

**GARFIELD HEIGHTS
CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

AUDIT REPORT

**FOR THE FISCAL YEAR
ENDED JUNE 30, 2013**

James G. Zupka, CPA, Inc.
Certified Public Accountants



Dave Yost • Auditor of State

Board of Education
Garfield Heights City School District
5640 Briarcliff Drive
Garfield Heights, OH 44125

We have reviewed the *Independent Auditor's Report* of the Garfield Heights City School District, Cuyahoga County, prepared by James G. Zupka, CPA, Inc., for the audit period July 1, 2012 through June 30, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Garfield Heights City School District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

January 23, 2014

This page intentionally left blank.

**GARFIELD HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO
AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-12
Statement of Net Position	14
Statement of Activities	15
Balance Sheet - Governmental Funds	16
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Funds	17
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statements of Activities	19
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - General Fund	20
Statement of Fiduciary Assets and Liabilities - Agency Funds	21
Notes to the Basic Financial Statements	22-52
Schedule of Expenditures of Federal Awards	53
Notes to the Schedule of Expenditures of Federal Awards	54
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	55-56
Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133	57-58
Schedule of Findings and Questioned Costs	59-60
Schedule of Prior Audit Findings and Recommendations	61
Independent Auditor's Report on Applying Agreed-Upon Procedures	62

This page intentionally left blank.

JAMES G. ZUPKA, C.P.A., INC.

Certified Public Accountants

5240 East 98th Street

Garfield Hts., Ohio 44125

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Education
Garfield Heights City School District
Garfield Heights, Ohio

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Garfield Heights City School District, Cuyahoga County, Ohio, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Garfield Heights City School District, Ohio's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Garfield Heights City School District, Ohio, as of June 30, 2013, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 3 to the financial statements, the governmental activities' net position of the District was restated due to restricted cash and cash equivalents with fiscal agents and long-term liabilities being understated in the prior period. The fund balance of the General Fund was also restated due to the restricted cash and cash equivalents with fiscal agents being understated in the prior period.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Garfield Heights City School District, Ohio's basic financial statements. The Schedule of Expenditures of Federal Awards 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 basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2013, on our consideration of the Garfield Heights City School District, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Garfield Heights City School District, Ohio's internal control over financial reporting and compliance.

**James G. Zupka,
CPA, President**

Digitally signed by James G. Zupka, CPA, President
DN: cn=James G. Zupka, CPA, President, o=James
G. Zupka, CPA, Inc., ou=Accounting,
email=jgzcpa@sbcglobal.net, c=US
Date: 2013.12.30 18:38:14 -05'00'

James G. Zupka, CPA, Inc.
Certified Public Accountants

December 16, 2013

Garfield Heights City School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2013

Unaudited

The discussion and analysis of the Garfield Heights City School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2013 are as follows:

- During fiscal year 2013, the Board of Education continued to offer an early retirement incentive program which was available to certified and classified employees. Retiring employees will receive the incentive over three years. This program helps the School District reduce personnel expenditures without having to lay off younger staff members.
- In January 2013, The School District began collecting revenues in the amount of \$4.1 million annual from a 12.1 mill, five year emergency levy passed in March of 2012.

Using this Financial Report

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

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

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While these statements contain information about the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2013?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all non-fiduciary assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting, similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Garfield Heights City School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2013

Unaudited

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

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

Reporting the School District's Most Significant Funds

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

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

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

The School District as a Whole

Recall that the statement of net position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for the fiscal year 2013 compared to fiscal year 2012:

Garfield Heights City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

	2013	Restated 2012	Change
Assets			
Current and Other Assets	\$35,185,001	\$35,628,173	(\$443,172)
Capital Assets, Net	60,338,311	60,578,436	(240,125)
<i>Total Assets</i>	<u>95,523,312</u>	<u>96,206,609</u>	<u>(683,297)</u>
Deferred Outflows of Resources	<u>1,691,481</u>	<u>1,471,156</u>	<u>220,325</u>
Liabilities			
Current Liabilities	5,767,668	4,606,420	1,161,248
Long-Term Liabilities			
Due Within One Year	2,223,525	1,813,113	410,412
Due In More Than One Year	53,271,775	53,885,558	(613,783)
<i>Total Liabilities</i>	<u>61,262,968</u>	<u>60,305,091</u>	<u>957,877</u>
Deferred Inflows of Resources	<u>15,671,672</u>	<u>14,473,348</u>	<u>1,198,324</u>
Net Position			
Net Investment in Capital Assets	13,751,272	14,871,348	(1,120,076)
Restricted for:			
Capital Projects	3,922,666	5,853,140	(1,930,474)
Debt Service	1,702,762	1,608,386	94,376
Qualified Zone Academy Bonds (QZABs)	2,903,069	2,536,710	366,359
Other Purposes	1,238,207	1,100,291	137,916
Unrestricted (Deficit)	<u>(3,237,823)</u>	<u>(4,541,705)</u>	<u>1,303,882</u>
<i>Total Net Position</i>	<u>\$20,280,153</u>	<u>\$21,428,170</u>	<u>(\$1,148,017)</u>

Total net position decreased from prior fiscal year. This is primarily due to expenses exceeding revenues for fiscal year 2013 along with a restatement of beginning net position as detailed in Note 3 of the financial statements. Management continues to budget diligently in an effort to extend the durations between its levy requests.

In order to further understand what makes up the changes in net position for the current fiscal year, the following table gives readers further details regarding the results of activities for the current fiscal year. Table 2 shows total revenues, expenses and changes in net position for fiscal years 2013 and 2012.

Garfield Heights City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

Table 2
Governmental Activities

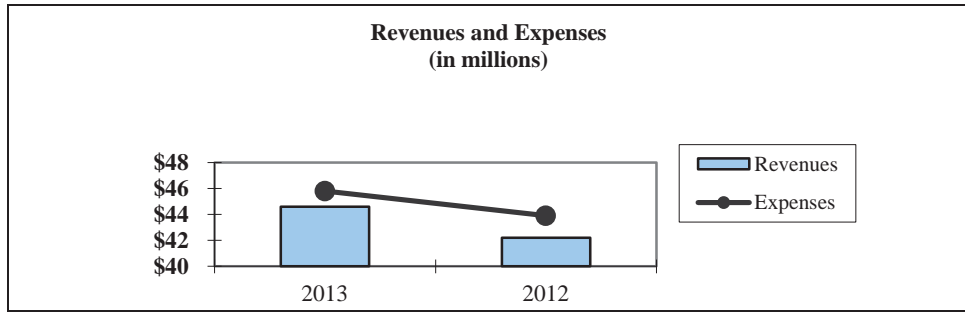
	2013	2012	Change
Program Revenues			
Charges for Services and Sales	\$877,861	\$1,010,756	(\$132,895)
Operating Grants, Contributions and Interest	4,022,269	6,015,897	(1,993,628)
Capital Grants and Interest	1,504,758	58,963	1,445,795
<i>Total Program Revenues</i>	<u>6,404,888</u>	<u>7,085,616</u>	<u>(680,728)</u>
General Revenues			
Property Taxes	17,132,409	14,661,544	2,470,865
Grants and Entitlements	20,567,885	19,142,789	1,425,096
Payment in Lieu of Taxes	281,411	241,795	39,616
Investment Earnings	77,501	179,739	(102,238)
Miscellaneous	166,379	842,751	(676,372)
<i>Total General Revenues</i>	<u>38,225,585</u>	<u>35,068,618</u>	<u>3,156,967</u>
<i>Total Revenues</i>	<u>44,630,473</u>	<u>42,154,234</u>	<u>2,476,239</u>
Program Expenses			
Instruction:			
Regular	16,566,786	16,647,135	80,349
Special	3,722,240	3,835,072	112,832
Vocational	75,921	187,630	111,709
Student Intervention Services	3,983,816	3,371,030	(612,786)
Support Services			
Pupils	2,326,604	2,480,029	153,425
Instructional Staff	1,789,676	1,996,748	207,072
Board of Education	53,745	165,334	111,589
Administration	3,528,931	3,866,113	337,182
Fiscal	921,294	1,122,663	201,369
Business	613,525	665,312	51,787
Operation and Maintenance of Plant	5,430,690	3,247,135	(2,183,555)
Pupil Transportation	1,076,801	798,921	(277,880)
Central	399,985	361,900	(38,085)
Operation of Non-Instructional Services	1,102,838	1,027,174	(75,664)
Operation of Food Service	1,324,912	1,286,376	(38,536)
Extracurricular Activities	520,091	476,186	(43,905)
Interest and Fiscal Charges	2,340,635	2,422,807	82,172
<i>Total Program Expenses</i>	<u>45,778,490</u>	<u>43,957,565</u>	<u>(1,820,925)</u>
<i>Change in Net Position</i>	(1,148,017)	(1,803,331)	655,314
Net Position Beginning of Year, Restated	<u>21,428,170</u>	<u>23,231,501</u>	<u>(1,803,331)</u>
Net Position End of Year	<u>\$20,280,153</u>	<u>\$21,428,170</u>	<u>(\$1,148,017)</u>

Garfield Heights City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

Graph 1

Revenues and Expenses
(In Millions)

	2013	2012
Revenues	\$44.6	\$42.2
Expenses	45.8	43.9



Governmental Activities

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

Thus school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property tax revenue increased due to the School District receiving half year's collections on the \$4.1 million five year emergency levy passed on March 6, 2012.

Overall, expenses increased due to contracted wage increases and an increase in maintenance needs and fuel costs. These increases were offset by a reduction in salaries due to retirees being replaced with employees paid a lower salary as well as a reduction in staffing levels.

The School District actively pursues grants and controls expenses while still maintaining the high academic standards the residents expect of the School District. Revenue from grants decreased in fiscal year 2013, primarily due to a decrease in the amount received for Educational Jobs Federal stimulus monies used for maintaining staffing levels being received in the prior fiscal year. Parents continue to have the opportunity to pay for the student's lunch online. Each student uses his/her personal identification number that accesses his/her account when visiting the cafeteria. The School District also allows parents to pay for any school fees and extracurricular activities online.

Garfield Heights City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

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

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

Table 3
 Total and Net Cost of Program Services
 Governmental Activities

	2013		2012	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction:				
Regular	\$16,566,786	\$16,083,537	\$16,647,135	\$15,359,940
Special	3,722,240	2,617,871	3,835,072	2,378,876
Vocational	75,921	74,930	187,630	184,656
Student Intervention Services	3,983,816	3,931,673	3,371,030	3,112,882
Support Services:				
Pupils	2,326,604	2,212,594	2,480,029	2,113,455
Instructional Staff	1,789,676	1,462,289	1,996,748	1,577,211
Board of Education	53,745	47,428	165,334	162,713
Administration	3,528,931	3,453,140	3,866,113	3,631,300
Fiscal	921,294	897,799	1,122,663	1,101,204
Business	613,525	565,786	665,312	557,440
Operation and Maintenance of Plant	5,430,690	3,786,542	3,247,135	3,114,400
Pupil Transportation	1,076,801	1,045,618	798,921	763,261
Central	399,985	394,756	361,900	356,244
Operation of Non-Instructional Services	1,102,838	107,382	1,027,174	(233,951)
Operation of Food Service	1,324,912	6,270	1,286,376	(34,350)
Extracurricular Activities	520,091	345,352	476,186	303,861
Interest and Fiscal Charges	2,340,635	2,340,635	2,422,807	2,422,807
Total	\$45,778,490	\$39,373,602	\$43,957,565	\$36,871,949

The School District's Funds

Information regarding the School District's major funds begins on page 16. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$44,826,768 and expenditures of \$47,309,354. The general fund had a decrease in fund balance mainly due to revenues not keeping pace with expenditures. The bond retirement debt service fund had an increase in fund balance due to fewer payments for debt. The classroom facilities capital projects fund had an increase in fund balance due to less expenditures for classroom improvements in fiscal year 2013. As one can see from the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds, intergovernmental monies from State and Federal grants comprise the School District largest revenue source, accounting for 58.74 percent of total governmental revenue.

Garfield Heights City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

General Fund Budgeting Highlights

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

During the course of fiscal year 2013, the School District amended its general fund budget several times. The School District uses an operational unit budget process and has in place systems that are designed to tightly control expenses but provide flexibility for program based decision and management.

Due to conservative estimates for property taxes and intergovernmental revenues, the original budget basis revenue amount was lower than final budget revenues. The School District's final budget basis expenditures were \$426,481 higher than the actual expenditures. This is due in large part to the School District's continued commitment to provide a quality education while still controlling the costs of that quality education.

Capital Assets and Debt Administration

Capital Assets

Table 4 shows fiscal year 2013 balances compared to fiscal year 2012:

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

	2013	2012
Land	\$833,150	\$833,150
Construction in Progress	990,375	0
Land Improvements	461,175	496,802
Buildings and Improvements	56,412,108	57,677,146
Furniture and Equipment	1,447,699	1,287,117
Vehicles	193,804	284,221
<i>Total Capital Assets</i>	\$60,338,311	\$60,578,436

The School District is in the process of making improvements to several school buildings to enhance the safety, security and health of the students. These increases were offset by the annual depreciation. Ohio law requires school districts to set aside three percent of certain revenues for capital improvements. For fiscal year 2013, this amounted to \$648,051 for each set aside. See Note 10 to the basic financial statements for additional information on the School District's capital assets and Note 21 for additional information regarding required set-asides.

Garfield Heights City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

Debt

Table 5 summarizes the bonds and capital leases outstanding.

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

	2013	2012
2001 School Improvement Bonds	\$3,455,702	\$3,315,155
2004 School Improvement Bonds	235,026	7,935,974
2006 Energy Conservation Improvement Bonds	1,257,665	1,395,687
2006 Refunding Bonds	31,952,512	31,628,918
2012 Refunding Bonds	7,371,081	0
2003 QZABs	3,000,000	3,000,000
2004 QZABs	2,000,000	2,000,000
Capital Leases	685,527	808,516
Total	\$49,957,513	\$50,084,250

The 2001 School Improvement Bonds were issued for the purpose of converting the existing high school to a middle school and various other renovations. These bonds have a final maturity in December 2017. The 2004 School Improvement Bonds were issued for various improvements through the School District. These bonds were refunded during fiscal year 2013. The 2006 Energy Conservation Improvement Bonds were issued for the installation, modification and remodeling of school buildings to conserve energy and they have a final maturity in December of 2020. The 2006 Refunding Bonds were issued to refund a portion of the 2001 School Improvement Bonds to take advantage of better interest rates. The refunding bonds have a final maturity in December 2026. The 2012 Refunding Bonds were issued to refund a portion of the 2004 School Improvement Bonds to take advantage of better interest rates. The refunding bonds have a final maturity in December 2024. The 2003 and 2004 Qualifying Zone Academy Bonds (QZABs) are for the purpose of various school improvements. The School District has entered into capital leases for building improvements, HVAC systems and telephone equipment. See Note 13 to the basic financial statements for additional information on the School District's long-term obligations.

School District Outlook

The School District relies heavily on its local property taxpayers and the State of Ohio for its funding. The School District has been affected by increased property tax delinquencies, changes in the personal property tax structure and commercial business uncertainties. Those issues along with the State of Ohio's current economy and the fact that it only passes biennial budgets, make it increasingly difficult for the School District to plan for future educational programming needs required for our students. That being said, the Garfield Heights community passed a five-year emergency levy for \$4.1 million annually that allows the School District to stabilize its financial position for the near future.

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

Garfield Heights City School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited*

Contacting the School District's Financial Management

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

Basic Financial Statements

Garfield Heights City School District

Statement of Net Position

June 30, 2013

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$8,230,990
Restricted Assets:	
Cash and Cash Equivalents with Fiscal Agent	3,016,001
Accounts Receivable	29,453
Accrued Interest Receivable	1,059
Intergovernmental Receivable	592,517
Property Taxes Receivable	22,964,981
Payments in Lieu of Taxes Receivable	350,000
Nondepreciable Capital Assets	1,823,525
Depreciable Capital Assets, Net	<u>58,514,786</u>
<i>Total Assets</i>	<u>95,523,312</u>
Deferred Outflows of Resources	
Deferred Charge on Refunding	<u>1,691,481</u>
Liabilities	
Accounts Payable	337,095
Contracts Payable	791,816
Accrued Wages and Benefits	3,138,584
Retainage Payable	116,347
Intergovernmental Payable	1,027,671
Matured Compensated Absences Payable	280,659
Accrued Interest Payable	75,496
Long-Term Liabilities:	
Due Within One Year	2,223,525
Due In More Than One Year	<u>53,271,775</u>
<i>Total Liabilities</i>	<u>61,262,968</u>
Deferred Inflows of Resources	
Property Taxes	<u>15,671,672</u>
Net Position	
Net Investment in Capital Assets	13,751,272
Restricted for:	
Capital Projects	3,922,666
Debt Service	1,702,762
Qualified Zone Academy Bonds (QZABs)	2,903,069
Food Service	730,657
Scholarships	103,099
Athletics and Music	51,530
Other Purposes	352,921
Unrestricted (Deficit)	<u>(3,237,823)</u>
<i>Total Net Position</i>	<u><u>\$20,280,153</u></u>

See accompanying notes to the basic financial statements

Garfield Heights City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2013

	Program Revenues			Net (Expense)	
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Revenue and Changes in Net Position	
			Capital Grants and Interest	Governmental Activities	
Governmental Activities					
Instruction:					
Regular	\$16,566,786	\$193,096	\$290,153	\$0	(\$16,083,537)
Special	3,722,240	30,663	1,073,706	0	(2,617,871)
Vocational	75,921	991	0	0	(74,930)
Student Intervention Services	3,983,816	52,076	67	0	(3,931,673)
Support Services:					
Pupils	2,326,604	29,333	84,677	0	(2,212,594)
Instructional Staff	1,789,676	18,742	308,645	0	(1,462,289)
Board of Education	53,745	6,252	65	0	(47,428)
Administration	3,528,931	45,854	29,937	0	(3,453,140)
Fiscal	921,294	11,622	11,873	0	(897,799)
Business	613,525	47,279	460	0	(565,786)
Operation and Maintenance of Plant	5,430,690	37,994	101,396	1,504,758	(3,786,542)
Pupil Transportation	1,076,801	12,519	18,664	0	(1,045,618)
Central	399,985	5,229	0	0	(394,756)
Operation of Non-Instructional Services	1,102,838	0	995,456	0	(107,382)
Operation of Food Service	1,324,912	223,917	1,094,725	0	(6,270)
Extracurricular Activities	520,091	162,294	12,445	0	(345,352)
Interest and Fiscal Charges	2,340,635	0	0	0	(2,340,635)
<i>Total Governmental Activities</i>	<u>\$45,778,490</u>	<u>\$877,861</u>	<u>\$4,022,269</u>	<u>\$1,504,758</u>	<u>(39,373,602)</u>
General Revenues					
Property Taxes Levied for:					
					14,231,551
					2,576,709
					176,209
					147,940
					20,567,885
					281,411
					77,501
					166,379
<i>Total General Revenues</i>					<u>38,225,585</u>
					(1,148,017)
<i>Net Position Beginning of Year - Restated (See Note 3)</i>					<u>21,428,170</u>
<i>Net Position End of Year</i>					<u><u>\$20,280,153</u></u>

See accompanying notes to the basic financial statements

Garfield Heights City School District
Balance Sheet
Governmental Funds
June 30, 2013

	General	Bond Retirement	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$760,249	\$1,172,233	\$4,287,869	\$2,010,639	\$8,230,990
Restricted Assets:					
Cash and Cash Equivalents					
With Fiscal Agents	3,016,001	0	0	0	3,016,001
Accounts Receivable	29,453	0	0	0	29,453
Accrued Interest Receivable	1,059	0	0	0	1,059
Intergovernmental Receivable	49,696	0	0	542,821	592,517
Interfund Receivable	1,205,164	0	0	0	1,205,164
Property Taxes Receivable	19,274,298	3,376,662	0	314,021	22,964,981
Payments in Lieu of Taxes Receivable	350,000	0	0	0	350,000
<i>Total Assets</i>	<u>\$24,685,920</u>	<u>\$4,548,895</u>	<u>\$4,287,869</u>	<u>\$2,867,481</u>	<u>\$36,390,165</u>
Liabilities					
Accounts Payable	\$184,917	\$0	\$12,595	\$139,583	\$337,095
Contracts Payable	0	0	791,816	0	791,816
Accrued Wages and Benefits	2,947,692	0	0	190,892	3,138,584
Retainage Payable	112,932	0	3,415	0	116,347
Interfund Payable	0	0	0	1,205,164	1,205,164
Intergovernmental Payable	946,083	0	0	81,588	1,027,671
Matured Compensated Absences Payable	280,540	0	0	119	280,659
<i>Total Liabilities</i>	<u>4,472,164</u>	<u>0</u>	<u>807,826</u>	<u>1,617,346</u>	<u>6,897,336</u>
Deferred Inflows of Resources					
Property Taxes	12,679,957	2,725,307	0	266,408	15,671,672
Unavailable Revenue	4,698,135	199,928	0	544,896	5,442,959
<i>Total Deferred Inflows of Resources</i>	<u>17,378,092</u>	<u>2,925,235</u>	<u>0</u>	<u>811,304</u>	<u>21,114,631</u>
Fund Balances					
Restricted	2,906,268	1,623,660	3,480,043	1,810,765	9,820,736
Unassigned (Deficit)	(70,604)	0	0	(1,371,934)	(1,442,538)
<i>Total Fund Balances</i>	<u>2,835,664</u>	<u>1,623,660</u>	<u>3,480,043</u>	<u>438,831</u>	<u>8,378,198</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$24,685,920</u>	<u>\$4,548,895</u>	<u>\$4,287,869</u>	<u>\$2,867,481</u>	<u>\$36,390,165</u>

See accompanying notes to the basic financial statements

Garfield Heights City School District
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2013

Total Governmental Fund Balances	\$8,378,198
---	--------------------

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	60,338,311
---	------------

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

Delinquent Property Taxes	4,550,138
Payments in Lieu of Taxes	350,000
Grants	542,821

Total	5,442,959
-------	-----------

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(75,496)
--	----------

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

General Obligation Refunding Bonds	(36,900,905)
Qualified Zone Academy Bonds	(5,000,000)
Refunding Bonds	(7,371,081)
Deferred Charge on Refunding	1,691,481
Compensated Absences	(5,352,287)
Early Retirement Incentive	(185,500)
Capital Leases	(685,527)

Total	(53,803,819)
-------	--------------

<i>Net Position of Governmental Activities</i>	\$20,280,153
--	---------------------

See accompanying notes to the basic financial statements

Garfield Heights City School District

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Fiscal Year Ended June 30, 2013

	General	Bond Retirement	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$14,012,845	\$2,649,767	\$0	\$324,816	\$16,987,428
Payment in Lieu of Taxes	356,411	0	0	0	356,411
Intergovernmental	19,461,512	1,109,656	1,454,022	4,304,281	26,329,471
Interest	77,501	0	7,765	2,271	87,537
Tuition and Fees	462,971	0	0	0	462,971
Extracurricular Activities	0	0	0	117,070	117,070
Contributions and Donations	1,000	0	0	20,681	21,681
Charges for Services	49,724	0	0	223,917	273,641
Rentals	24,179	0	0	0	24,179
Miscellaneous	166,229	0	0	150	166,379
<i>Total Revenues</i>	<u>34,612,372</u>	<u>3,759,423</u>	<u>1,461,787</u>	<u>4,993,186</u>	<u>44,826,768</u>
Expenditures					
Current:					
Instruction:					
Regular	14,882,815	0	0	450,524	15,333,339
Special	2,413,762	0	0	1,376,351	3,790,113
Vocational	98,165	0	0	0	98,165
Student Intervention Services	3,964,117	0	0	88	3,964,205
Support Services:					
Pupils	2,206,405	0	0	105,781	2,312,186
Instructional Staff	1,485,409	0	0	574,952	2,060,361
Board of Education	53,745	0	0	0	53,745
Administration	3,435,928	0	0	943	3,436,871
Fiscal	906,368	12,467	0	19,732	938,567
Business	613,343	0	0	2,469	615,812
Operation and Maintenance of Plant	2,961,228	0	0	1,084,273	4,045,501
Pupil Transportation	865,772	0	0	27,630	893,402
Central	391,754	0	0	0	391,754
Operation of Non-Instructional Services	5	0	0	1,118,050	1,118,055
Operation of Food Service	0	0	0	1,279,114	1,279,114
Extracurricular Activities	347,371	0	0	164,785	512,156
Capital Outlay	0	0	2,412,962	18,056	2,431,018
Debt Service:					
Principal Retirement	0	1,135,780	0	122,989	1,258,769
Interest and Fiscal Charges	0	1,838,954	0	33,047	1,872,001
Capital Appreciation Bonds Interest	0	904,220	0	0	904,220
<i>Total Expenditures</i>	<u>34,626,187</u>	<u>3,891,421</u>	<u>2,412,962</u>	<u>6,378,784</u>	<u>47,309,354</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(13,815)</u>	<u>(131,998)</u>	<u>(951,175)</u>	<u>(1,385,598)</u>	<u>(2,482,586)</u>
Other Financing Sources (Uses)					
General Obligation Bonds Issued	0	6,894,719	0	0	6,894,719
General Obligation Bond Premium	0	616,714	0	0	616,714
Payment to Refunding Bond Escrow Agent	0	(7,362,218)	0	0	(7,362,218)
Transfers In	0	0	1,226,604	174,856	1,401,460
Transfers Out	(174,671)	0	0	(1,226,789)	(1,401,460)
<i>Total Other Financing Sources (Uses)</i>	<u>(174,671)</u>	<u>149,215</u>	<u>1,226,604</u>	<u>(1,051,933)</u>	<u>149,215</u>
<i>Net Change in Fund Balances</i>	<u>(188,486)</u>	<u>17,217</u>	<u>275,429</u>	<u>(2,437,531)</u>	<u>(2,333,371)</u>
<i>Fund Balances Beginning of Year - Restated (See Note 3)</i>	<u>3,024,150</u>	<u>1,606,443</u>	<u>3,204,614</u>	<u>2,876,362</u>	<u>10,711,569</u>
<i>Fund Balances End of Year</i>	<u>\$2,835,664</u>	<u>\$1,623,660</u>	<u>\$3,480,043</u>	<u>\$438,831</u>	<u>\$8,378,198</u>

See accompanying notes to the basic financial statements

Garfield Heights City School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2013*

Net Change in Fund Balances - Total Governmental Funds (\$2,333,371)

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

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

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

Capital Asset Additions	1,658,045	
Current Year Depreciation	<u>(1,898,170)</u>	
Total		(240,125)

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

Delinquent Property Taxes	144,981	
Payment in Lieu of Taxes	(75,000)	
Grants	<u>(266,276)</u>	
Total		(196,295)

Repayment of principal, payment to refunding bond escrow agent, and accreted interest is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 9,525,207

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

Accrued Interest	32,415	
Amortization of Premium	202,628	
Accretion	(288,736)	
Amortization of Deferred Charge on Refunding	<u>(414,941)</u>	
Total		(468,634)

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

Compensated Absences	17,801	
Early Retirement Incentive	<u>58,833</u>	
Total		76,634

Other financing sources and uses in the governmental funds increase long-term liabilities in the statement of net position.

General Obligation Bonds Issued	(6,894,719)	
Bond Premium	<u>(616,714)</u>	
Total		<u>(7,511,433)</u>

Change in Net Position of Governmental Activities (\$1,148,017)

See accompanying notes to the basic financial statements

Garfield Heights City School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2013

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property Taxes	\$13,087,268	\$13,776,000	\$13,762,170	(\$13,830)
Payment in Lieu of Taxes	425,000	425,000	356,411	(68,589)
Intergovernmental	18,609,528	19,528,288	19,444,562	(83,726)
Interest	13,343	20,000	13,942	(6,058)
Tuition and Fees	445,356	487,000	465,340	(21,660)
Rentals	25,899	30,000	27,061	(2,939)
Miscellaneous	133,457	140,000	139,446	(554)
<i>Total Revenues</i>	<u>32,739,851</u>	<u>34,406,288</u>	<u>34,208,932</u>	<u>(197,356)</u>
Expenditures				
Current:				
Instruction:				
Regular	15,189,230	14,859,458	14,846,608	12,850
Special	2,739,666	2,534,666	2,492,145	42,521
Vocational	115,850	125,850	111,309	14,541
Student Intervention Services	3,348,098	3,928,098	3,891,408	36,690
Support Services:				
Pupils	2,556,446	2,201,446	2,191,650	9,796
Instructional Staff	1,574,585	1,575,585	1,537,007	38,578
Board of Education	72,401	72,401	61,392	11,009
Administration	3,037,420	3,587,420	3,563,555	23,865
Fiscal	1,158,395	983,395	972,077	11,318
Business	586,688	718,688	645,673	73,015
Operation and Maintenance of Plant	2,952,570	3,053,670	2,974,300	79,370
Pupil Transportation	911,351	921,351	867,062	54,289
Central	383,210	413,210	400,010	13,200
Operation of Non-Instructional Services	10	10	5	5
Extracurricular Activities	271,493	296,493	291,245	5,248
Debt Service:				
Principal Retirement	266,200	266,200	266,014	186
Interest and Fiscal Charges	16,800	16,800	16,800	0
<i>Total Expenditures</i>	<u>35,180,413</u>	<u>35,554,741</u>	<u>35,128,260</u>	<u>426,481</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(2,440,562)</u>	<u>(1,148,453)</u>	<u>(919,328)</u>	<u>229,125</u>
Other Financing Sources (Uses)				
Advances In	422,718	442,000	441,685	(315)
Advances Out	(328,290)	(332,900)	(332,900)	0
Transfers Out	(75,404)	(192,000)	(174,671)	17,329
<i>Total Other Financing Sources (Uses)</i>	<u>19,024</u>	<u>(82,900)</u>	<u>(65,886)</u>	<u>17,014</u>
<i>Net Change in Fund Balance</i>	<u>(2,421,538)</u>	<u>(1,231,353)</u>	<u>(985,214)</u>	<u>246,139</u>
<i>Fund Balance Beginning of Year</i>	1,378,194	1,378,194	1,378,194	0
Prior Year Encumbrances Appropriated	420,136	420,136	420,136	0
<i>Fund Balance (Deficit) End of Year</i>	<u>(\$623,208)</u>	<u>\$566,977</u>	<u>\$813,116</u>	<u>\$246,139</u>

See accompanying notes to the basic financial statements

Garfield Heights City School District
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2013

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$79,616</u>
Liabilities	
Due to Students	\$17,997
Undistributed Monies	<u>61,619</u>
<i>Total Liabilities</i>	<u>\$79,616</u>

See accompanying notes to the basic financial statements

Garfield Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

Note 1 - Description of the School District and Reporting Entity

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

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by State and Federal agencies. The Board of Education employs 191 classified employees, 230 certificated full and part-time teaching, tutor and nursing personnel, and 21 administrators who provide services to 3,821 students and other community members.

Reporting Entity

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

Non-public Schools - Within the School District boundaries, there are various non-public schools. Current State legislature provides funding to these non-public schools. These monies are received and disbursed on behalf of the non-public schools by the Treasurer of the School District, as directed by the non-public school. These transactions are reported in a special revenue fund and as a governmental activity of the School District.

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

The School District is associated with three jointly governed organizations and one shared risk pool. These organizations include the North Coast Council, Cuyahoga Valley Career Center, Ohio Schools' Council and Suburban Health Consortium. These organizations are presented in Notes 14 and 15 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

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

Garfield Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

Basis of Presentation

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

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

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

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

Fund Accounting

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

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

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

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

Garfield Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

Classroom Facilities Fund This capital projects fund accounts for and reports federal monies restricted for the renovation and remodeling of classroom facilities.

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

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

Measurement Focus

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

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

Basis of Accounting

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

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

Garfield Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

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

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

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources include a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance fiscal year 2014 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District unavailable revenue includes delinquent property taxes and intergovernmental grants and payments in lieu of taxes. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

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

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

Cash and Cash Equivalents

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

Garfield Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

During fiscal year 2013, investments were limited to federal home loan bank notes, federal national mortgage association notes, federal home loan mortgage corporation notes, money market and STAR Ohio.

The School District utilizes a fiscal agent to hold retainage on construction contracts and sinking fund payments for the School District's two Qualified Zone Academy Bonds. The balance in these accounts of \$3,016,001 is presented on the financial statements as "restricted assets: cash and cash equivalents with fiscal agent."

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

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's net asset value per share which is the price the investment could be sold for on June 30, 2013.

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 2013 amounted to \$77,501, which includes \$37,085 assigned from other School District funds.

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

Restricted Assets

Assets are reported as restricted when limitations on their use in nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation. Restricted assets include the amount for the future repayment of the Qualified Zone Academy Bond (QZAB) held with a fiscal agent until the debt becomes due. See note 13 for additional information regarding the QZAB.

Capital Assets

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

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

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

Garfield Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land Improvements	15 - 20 years
Buildings and Improvements	10 - 50 years
Furniture and Fixtures	5 - 20 years
Vehicles	10 years

Interfund Balances

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

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for 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. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

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

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

Accrued Liabilities and Long-term Obligations

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

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

Internal Activity

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

Garfield Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

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

Fund Balance

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

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

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

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

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

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

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

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets.

Garfield Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes included resources which will be used for non-public schools and network connectivity.

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

Bond Premiums

On the government-wide financial statements, bond premiums are deferred and amortized for the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method. Bond premiums are presented as an increase of the face amount of the bonds payable. On governmental fund statements, bond premiums are received in the year the bonds are issued.

Deferred Charge on Refunding

On the government-wide financial statements, the difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt, the gain/loss on the refunding, is being amortized as a component of interest expense. This deferred amount is amortized over the life of the old or new debt, whichever is shorter, using the effective interest method and is presented as deferred outflows of resources on the statement of net position.

Estimates

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

Budgetary Data

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

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

Garfield Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

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

Note 3 – Changes in Accounting Principles and Restatement of Prior Year’s Fund Balance/Net Position

Changes in Accounting Principles

For fiscal year 2013, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements," Statement No. 61, "The Financial Reporting Entity: Omnibus; an amendment of GASB Statements No. 14 and No. 34, Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, Statement No. 65, "Items Previously Reported as Assets and Liabilities," and Statement No. 66, "Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62."

GASB Statement No. 60 improves financial reporting by addressing issues related to service concession arrangements, which are a type of public-private or public-public partnership. The implementation of this statement did not result in any change in the School District’s financial statements.

GASB Statement No. 61 modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, the display of component units presentation and certain disclosure requirements. . These changes were incorporated in the School District’s fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related note disclosures. These changes were incorporated in the School District’s fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These changes were incorporated in the School District’s fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The implementation of this statement did not result in any change in the School District’s financial statements.

Restatement of Prior Year’s Fund Balance/Net Position

During fiscal year 2013, it was determined that restricted cash and cash equivalents and long-term liabilities were understated. These restatements had the following effect on fund balance/net position as they were previously reported.

Garfield Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

	General	Bond Retirement	Classroom Facilities	Other Governmental Funds	Total
Fund Balance, June 30, 2012	\$1,410,090	\$1,606,443	\$3,204,614	\$2,876,362	\$9,097,509
Restricted Cash and Cash Equivalents	1,614,060	0	0	0	1,614,060
Restated Fund Balance, June 30, 2012	<u>\$3,024,150</u>	<u>\$1,606,443</u>	<u>\$3,204,614</u>	<u>\$2,876,362</u>	<u>\$10,711,569</u>

	Governmental Activities
Net Position, June 30, 2012	\$21,974,806
Restricted Cash and Cash Equivalents	1,614,060
Long-Term Liabilities	<u>(2,160,696)</u>
Restated Net Position, June 30, 2012	<u>\$21,428,170</u>

Note 4 – Fund Balances

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

Fund Balances	General	Bond Retirement	Classroom Facilities	Other Governmental Funds	Total
<i>Restricted for:</i>					
Teacher Development	\$3,199	\$0	\$0	\$10,024	\$13,223
Food Service Operations	0	0	0	730,657	730,657
Technology Improvements	0	0	0	88,326	88,326
Classroom Facilities Maintenance	0	0	0	219,246	219,246
Athletics	0	0	0	51,530	51,530
Community Involvement	0	0	0	163,354	163,354
Race to the Top	0	0	0	4,708	4,708
Education Jobs	0	0	0	10,018	10,018
Non-Public Schools	0	0	0	92,354	92,354
Debt Service Payments	2,903,069	1,623,660	0	0	4,526,729
Capital Improvements	0	0	3,480,043	440,548	3,920,591
<i>Total Restricted</i>	2,906,268	1,623,660	3,480,043	1,810,765	9,820,736
<i>Unassigned (Deficit)</i>	(70,604)	0	0	(1,371,934)	(1,442,538)
<i>Total Fund Balances</i>	<u>\$2,835,664</u>	<u>\$1,623,660</u>	<u>\$3,480,043</u>	<u>\$438,831</u>	<u>\$8,378,198</u>

Garfield Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

Note 5 - Accountability and Compliance

Accountability

Fund balances at June 30, 2013, included the following individual fund deficits:

Special Revenue Funds

Public Preschool	\$31,195
School Net Professional Development	1,041
Alternative Schools	8,801
Title VI-B	168,700
Technology II-D Grant	4,250
Title I School Improvement	133,607
Title I	770,952
Preschool Grant	10,570
Class Size Reduction	242,818

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

Compliance

Contrary to Section 5705.39, Ohio Revised Code, the general fund had total original appropriations in excess of estimated resources plus carryover balances in the amount of \$623,208. This budgetary violation was corrected by fiscal year end.

Contrary to Section 5705.41(B), Ohio Revised Code, the following funds had expenditures plus encumbrances in excess of appropriations:

<u>Fund/Function</u>	<u>Appropriations</u>	<u>Expenditures Plus Encumbrances</u>	<u>Excess</u>
<i>Other Governmental Funds:</i>			
Public School Preschool	\$101,200	\$101,832	(\$632)
Entry Year	1,202	1,226	(24)
Title I School Improvement	157,866	161,663	(3,797)
Title I	1,402,729	1,420,278	(17,549)
Classroom Reduction	659,761	662,979	(3,218)
Miscellaneous Federal Grants	0	185	(185)
Classroom Facilities	5,396,118	5,987,823	(591,705)

The school District had a negative cash balance of \$660,964 in the title I special revenue fund indicating that revenue from other sources were used to pay obligations of these funds contrary to Ohio Revised Code Section 5705.10.

Although these budgetary violations were not corrected by fiscal year end, the management will ensure that appropriations will be closely monitored to prevent future violations.

Garfield Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

Note 6 - Budgetary Basis of Accounting

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than restricted, committed or assigned fund balance (GAAP).
4. Investments are reported at cost (budget) rather than fair value (GAAP).
5. Advances-In and Advances Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
6. Budgetary revenues and expenditures of the public school support and career development-tech prep are reclassified to the general fund for GAAP Reporting.

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

	General
GAAP Basis	(\$188,486)
Net Adjustment for Revenue Accruals	(364,700)
Advances In	441,685
Beginning Fair Value Adjustment for Investments	2,400
Ending Fair Value Adjustment for Investments	6,914
Net Adjustment for Expenditure Accruals	111,490
Advances Out	(332,900)
Perspective Differences:	
Public School Support	20,314
Career Development-Tech Prep	119
Encumbrances	(682,050)
Budget Basis	<u>(\$985,214)</u>

Garfield Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

Note 7 - Deposits and Investments

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

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

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

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

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

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

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

The School District utilizes a fiscal agent to hold retainage on construction contracts. The balance in this account of \$112,932 is presented on the financial statements as "cash and cash equivalents with fiscal agent."

Garfield Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

Investments

Investments are reported at fair value. As of June 30, 2013, the School District had the following investments:

Investment Type	Fair Value	Maturity	Standard and Poors Rating	Percentage of Total Investments
Federal Home Loan Bank Notes	\$490,128	Less than one year	AA+	4.82 %
Federal National Mortgage Association Notes Federal Home Loan Mortgage Corporation Notes	1,689,743	Less than one year	AA+	16.61
Money Market	2,043,336	Less than five years	AA+	20.11
STAR Ohio	5,937,621	Daily	AA+	58.37
	9,697	57.5 Days	AAAm	N/A
Total Investments	\$10,170,525			

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

Credit Risk. Ohio law requires that Star Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that addresses credit risk.

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

Note 8 – Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2013 represents collections of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed value listed as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2013 represents collections of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien December 31, 2011, were levied after April 1, 2012 and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Garfield Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

The School District receives property taxes from Cuyahoga County. The County Fiscal Officer periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2013, are available to finance fiscal year 2013 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2013 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes.

The amount available as an advance at June 30, 2013 was \$2,246,206 in the general fund, \$451,427 in the bond retirement fund and \$45,538 in the permanent improvements capital projects fund. The amount available as an advance at June 30, 2012 was \$1,995,531 in the general fund, \$522,666 in the bond retirement fund and \$49,793 in the permanent improvements capital projects fund.

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

The assessed values upon which the fiscal year 2013 taxes were collected are:

	2012 Second Half Collections		2013 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$417,190,590	97.91%	\$342,154,290	97.25%
Public Utility Personal	8,896,900	2.09	9,665,610	2.75
Total	\$426,087,490	100.00%	\$351,819,900	100.00%
Full Tax Rate per \$1,000 of assessed valuation	\$56.50		\$74.26	

On March 7, 2012, the residents of the School District approved a 12.1 mill emergency levy. Tax revenue from this levy was received beginning in January 2013.

Note 9 - Receivables

Receivables at June 30, 2013, consisted of taxes, payments in lieu of taxes, accounts (contributions and other), tuition and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables, except for delinquent property taxes, are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

Garfield Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

Intergovernmental Receivables	Amounts
Title I	\$305,463
Improving Teacher Quality Title II-A	167,303
Special Education Part B-IDEA	57,168
Other Grants	50,931
Early Childhood Education	9,736
School Improvement Subsidy	1,916
Total	\$592,517

Note 10 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
Capital Assets, not being depreciated				
Land	\$833,150	\$0	\$0	\$833,150
Construction in Progress	0	990,375	0	990,375
<i>Total Capital Assets, not being depreciated</i>	<u>833,150</u>	<u>990,375</u>	<u>0</u>	<u>1,823,525</u>
Capital Assets, being depreciated				
Land Improvements	1,195,728	5,720	0	1,201,448
Buildings and Improvements	70,150,448	372,418	0	70,522,866
Furniture and Fixtures	3,298,605	289,532	0	3,588,137
Vehicles	1,728,524	0	0	1,728,524
<i>Total Capital Assets, being depreciated</i>	<u>76,373,305</u>	<u>667,670</u>	<u>0</u>	<u>77,040,975</u>
Less: Accumulated Depreciation				
Land Improvements	(698,926)	(41,347)	0	(740,273)
Buildings and Improvements	(12,473,302)	(1,637,456)	0	(14,110,758)
Furniture and Fixtures	(2,011,488)	(128,950)	0	(2,140,438)
Vehicles	(1,444,303)	(90,417)	0	(1,534,720)
<i>Total Accumulated Depreciation</i>	<u>(16,628,019)</u>	<u>(1,898,170)</u>	<u>0</u>	<u>(18,526,189)</u>
<i>Total Capital Assets, being depreciated, net</i>	<u>59,745,286</u>	<u>(1,230,500)</u>	<u>0</u>	<u>58,514,786</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$60,578,436</u>	<u>(\$240,125)</u>	<u>\$0</u>	<u>\$60,338,311</u>

Garfield Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

Depreciation expense was charged to governmental functions as follows:

Instruction	
Regular	\$1,404,942
Special	1,861
Support Services	
Instructional Staff	28,105
Business	2,320
Operation and Maintenance of Plant	333,487
Pupil Transportation	91,493
Operation of Food Service	28,027
Extracurricular Activities	7,935
Total Depreciation Expense	<u>\$1,898,170</u>

Note 11 - Interfund Transactions

Interfund Balances

Interfund balances at June 30, 2013 consisted of the following:

<u>Interfund Payable</u>	<u>Interfund Receivable</u>
	<u>General Fund</u>
Other Governmental Funds:	
Public Preschool	\$17,200
SchoolNet, Professional Development	1,050
Alternative Schools	200
Title VI-B	147,500
Technology II-D Grant	4,250
Title I School Improvement	132,900
Title I	665,964
Drug Free Schools	10,600
Classroom Size Reduction	225,500
<i>Total</i>	<u>\$1,205,164</u>

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

Interfund Transfers

Interfund transfers at June 30, 2013 consisted as follows:

Garfield Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

Transfers To	Transfers From		Total
	General Fund	Other Governmental Funds	
Major Fund:			
Classroom Facilities	\$0	\$1,226,604	\$1,226,604
Other Governmental Funds:			
Classroom Facilities Maintenance	72,361	0	72,361
Athletics and Music	48,000	0	48,000
Public Preschool	31,010	0	31,010
Alternative Schools	18,400	0	18,400
Technology II-D	0	185	185
Preschool Grant	4,900	0	4,900
Total Other Governmental Funds	174,671	185	174,856
Total	\$174,671	\$1,226,789	\$1,401,460

The transfers from the general fund to nonmajor special revenue funds were made to move unrestricted balances to support programs and projects accounted for in other funds. The transfer from the permanent improvement capital projects fund to the classroom facilities capital projects fund was to support the elementary schools renovation projects.

Note 12 – Capital Leases

Equipment Lease

In prior years, the School District entered into leases for HVAC systems and telephone equipment. These lease obligations meet the criteria of a capital lease and have been recorded on the government-wide statements. The original amounts capitalized for the capital leases and the book value as of June 30, 2013 follows:

Asset:	Amounts
Equipment	\$4,969,694
Less: Accumulated depreciation	(4,359,628)
Current Book Value	<u>\$610,066</u>

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2013.

	Amounts
2014	\$147,724
2015	139,411
2016	139,411
2017	139,411
2018	139,411
2019	69,699
Total Mimimum Lease Payments	775,067
Less: Amount representing interest	(89,540)
Present Value of Mimimum Lease Payments	<u>\$685,527</u>

Garfield Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

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

Note 13 – Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2013 were as follows:

	Restated Principal Outstanding June 30, 2012	Additions	Deductions	Principal Outstanding June 30, 2013	Amount Due in One Year
Governmental Activities					
General Obligation Bonds					
2001 School Improvement Bonds					
Term Bonds	\$2,165,000	\$0	\$0	\$2,165,000	\$0
Capital Appreciation Bonds	342,275	0	0	342,275	0
Accretion	807,880	140,547	0	948,427	0
Total 2001 School Improvement Bonds	<u>3,315,155</u>	<u>140,547</u>	<u>0</u>	<u>3,455,702</u>	<u>0</u>
2004 School Improvement Bonds					
Serial Bonds	2,495,000	0	(2,495,000)	0	0
Term Bonds	4,400,000	0	(4,400,000)	0	0
Unamortized Premium	137,445	0	(137,445)	0	0
Capital Appreciation Bonds	495,000	0	(365,000)	130,000	130,000
Accretion	408,529	21,497	(325,000)	105,026	105,026
Total 2004 School Improvement Bonds	<u>7,935,974</u>	<u>21,497</u>	<u>(7,722,445)</u>	<u>235,026</u>	<u>235,026</u>
2006 Energy Conservation Improvement Bonds					
Serial Bonds	1,370,000	0	(135,000)	1,235,000	140,000
Unamortized Premium	25,687	0	(3,022)	22,665	0
Total 2006 School Improvement Bonds	<u>1,395,687</u>	<u>0</u>	<u>(138,022)</u>	<u>1,257,665</u>	<u>140,000</u>
2006 Refunding Bonds					
Serial Bonds	22,660,000	0	0	22,660,000	0
Capital Appreciation Bonds	1,179,991	0	(535,780)	644,211	644,211
Accretion	1,078,068	89,239	(579,220)	588,087	588,087
Term Bonds	6,355,000	0	0	6,355,000	0
Unamortized Premium	1,827,015	0	(121,801)	1,705,214	0
Total 2006 Refunding Bonds	<u>33,100,074</u>	<u>89,239</u>	<u>(1,236,801)</u>	<u>31,952,512</u>	<u>1,232,298</u>
2012 Refunding Bonds					
Serial Bonds	0	6,820,000	(100,000)	6,720,000	100,000
Capital Appreciation Bonds	0	74,719	0	74,719	0
Accretion	0	37,453	0	37,453	0
Unamortized Premium	0	616,714	(77,805)	538,909	0
Total 2012 Refunding Bonds	<u>0</u>	<u>7,548,886</u>	<u>(177,805)</u>	<u>7,371,081</u>	<u>100,000</u>
<i>Total General Obligation Bonds</i>	<u>45,746,890</u>	<u>7,800,169</u>	<u>(9,275,073)</u>	<u>44,271,986</u>	<u>1,707,324</u>
Other Long-term Obligations					
Compensated Absences	5,370,088	455,686	(473,487)	5,352,287	294,921
2003 QZAB	3,000,000	0	0	3,000,000	0
2004 QZAB	2,000,000	0	0	2,000,000	0
Early Retirement Incentive	244,333	40,000	(98,833)	185,500	101,333
Capital Leases	808,516	0	(122,989)	685,527	119,947
<i>Total Other Long-term Obligations</i>	<u>11,422,937</u>	<u>495,686</u>	<u>(695,309)</u>	<u>11,223,314</u>	<u>516,201</u>
<i>Total Governmental Activities</i>					
<i>Long-Term Liabilities</i>	<u>\$57,169,827</u>	<u>\$8,295,855</u>	<u>(\$9,970,382)</u>	<u>\$55,495,300</u>	<u>\$2,223,525</u>

Garfield Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

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

2001 School Improvement Bonds

On November 19, 2001, the School District issued \$41,497,275 school improvement bonds for the purpose of converting the existing high school to a middle school and various other renovations throughout the School District. These bonds were partially refunded on October 4, 2006. Interest payments at rates ranging from 3 percent to 5.5 percent are due on June 1 and December 1 of each year, until the principal amount is paid. After the refunding, the bond issue consists of \$4,635,000 of serial bonds, \$2,165,000 of term bonds, and \$342,275 of capital appreciation bonds.

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

The capital appreciation bonds remained outstanding at June 30, 2013. The capital appreciation bonds were originally sold at a discount of \$1,382,725, which is being accreted annually until the point of maturity of the capital appreciation bonds, which is 2016.

The maturity amount of outstanding capital appreciation bonds at June 30, 2013 is \$342,275. The accretion recorded for 2013 was \$140,547, for a total outstanding bond liability of \$1,290,702 at June 30, 2013.

2004 School Improvement Bonds

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

The maturity amount of outstanding capital appreciation bonds at June 30, 2013 is \$130,000. The accretion recorded for 2013 was \$21,497, for a total outstanding bond liability of \$235,026 at June 30, 2013. The capital appreciation bonds were originally sold at a discount of \$455,000, which is being accreted annually until the point of maturity of the capital appreciation bonds, \$365,000 of which matured in fiscal year 2013. These bonds were partially refunded on July 31, 2012. After the refunding, the bond issue consists of \$130,000 of capital appreciation bonds. The remaining principal amount of capital appreciation bonds \$130,000 will mature in 2014.

2006 Energy Conservation Improvement Bonds

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

Garfield Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

2006 Refunding Bonds

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

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

The bond issue consists of \$23,805,000 of serial bonds, \$644,211 of capital appreciation bonds and \$6,355,000 of term bonds.

The serial bonds were issued for a 19 year period with a final maturity date of December 15, 2024.

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

The maturity amount of outstanding capital appreciation bonds at June 30, 2013 is \$1,179,991. The accretion recorded for 2013 was \$89,239, for a total outstanding bond liability of \$1,232,298 at June 30, 2013.

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

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

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

2012 Refunding Bonds

On July 31, 2012, the School District issued general obligation bonds in the amount of \$6,894,719 for the purpose of refunding \$6,895,000 of the School District’s outstanding 2004 school improvement bonds. The bond issue consists of \$6,820,000 of serial bonds, \$74,719 of capital appreciation bonds. The bonds were issued with interest payments varying from 2 percent to 2.75 percent. The bonds were issued for a 15 year period with final maturity during fiscal year 2027. The bonds will be retired through the bond retirement fund.

The bonds were sold at a premium of \$616,714. Proceeds of \$7,362,218 were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, \$6,895,000 of these bonds were considered defeased and the liability for the refunded bonds has been removed from the School District’s financial statements.

Garfield Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

Although the refunding will result in the recognition of an accounting loss of \$329,773, the School District in effect decreased its aggregated debt service payments by \$884,870 over the next 15 years and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$748,970.

The serial bonds were issued for a twelve year period with a final maturity date of December 15, 2026.

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

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

The overall debt margin of the School District as of June 30, 2013 was \$0 with an unvoted debt margin of \$0. The Ohio Revised Code further provides that when a Board of Education declares a resolution that the student population is not adequately served by existing facilities, and that insufficient capacity exists within the nine percent limit to finance additional facilities, the State Department of Education may declare that school district a “special needs” school district. This permits the incurrence of additional debt based upon projected 5-year growth of the school district’s assessed valuation. The Garfield Heights City School District was determined to be a “special needs” school district by the State Superintendent.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2013 are as follows:

Fiscal Year Ending June 30	School Improvement Bonds					
	Serial Bonds		Capital Appreciation Bonds		Term Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$240,000	\$1,326,656	\$774,211	\$995,789	\$0	\$0
2015	2,285,000	1,313,466	0	0	0	0
2016	695,000	1,295,866	342,275	1,382,725	0	0
2017	195,000	1,166,888	0	0	0	0
2018	2,600,000	1,166,888	34,557	180,443	2,165,000	58,184
2019 - 2023	15,510,000	5,543,057	40,162	424,838	0	0
2024 - 2027	9,090,000	2,112,020	0	0	6,355,000	217,706
Total	<u>\$30,615,000</u>	<u>\$13,924,841</u>	<u>\$1,191,205</u>	<u>\$2,983,795</u>	<u>\$8,520,000</u>	<u>\$275,890</u>

Garfield Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

Note 14 - Jointly Governed Organizations

North Coast Council

The North Coast Council (NCC) is a jointly governed computer service bureau owned and operated by thirteen public school districts. The primary function of NCC is to provide to its members the support and leadership which enables organizations to achieve their objectives through innovative and cost effective shared technology solutions. Major areas of service provided by NCC include accounting, payroll, inventory, career guidance services, handicapped student tracking, pupil scheduling, attendance reporting and grade reporting. NCC is wholly owned by its member districts and is governed by a Board of Directors (member Superintendents). NCC's current membership includes the Educational Service Center of Cuyahoga County and thirteen school districts in Cuyahoga County. Each year, the Board of Directors elects a Chairman, a Vice Chairman and a Recording Secretary. The Treasurer of the fiscal agent is a nonvoting, ex-officio member of the Board of Directors. The Cuyahoga County Educational Service Center serves as the fiscal agent of NCC. The degree of control exercised by any participating school district is limited to its representation on the Board. Each school district supports NCC based upon a per pupil charge dependent upon the software packages used. In fiscal year 2013, the School District paid \$109,717 to NCC. Financial information can be obtained by contacting the Treasurer of the fiscal agent at 5700 West Canal Road, Valley View, Ohio 44125.

Cuyahoga Valley Career Center

The Cuyahoga Valley Career Center (a joint vocational school district) is a distinct political subdivision of the State of Ohio operated under the direction of a Board, consisting of representatives from each participating school district's elected board, which possess its own budgeting and taxing authority. Accordingly, the Cuyahoga Valley Career Center is not part of the School District and its operations are not included as part of the reporting entity. The degree of control exercised by any participating school district is limited to its representation on the Board. The School District made no contributions to the Cuyahoga Valley Career Center during fiscal year 2013. Financial information can be obtained by contacting the Treasurer at the Cuyahoga Valley Career Center, 8001 Brecksville Road, Brecksville, Ohio 44141.

Ohio Schools' Council

The Ohio Schools Council (Council) is a jointly governed organization among 161 school districts. The jointly governed organization was created by school districts for the purpose of saving money through volume purchases. Each district supports the Council by paying an annual participation fee. Each school district member's superintendent serves as a representative of the Assembly. The Assembly elects five of the Council's Board members and the remaining four are representatives of the Greater Cleveland School Superintendents' Association. The Council operates under a nine-member Board of Directors (the Board). The Board is the policy making authority of the Council. The Board meets monthly September to June. The Board appoints an Executive Director who is responsible for receiving and disbursing funds, investing available funds, preparing financial reports for the Board and Assembly and carrying out such other responsibilities as designated by the Board. The degree of control exercised by any participating school district is limited to its representation on the Board. In fiscal year 2013, the School District paid \$120,499 to the Council. Financial information can be obtained by contacting William Zelei, the Executive Director of the Ohio Schools' Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

The School District participates in the natural gas purchase program. This program allows the School District to purchase natural gas at reduced rates. Compass Energy has been selected as supplier and program manager for the period from October 1, 2010 through March 31, 2013. There are currently 147 participants in the program including the Garfield Heights School District. The participants make monthly payments

Garfield Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

based on estimated usage. Each September, these estimated payments are compared to their actual usage for the year (July to June). Districts that paid more in estimated billings than their actual billings are issued credits on future billings beginning in September until the credits are exhausted and districts that did not pay enough on estimated billings are invoiced for the difference on the September monthly estimated billing.

Note 15 – Public Entity Risk Pool

Suburban Health Consortium

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

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

Any Consortium Member wishing to withdraw from participation in the Consortium or any benefit program shall notify the Fiscal Agent at least one hundred eighty (180) days prior to the effective date of withdrawal. Upon withdrawal of a Consortium Member, the Consortium shall pay the run out of all claims for such Consortium Member provided such Consortium Member has paid to the Consortium, prior to the effective date of withdrawal a withdrawal fee in the amount equal to two months’ premiums at the Consortium Member’s current rate. Payment of the withdrawal fee does not extend insurance coverage for two months. Upon automatic withdrawal, for non-payment of premiums required by the Consortium Agreement, the Consortium shall pay the run out of all claims for such Consortium Member provided that the Consortium has received from such Consortium Member all outstanding and unpaid premiums and other amounts and the withdrawal fee equal to two months’ premiums at the Consortium Member’s current rates. Any Consortium

Garfield Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

Member which withdraws from the Consortium pursuant to the Consortium Agreement shall have no claim to the Consortium's assets. Financial information for the Consortium can be obtained from the Treasurer of the Orange City School District (the Fiscal Agent) at 32000 Chagrin Boulevard, Pepper Pike, Ohio 44124-5974.

Note 16 – Defined Benefit Pension Plans

School Employees Retirement System

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2013, the allocation to pension and death benefits was 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2013, 2012 and 2011 were \$594,834, \$629,594 and \$745,953, respectively. For fiscal year 2013, 50.55 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

State Teachers Retirement System

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

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

Garfield Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

sum payment or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

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

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2013, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$2,156,796 and \$63,706 for the fiscal year ended June 30, 2013, \$2,158,654 and \$33,268 for the fiscal year ended June 30, 2012 and \$2,154,403 and \$28,825 for the fiscal year ended June 30, 2011. For fiscal year 2013, 82.29 percent has been contributed for the DB plan and for the Combined Plan, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

Contributions made to STRS Ohio for the DC Plan for fiscal year 2013 were \$36,895 made by the School District and \$26,353 made by the plan members. In addition, member contributions of \$45,504 were made for fiscal year 2013 for the defined contribution portion of the Combined Plan.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2013, all the members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 17 – Postemployment Benefits

School Employee Retirement System

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

Garfield Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2013, 0.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2013, this amount was \$20,525. During fiscal year 2013, the School District paid \$74,362 in surcharge.

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

The School District's contributions for health care for the fiscal years ended June 30, 2013, 2012 and 2011 were \$7,265, \$27,266, and \$90,323, respectively. For fiscal year 2013, 50.55 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012 and 2011, were \$35,872, \$37,181 and \$48,004, respectively. For fiscal year 2013, 50.55 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2013, 2012 and 2011 were \$165,907, \$157,804 and \$161,445 respectively. For fiscal year 2013, 82.29 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

Garfield Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

Note 18 - Risk Management

Workers' Compensation

The School District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2013, the School District contracted with Ohio Casualty Insurance Company for building and contents, boiler and machinery, crime insurance, general liability and vehicle insurance. The coverage amounts are:

Type of Coverage	Deductible	Coverage
Building and Contents	\$2,500	\$106,409,324
Inland Marine	500	2,468,850
Flood	50,000	1,000,000
Crime Insurance	500	250,000
General Liability (per occurrence)	0	1,000,000
General Liability (in aggregate)	0	2,000,000
Employee Benefits Liability (per occurrence)	1,000	1,000,000
Employee Benefits Liability (in aggregate)	0	3,000,000
Comprehensive Automobile Liability	250	1,000,000
Fleet Combined Single Limit	0	1,000,000
Umbrella	0	3,000,000
Boiler and Machinery	1,000	50,000,000
Errors and Omissions	5,000	1,000,000
Sexual Misconduct	0	1,000,000
Data Compromise	2,500	50,000
Uninsured/Underinsured Motorists	0	1,000,000

Note 19 - Other Employee Benefits

Compensated Absences

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

Vacation Leave Classified employees accumulate vacation leave depending upon length of service. Vacation days are credited to classified employees on the anniversary of their employment. Accumulated unused vacation time is paid to classified employees upon termination of employment with some restrictions. Teachers do not earn vacation time.

Sick Leave Each professional staff member is entitled to fifteen (15) days sick leave with pay for each year under contract. The sick leave accrues at the rate of one and one fourth (1 1/4) days for each calendar month under contract. An employee is paid a severance benefit in accordance with negotiated agreement not to exceed 77 days, calculated at current wage per diem rates, upon retirement.

Personal Leave All employees are entitled to three days of personal leave, with pay, each school year. The three days of personal leave cannot be carried forward into the next fiscal year. Unused personal leave rolls over to sick leave in the next fiscal year.

Garfield Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

Life Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Ohio Schools' Council. Coverage is \$10,000 for part-time employees, \$20,000 for full time classified employees, and \$50,000 for the certified staff not including administrators whose life insurance amount is based on their salary.

Health Insurance Benefits

The School District provides employee medical and prescription drug insurance through Medical Mutual of Ohio. Employees contribute seven percent of their monthly premium. The insurance plans include no deductibles for network family or single coverage, with the exception of \$50 for emergency room services.

Retirement Incentive

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

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

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

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

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

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

Garfield Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

Note 20 – Contingencies

Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2013.

Litigation

The 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 effect, if any, on the financial condition of the School District.

Note 21 - Set Asides

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

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

	<u>Capital Improvements</u>
Set-Aside Balance as of June 30, 2012	\$0
Current Year Set-aside Requirement	648,051
Offsets	(194,409)
Qualifying Disbursements	<u>(1,821,193)</u>
Total	<u><u>(\$1,367,551)</u></u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u><u>\$0</u></u>
Set-aside Balance as of June 30, 2013	<u><u>\$0</u></u>

Although the School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement of future years. This negative balance is therefore not presented as being carried forward to future years.

Garfield Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

Note 22 – Significant Commitments

Contractual Commitments

At June 30, 2013, the School District’s significant contractual commitments consisted of:

<u>Project</u>	<u>Contract Amount</u>	<u>Amount Paid to date</u>	<u>Remaining Contract</u>
Maple Leaf Renovation/Addition	\$7,143,554	\$7,079,447	\$64,107
Elmwood Renovation	5,802,935	5,783,827	19,108
William Foster Renovation	2,530,627	195,144	2,335,483
	<u>\$15,477,116</u>	<u>\$13,058,418</u>	<u>\$2,418,698</u>

Encumbrances

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

General fund	\$682,050
Classroom Facilities fund	1,410,094
Other governmental funds	<u>439,404</u>
Total	<u>\$2,531,548</u>

**GARFIELD HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

Federal Grantor/ <i>Pass-Through Grantor/</i> Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. Department of Agriculture						
Passed through Ohio Department of Education						
<i>Child Nutrition Cluster:</i>						
National School Breakfast Program	10.553	050674-05PU-09	\$ 247,897	\$ 0	\$ 247,897	\$ 0
National School Lunch Program-See Note 2	10.555	050674-LLP4-09	698,827	34,616	698,827	34,616
<i>Total Child Nutrition Cluster</i>			<u>946,724</u>	<u>34,616</u>	<u>946,724</u>	<u>34,616</u>
Total U.S. Department of Agriculture			<u>946,724</u>	<u>34,616</u>	<u>946,724</u>	<u>34,616</u>
U.S. Department of Education						
Passed through Ohio Department of Education						
<i>Title I Grant Cluster:</i>						
Title I - Grants to Local Educational Agencies (LEAS)	84.010		400,601	0	262,957	0
<i>Total Title I Grant Cluster</i>			<u>400,601</u>	<u>0</u>	<u>262,957</u>	<u>0</u>
<i>Special Education Cluster:</i>						
Special Education Grants to States - IDEA, Part B	84.027		859,976	0	825,963	0
Special Education - Preschool Grants - (IDEA Preschool)	84.173		15,817	0	22,122	0
<i>Total Special Education Cluster</i>			<u>875,793</u>	<u>0</u>	<u>848,085</u>	<u>0</u>
Education Technology State Grants	84.318		540	0	1,440	0
Improving Teacher Quality - State Grants	84.367		457,190	0	560,534	0
ARRA - Race to the Top	84.395A		6,300	0	1,592	0
Education Jobs Fund	84.410		220,498	0	114,191	0
Total U.S. Department of Education			<u>1,960,922</u>	<u>0</u>	<u>1,788,799</u>	<u>0</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 2,907,646</u>	<u>\$ 34,616</u>	<u>\$ 2,735,523</u>	<u>\$ 34,616</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

GARFIELD HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2013

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 2: CHILD NUTRITION CLUSTER

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

NOTE 3: FOOD DONATION PROGRAM

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

JAMES G. ZUPKA, C.P.A., INC.
Certified Public Accountants
5240 East 98th Street
Garfield Hts., Ohio 44125

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Education
Garfield Heights City School District
Garfield Heights, Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Garfield Heights City School District, Cuyahoga County, Ohio, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Garfield Heights City School District, Ohio's basic financial statements and have issued our report thereon dated December 16, 2013, wherein we noted the District restated the governmental activities' net position due to restricted cash and cash equivalents with fiscal agents and long-term liabilities being understated in the prior period. The fund balance of the General Fund was also restated due to the restricted cash and cash equivalents with fiscal agents being understated in the prior period.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Garfield Heights City School District, Ohio's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Garfield Heights City School District, Ohio's internal control. Accordingly, we do not express an opinion on the effectiveness of the Garfield Heights City School District, Ohio's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as **Finding 2013-001** that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Garfield Heights City School District, Ohio's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

Garfield Heights City School District's Response to Finding

The Garfield Heights City School District, Ohio's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Garfield Heights City School District, Ohio's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

James G. Zupka,
CPA, President
James G. Zupka, CPA, Inc.
Certified Public Accountants

Digitally signed by James G. Zupka, CPA,
President
DN: cn=James G. Zupka, CPA, President,
o=James G. Zupka, CPA, Inc., ou=Accounting,
email=jgzcpa@sbcglobal.net, c=US
Date: 2013.12.30 18:38:43 -05'00'

December 16, 2013

JAMES G. ZUPKA, C.P.A., INC.

Certified Public Accountants

5240 East 98th Street

Garfield Hts., Ohio 44125

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

Board of Education
Garfield Heights City School District
Garfield Heights, Ohio

Report on Compliance for Each Major Federal Program

We have audited the Garfield Heights City School District, Cuyahoga County, Ohio's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Garfield Heights City School District, Ohio's major federal programs for the year ended June 30, 2013. The Garfield Heights City School District, Ohio's major federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Garfield Heights City School District, Ohio's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Garfield Heights City School District, Ohio'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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Garfield Heights City School District, Ohio's compliance.

Opinion on Each Major Federal Program

In our opinion, the Garfield Heights City School District, Ohio complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the Garfield Heights City School District, Ohio, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Garfield Heights City School District, Ohio's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Garfield Heights City School District, Ohio's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

James G. Zupka,
CPA, President
James G. Zupka, CPA, Inc.
Certified Public Accountants

Digitally signed by James G. Zupka, CPA, President
DN: cn=James G. Zupka, CPA, President, o=James G.
Zupka, CPA, Inc., ou=Accounting,
email=jgzcpa@sbcglobal.net, c=US
Date: 2013.12.30 18:39:04 -05'00'

December 16, 2013

**GARFIELD HEIGHTS CITY SCHOOL DISTRICT
 CUYAHOGA COUNTY, OHIO
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 OMB CIRCULAR A-133 & §.505
 JUNE 30, 2013**

1. SUMMARY OF AUDITOR'S RESULTS

2013(i)	Type of Financial Statement Opinion	Unmodified
2013(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
2013(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
2013(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2013(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2013(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
2013(v)	Type of Major Program's Compliance Opinion	Unmodified
2013(vi)	Are there any reportable findings under .510(a)?	No
2013(vii)	Major Programs (list): Improving Teacher Quality, CFDA # 84.367 Special Education Cluster - CFDA #84.027 and CFDA #84.173	
2013(viii)	Dollar Threshold: Type A\B Program	Type A: \$300,000 or more Type B: All others less than \$300,000
2013(ix)	Low Risk Auditee?	No

**GARFIELD HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & §.505
JUNE 30, 2013
(CONTINUED)**

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

Item Number 2013-001 - Significant Deficiency - Financial Statement Reporting

Statement of Condition/Criteria

Financial reporting is essential to ensure that the information provided to the reader of the financial statements is complete and accurate. During our audit, we noted the governmental activities' net position of the District was restated due to restricted cash and cash equivalents with fiscal agents and long-term liabilities being understated in the prior period. The fund balance of the General Fund was also restated due to the restricted cash and cash equivalents with fiscal agents being understated in the prior period.

Cause/Effect

The District incorrectly recorded restricted cash and cash equivalents and long-term liabilities, which resulted in errors on the financial statements.

Recommendation

We recommend that the District implement controls and procedures related to financial reporting that will enable management to identify, prevent, detect, and correct potential misstatements in the financial statements and footnotes timely.

District Response

The District will implement the necessary procedures that will enable management to identify, prevent, detect, and correct potential misstatements to the financial statements and footnotes.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**GARFIELD HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2013**

The prior audit report, as of June 30, 2012, included no findings or instances of noncompliance. Management letter recommendations have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.

JAMES G. ZUPKA, C.P.A., INC.

*Certified Public Accountants
5240 East 98th Street
Garfield Hts., Ohio 44125*

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

Garfield Heights City School District
5640 Briarcliff Drive
Garfield Heights, Ohio

To the Board of Education:

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

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether the Garfield City School District (the District), Cuyahoga County, Ohio, has updated its anti-harassment policy in accordance with Ohio Revised Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board did not amend its anti-harassment policy to include violence within a dating relationship within its definition of harassment, intimidation, or bullying as of the fiscal year ended June 30, 2013. However, the Board did amend its policy at its meeting on August 19, 2013, which included violence within a dating relationship within its definition of harassment, intimidation, or bullying.

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

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

**James G. Zupka,
CPA, President**

James G. Zupka, CPA, Inc.
Certified Public Accountants

Digitally signed by James G. Zupka, CPA, President
DN: cn=James G. Zupka, CPA, President, o=James
G. Zupka, CPA, Inc., ou=Accounting,
email=jgzcpa@sbcglobal.net, c=US
Date: 2013.12.30 18:39:27 -05'00'

December 16, 2013



Dave Yost • Auditor of State

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 4, 2014**