|---|---|
| (d)(1)(i) | Type of Financial Statement Opinion | Unqualified |
| (d)(1)(ii) | Were there any material control weakness conditions reported at the financial statement level (GAGAS)? | No |
| (d)(1)(ii) | Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)? | No |
| (d)(1)(iii) | Was there any reported non-compliance at the financial statement level (GAGAS)? | No |
| (d)(1)(iv) | Were there any material internal control weakness conditions reported for major federal programs? | No |
| (d)(1)(iv) | Were there any other reportable internal control weakness conditions reported for major federal programs? | No |
| (d)(1)(v) | Type of Major Programs' Compliance Opinion | Unqualified |
| (d)(1)(vi) | Are there any reportable findings under Sec. .510? | No |
| (d)(1)(vii) | Major Programs (list) | Eisenhower Professional Development, CFDA No. 84.281 National School Lunch Program, CFDA No. 10.555 and 10.550 |
| (d)(1)(viii) | Dollar Threshold: Type A/B Programs | Type A: > \$300,000 Type B: all others |
| (d)(1)(ix) | Low Risk Auditee? | Yes |

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| 2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS |
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None.

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| 3. FINDINGS FOR FEDERAL AWARDS |
|---------------------------------------|

None.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
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GARFIELD HEIGHTS CITY SCHOOL DISTRICT

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 20, 2001**