



**Auditor of State
Betty Montgomery**

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Board of Education
Grandview Heights City School District
Franklin County
1587 West Third Avenue
Columbus, Ohio 43212

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of Grandview Heights City School District, Franklin County, Ohio, (the District) as of and for the year ended June 30, 2003, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of Grandview Heights City School District, as of June 30, 2003, and the respective changes in financial position and the cash flows, where applicable, and the respective budgetary comparison for the General fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2003, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

We conducted our audit to form opinions on the financial statements that collectively comprise the District's basic financial statements. The federal awards receipts and expenditures schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the federal awards receipts and expenditures schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

December 12, 2003

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
UNAUDITED**

Financial Highlights

The District's net assets are \$4,008,639 as of June 30, 2003 according to the Statement of Net Assets. This represents an increase of \$236,160 over last year. The increase in net assets is due primarily to the increase in cash and investments associated with the passage of a 10.7 mill continuing operating tax levy in November, 2002 that started collection in January, 2003. The District's cash and investments have increased \$548,235.

The District, on November 5, 2002 passed a 10.7 mill continuing property tax levy to begin collection in January 2003. On April 29, 2003 the Board of Education adopted a new Settlement Agreement with the Grandview Heights Education Association (teaching staff) including base salary increases of 3.75%, 3.5% and 3.5% for school years 2003-04, 2004-05 and 2005-06 respectively. On August 26, 2003, the Board of Education approved a new Settlement Agreement with the Grandview Heights Education Support Staff Association (non-teaching staff) including base salary increases of 3.75%, 3.5% and 3.25% for school years 2003-04, 2004-05 and 2005-06 respectively. Based on the District's current five-year forecast, it is expected that the passage of this levy will keep the District solvent through the 2005-06 school year.

The General Fund reported a positive fund balance of \$1,529,758 according to the Balance Sheet. The General Fund cash and investments and restricted cash and cash equivalents have increased \$577,356 since last year. The increase in cash is due primarily to the passage of the new tax levy.

Reporting the District as a Whole

The Statement of Net Assets and Statement of Activities

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the District as a whole and about its activities in a manner that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector corporations. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the District's net assets and changes in them. The change in net assets provides the reader a tool to assist in determining whether the District's financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors such as property tax base, current property tax laws, student enrollment growth, and facility conditions in arriving at their conclusion regarding the overall health of the District.

Reporting the District's Most Significant Funds

Fund Financial Statements

Our analysis of the District's major funds appears on the fund financial statements beginning with the Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances. These provide detailed information about the most significant funds—not the District as a whole. Some funds are required to be established by State statute, while many other funds are established by the District to help manage money for particular purposes and compliance with various grant provisions. The District's three types of funds, governmental, proprietary, and fiduciary, use different accounting approaches as further described in the notes to the financial statements.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
UNAUDITED
(Continued)**

Governmental Funds

Most of the 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 year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or less financial resources available to spend in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

Proprietary Funds

Proprietary funds use the accrual basis of accounting, the same as on the entity-wide statements, therefore the statements will essentially match the business-type activities portion of the entity-wide statements.

Fiduciary Funds

The District is the trustee, or fiduciary, for a small High School scholarships fund, outdoor education, and CORE team. All of the District's fiduciary activities are reported in the Statement of Net Assets, Fiduciary Funds and the Statement of Changes in Fiduciary Net Assets. We exclude these activities from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$4,008,639 according to the Statement of Net Assets at the close of the most recent fiscal year.

The largest portion of the District's net assets (52%) reflects its investment in capital assets less depreciation and any related debt used to acquire those assets that is still outstanding. The District uses capital assets to provide services; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A comparative analysis of fiscal year 2003 to 2002 follows from the Statements of Net Assets:

	<u>Net Assets</u>					
	Governmental Activities		Business-Type Activities		Total	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Current Assets	\$14,663,323	\$13,608,625	\$75,283	\$107,464	\$14,738,606	\$13,716,089
Capital Assets	<u>12,804,940</u>	<u>13,224,539</u>	<u>33,280</u>	<u>41,695</u>	<u>12,838,220</u>	<u>13,266,234</u>
Total Assets	27,468,263	26,833,164	108,563	149,159	27,576,826	26,982,323
Current Liabilities	11,596,164	10,777,742	54,279	60,905	11,650,443	10,838,647
Long Term Liabilities	<u>11,907,063</u>	<u>12,371,197</u>	<u>10,681</u>	<u>0</u>	<u>11,917,744</u>	<u>12,371,197</u>
Total Liabilities	23,503,227	23,148,939	64,960	60,905	23,568,187	23,209,844

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
UNAUDITED
(Continued)**

Net Assets:

Invested in Capital							
Assets, net of debt	2,063,439	1,887,419	33,280	41,695	2,096,719	1,929,114	
Restricted	1,071,992	1,184,432	0	0	1,071,992	1,184,432	
Unrestricted	<u>829,605</u>	<u>612,374</u>	<u>10,323</u>	<u>46,559</u>	<u>839,928</u>	<u>658,933</u>	
Total Net Assets	<u>\$3,965,036</u>	<u>\$3,684,225</u>	<u>\$43,603</u>	<u>\$88,254</u>	<u>\$4,008,639</u>	<u>\$3,772,479</u>	

A portion of the District's net assets (27%) represents resources subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets may be used to meet the District's ongoing activities.

Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Revenues						
Total Program Revenues	\$795,890	\$710,417	\$465,676	\$465,679	\$1,261,566	\$1,176,096
Total General Revenues	<u>12,921,862</u>	<u>12,933,645</u>	<u>0</u>	<u>0</u>	<u>12,921,862</u>	<u>12,933,645</u>
Total Revenues	<u>13,717,752</u>	<u>13,644,062</u>	<u>465,676</u>	<u>465,679</u>	<u>14,183,428</u>	<u>14,109,741</u>
Expenses						
Instruction	8,169,769	7,865,402	0	0	8,169,769	7,865,402
Support Services	4,055,018	3,817,929	0	0	4,055,018	3,817,929
Extracurricular Activities	560,932	540,035	0	0	560,932	540,035
Facilities Services	194,972	261,773	0	0	194,972	261,773
Interest & Fiscal Charges	456,250	590,064	0	0	456,250	590,064
Food Service	0	0	258,268	255,703	258,268	255,703
Child Care	0	0	<u>252,059</u>	<u>215,570</u>	<u>252,059</u>	<u>215,570</u>
Total Expenses	<u>13,436,941</u>	<u>13,075,203</u>	<u>510,327</u>	<u>471,273</u>	<u>13,947,268</u>	<u>13,546,476</u>
Change in Net Assets	<u>\$280,811</u>	<u>\$568,859</u>	<u>(\$44,651)</u>	<u>(\$5,594)</u>	<u>\$236,160</u>	<u>\$563,265</u>

Governmental Activities

Net assets of the District's governmental activities increased by \$280,811 and unrestricted net assets reflect a positive balance of \$829,605. The increase in net assets is due primarily to the increase in cash and investments associated with the passage of a 10.7 mill continuing operating tax levy in November, 2002 that started collection in January, 2003.

The property tax laws in Ohio create the need periodically to seek voter approval for additional operating funds. Tax revenues generated from voted tax levies do not increase as a result of inflation. An operating levy is approved for a fixed millage rate, but the rate is reduced for inflation with the effect of providing the District the same amount of tax dollars as originally approved. Therefore, school districts such as ours that are dependent upon property taxes as a primary source of revenue must periodically return to the ballot and ask voters for additional resources to maintain current programs. Since the District must rely heavily on voter approval of operating tax issues, management of the resources is of paramount concern to the District's administration and the voting public. The District uses a five-year cash financial forecast to estimate revenues and control expenditures to assure tax levy revenues can maintain operations for a significant period of time. The current forecast reflects that the District will remain solvent through the 2005-06 school year

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
UNAUDITED
(Continued)**

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The table below reflects the cost of program services and the net cost of those services after taking into account the program revenues for the governmental activities. General revenues including tax revenue, investment earnings and unrestricted State entitlements must support the net cost of program services.

	<u>Total Cost of Services 2003</u>	<u>Net Cost of Services 2003</u>
Program Expenses		
Instruction		
Regular	\$6,185,243	\$6,098,793
Special	1,897,658	1,597,182
Vocational	86,868	73,315
Support Services		
Pupils	1,089,510	941,090
Instructional Staff	574,093	556,711
Board of Education	17,009	17,009
Administration	834,006	814,191
Fiscal	401,623	401,623
Business	31,750	938
Operation & Maintenance	1,033,628	1,033,628
Pupil Transportation	14,900	14,900
Central	58,499	37,640
Extracurricular	560,932	402,809
Facilities Services	194,972	194,972
Interest & Fiscal Charges	<u>456,250</u>	<u>456,250</u>
Total Expenses	<u>\$13,436,941</u>	<u>\$12,641,051</u>

72% of total revenues for governmental activities come from local taxes. The reliance on general revenues to support governmental activities is indicated by the net services column reflecting the need for \$12,641,051 of support.

Business-Type Activities

Business-type activities include food service and child care. These programs had a decrease in net assets of \$44,651 for the fiscal year. The decrease was primarily due to the food service care operations.

The District's Funds

The District's governmental funds reported a combined fund balance of \$2,676,398 which is above last years total of \$2,350,930 according to the Balance Sheet, Governmental Funds. The schedule below indicates the fund balance and the total change in fund balance by fund type as of June 30, 2003 and 2002.

	<u>Fund Balance June 30, 2003</u>	<u>Fund Balance June 30, 2002</u>	<u>Increase (Decrease)</u>
General	\$1,529,758	\$1,169,727	\$360,031
Debt Service	1,010,862	988,936	21,926
Other Governmental	<u>135,778</u>	<u>192,267</u>	<u>(56,489)</u>
Total	<u>\$2,676,398</u>	<u>\$2,350,930</u>	<u>\$325,468</u>

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
UNAUDITED
(Continued)**

General Fund

The District's General Fund fund balance increase is due to many factors. The tables that follow assist in illustrating the financial activities and balance of the General Fund.

Revenues	<u>2003 Amount</u>	<u>2002 Amount</u>	<u>Percent Change</u>
Taxes	\$8,990,149	\$8,459,256	+6.3%
Interest Earnings	112,184	187,961	(40.3%)
Intergovernmental – State	3,016,525	2,626,793	+14.8%
Other Revenue	<u>122,147</u>	<u>111,649</u>	+9.3%
Total	<u>\$12,241,005</u>	<u>\$11,385,659</u>	+7.5%

The property tax revenue is up \$530,893 due to the passage of a 10.7 mill continuing property tax levy on November 5, 2002 that began collection in January 2003. Interest earnings are down \$75,777 and the declining interest rate environment will continue to hamper interest earnings. State revenue is up \$389,732 due to a temporary increase and guarantees in the State's school foundation program scheduled to cease after June, 2005 and the receipt of a temporary public utility personal property tax reimbursement scheduled to cease after August, 2006.

As the table below indicates, the largest portion of General Fund expenditures is for instruction.

Expenditures by Function	<u>2003 Amount</u>	<u>2002 Amount</u>	<u>Percent Change</u>
Instruction	\$7,534,624	\$7,140,574	+5.5%
Support Services	3,702,137	3,727,928	(0.1%)
Extracurricular	447,964	490,374	(8.6%)
Facilities Services	46,635	33,346	+39.9%
Capital Outlay	22,672	159,002	(85.7%)
Debt Service	<u>64,614</u>	<u>142,413</u>	(54.6%)
Total	<u>\$11,818,646</u>	<u>\$11,693,637</u>	+1.1%

Expenditures are up \$125,009 or 1.1% over the prior year mostly due to salary and benefit increases, including increased health insurance premiums, associated with existing staff. Revenues exceeded expenditures during the fiscal year resulting in an increase to fund balance and contributing to the fiscal stability of the District.

Other Funds

The District's debt service fund balance increased by \$21,926 due to smaller interest payments associated with the refinancing of the 1995 renovation and construction bonds on November 1, 2001. The primary revenues of the fund are property taxes, calculated by the county auditor, state rollback and homestead reimbursements, and personal property tax state reimbursements. The expenses of the fund include debt principal and interest payments as well as county auditor and treasurer fees. The increased fund balance will be used to make upcoming debt payments.

Other governmental funds consist of special revenue and capital projects funds. The decrease in fund balance of \$56,489 is primarily due to the spending down of resources available in the Permanent Improvement Fund.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
UNAUDITED
(Continued)**

General Fund Budget Information

The District's budget is prepared in accordance with Ohio law and is based on the cash basis of accounting, utilizing cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund. Changes are made to the District's budget as changes in revenues and spending patterns are experienced.

The District increased its General Fund property tax revenue estimates to reflect the receipt of advances from the August, 2003 real property tax settlement and the passage of a 10.7 mill continuing property tax levy on November 5, 2002 that began collection in January 2003. General Fund state revenue estimates were increased to reflect the receipt of rollback and homestead state reimbursements associated with the new property tax levy. The District increased its total General Fund expenditure estimate by \$467—less than one one-hundredth of one- percent difference from the original estimate.

The District uses the five-year forecast as the original document from which to form the operating budget. After updating the forecast for changes in revenue and expenditure assumptions, the operating budget begins at the school level. Each school in the District receives a per pupil allocation augmented with resources for special education students in the specific buildings. Budgets are reviewed periodically to ensure management becomes aware of any variations during the year.

Capital Assets

The District has \$12,838,220 invested in capital assets net of depreciation, with \$12,804,940 attributed to governmental activities. Detailed information regarding capital asset activity is included in the notes to the basic financial statements.

Debt

On June 30, 2003, the District had \$10,669,989 in outstanding bonds. The District paid \$565,000 in principal on bonds outstanding and \$453,363 in interest payments during the 2003 fiscal year. Detailed information regarding long term debt is included in the notes to the basic financial statements.

Under current state statutes, the District's general obligation bonded debt issues are subject to a legal limitation based on 9% of the total taxable valuation of real and personal property. As of June 30, 2003, the District's general obligation debt was below the legal limit.

Restrictions and Other Limitations

The most significant challenge to the School District is to improve its high level of student performance in an economical fashion with declining student enrollment. The District consistently achieves top rankings on the Ohio School District Report Cards most recently achieving a perfect 22 on the state performance standards. Student enrollment has declined from its recent high of 1,332 in October, 1997 to 1,204 in October, 2002. Continued declining enrollment is anticipated during the foreseeable future. The Board of Education has committed to reducing the number of School District employees commensurate with the declining enrollment.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
UNAUDITED
(Continued)**

Contributing to the challenge is the funding received by the District from the State of Ohio. Although some increase in state funding has been experienced recently by the District, the increases are temporary. The District's five-year financial forecast anticipates a reduction of over four hundred thousand dollars annually from the State for its school foundation program after June, 2005. Additionally, the financial forecast anticipates the loss of more than four hundred thousand dollars each year after August, 2006 when the state discontinues its reimbursement for public utility taxes whose collection has been discontinued since 2001. On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan reaffirming earlier decisions that the funding plan is unconstitutional. However, the Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient..." An appeal to the United States Supreme Court was denied in October, 2003, effectively confirming the continued use of the State's existing school funding plan that shifts an ever increasing burden of paying for public school districts to local property taxpayers.

The State of Ohio adds to the challenge facing the School District by further limiting its ability to receive local property taxes. House Bill 283, passed in 1999, reduced the inventory portion of the personal property tax valuation by 1% per year beginning with collection year 2001 from 25% of market value to 0% in 2027. In 2003, the State exacerbated the loss when it passed the 2003-05 fiscal year state budget bill that doubled the rate of decrease to 2% per year beginning in 2005. The rate will be zero by 2015.

Finally, the continuing deterioration of the local economy also contributes to the challenge facing the School District. Many businesses have left the School District or otherwise greatly reduced their equipment and inventories that generate local personal property taxes. The parent company of the District's largest taxpayer, Big Bear Stores, has filed bankruptcy for the second time in a New York bankruptcy court potentially jeopardizing a major local revenue source for the School District. Although the District's current five-year cash financial forecast reflects that the District will remain solvent through the 2005-06 school year, further deterioration of the local economy could result in a quicker financial deficit.

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**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**STATEMENT OF NET ASSETS
JUNE 30, 2003**

	GOVERNMENTAL- TYPE <u>ACTIVITIES</u>	BUSINESS-TYPE <u>ACTIVITIES</u>	<u>TOTAL</u>
ASSETS			
Cash and Investments	\$4,162,940	\$65,207	\$4,228,147
Receivables:			
Accrued Interest	4,338	0	4,338
Taxes	10,462,597	0	10,462,597
Due From Other Governments	1,396	4,683	6,079
Accounts	0	1,368	1,368
Materials and Supplies Inventory	0	4,025	4,025
Prepaid Expenditures/Expenses	32,052	0	32,052
Capital Assets, Net of Depreciation	12,804,940	33,280	12,838,220
TOTAL ASSETS	\$27,468,263	\$108,563	\$27,576,826
LIABILITIES			
Due to Other Governments	\$41,976	\$0	\$41,976
Accounts Payable	294,999	6,391	301,390
Accrued Salaries and Benefits Payable	1,224,414	39,842	1,264,256
Deferred Tax Revenue	10,029,523	0	10,029,523
Deferred Intergovernmental Revenue	914	0	914
Deferred Other Revenue	4,338	8,046	12,384
Long-Term Liabilities:			
Due Within One Year	850,692	0	850,692
Due in More Than One Year	11,056,371	10,681	11,067,052
TOTAL LIABILITIES	23,503,227	64,960	23,568,187
NET ASSETS			
Invested in Capital Assets, Net of Depreciation and Related Debt	2,063,439	33,280	2,096,719
Restricted For:			
Debt Service	1,010,862	0	1,010,862
Capital Projects	14,349	0	14,349
Other Purposes	46,781	0	46,781
Unrestricted	829,605	10,323	839,928
TOTAL NET ASSETS	\$3,965,036	\$43,603	\$4,008,639

See accompanying notes to the basic financial statements

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	<u>Expenses</u>	<u>PROGRAM REVENUES</u>		<u>NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS</u>		
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
GOVERNMENTAL ACTIVITIES						
Instruction:						
Regular	\$6,185,243	\$35,000	\$51,450	(\$6,098,793)	\$0	(\$6,098,793)
Special	1,897,658	5,450	295,026	(1,597,182)	0	(1,597,182)
Vocational	86,868	0	13,553	(73,315)	0	(73,315)
Support Services:						
Pupils	1,089,510	0	148,420	(941,090)	0	(941,090)
Instructional Staff	574,093	0	17,382	(556,711)	0	(556,711)
Board of Education	17,009	0	0	(17,009)	0	(17,009)
Administration	834,006	0	19,815	(814,191)	0	(814,191)
Fiscal	401,623	0	0	(401,623)	0	(401,623)
Business	31,750	30,812	0	(938)	0	(938)
Operation and Maintenance	1,033,628	0	0	(1,033,628)	0	(1,033,628)
Pupil Transportation	14,900	0	0	(14,900)	0	(14,900)
Central	58,499	0	20,859	(37,640)	0	(37,640)
Extracurricular Student Activities	560,932	158,123	0	(402,809)	0	(402,809)
Facilities Services	194,972	0	0	(194,972)	0	(194,972)
Debt Service Interest and Fiscal Charges	456,250	0	0	(456,250)	0	(456,250)
TOTAL GOVERNMENTAL ACTIVITIES	13,436,941	229,385	566,505	(12,641,051)	0	(12,641,051)
BUSINESS ACTIVITIES						
Food Service	258,268	193,269	39,518	0	(25,481)	(25,481)
Child Care	252,059	232,889	0	0	(19,170)	(19,170)
TOTAL BUSINESS ACTIVITIES	510,327	426,158	39,518	0	(44,651)	(44,651)
TOTALS	\$13,947,268.00	\$655,543.00	\$606,023.00	(12,641,051)	(44,651)	(12,685,702)

GENERAL REVENUES

Property Taxes Levied for:			
General Purpose	8,909,531	0	8,909,531
Debt Service	920,829	0	920,829
Intergovernmental - State	2,932,452	0	2,932,452
Interest Income	112,184	0	112,184
Miscellaneous Revenues	46,866	0	46,866
TOTAL GENERAL REVENUES	12,921,862	0	12,921,862

CHANGE IN NET ASSETS 280,811 (44,651) 236,160

NET ASSETS AT BEGINNING OF YEAR 3,684,225 88,254 3,772,479
NET ASSETS AT END OF YEAR \$3,965,036 \$43,603 \$4,008,639

See accompanying notes to the basic financial statements

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2003**

	GENERAL FUND	DEBT SERVICE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS:				
Cash and Cash Equivalents	\$2,941,727	\$1,006,841	\$145,470	\$4,094,038
Accrued Interest Receivable	4,338	0	0	4,338
Taxes Receivable	9,565,193	897,404	0	10,462,597
Due From Other Governments/Others	482	0	914	1,396
Accounts Receivable	0	0	0	0
Prepaid Expenditures/Expenses	31,868	0	184	32,052
Restricted Assets:				
Cash and Cash Equivalents	68,902	0	0	68,902
TOTAL ASSETS	\$12,612,510	\$1,904,245	\$146,568	\$14,663,323
LIABILITIES:				
Due to Other Governments	\$41,976	\$0	\$0	\$41,976
Accounts Payable	285,123	0	9,876	294,999
Accrued Salaries and Benefits Payable	1,224,414	0	0	1,224,414
Deferred Tax Revenue	9,526,901	893,383	0	10,420,284
Deferred Intergovernmental Revenue	0	0	914	914
Deferred Other Revenue	4,338	0	0	4,338
TOTAL LIABILITIES	11,082,752	893,383	10,790	11,986,925
FUND BALANCES:				
Fund Balance Reserved for HB-412 Set Aside	68,902	0	0	68,902
Fund Balance Reserved for Prepays	31,868	0	184	32,052
Fund Balance Reserved for Encumbrances	249,222	0	36,613	285,835
Fund Balance Unreserved				
General Fund	1,179,766	0	0	1,179,766
Debt Service Fund	0	1,010,862	0	1,010,862
Special Revenue Funds	0	0	97,132	97,132
Capital Project Funds	0	0	1,849	1,849
TOTAL FUND BALANCES	1,529,758	1,010,862	135,778	2,676,398
TOTAL LIABILITIES, FUND BALANCES	\$12,612,510	\$1,904,245	\$146,568	\$14,663,323

See accompanying notes to the basic financial statements

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2003**

TOTAL GOVERNMENTAL FUND BALANCES	\$2,676,398
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	12,804,940
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in funds.	390,761
Long-Term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Interest payable	(37,027)
Accrued benefits payable	(1,128,535)
Capital lease payable	(71,512)
General obligation bonds payable	(10,669,989)
	<u>(11,907,063)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$3,965,036</u></u>

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	<u>GENERAL FUND</u>	<u>DEBT SERVICE FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUES:				
Property Taxes	\$8,990,149	\$936,373	\$0	\$9,926,522
Intergovernmental - State	3,016,525	114,963	55,661	3,187,149
Intergovernmental - Federal	0	0	311,808	311,808
Interest Income	112,184	0	0	112,184
Tuition and Fees	88,343	0	0	88,343
Miscellaneous Revenues	33,804	0	154,104	187,908
TOTAL REVENUES	12,241,005	1,051,336	521,573	13,813,914
EXPENDITURES:				
Current:				
Instruction, Regular	5,661,748	0	72,106	5,733,854
Instruction, Special	1,787,205	0	92,860	1,880,065
Instruction, Vocational	85,671	0	0	85,671
TOTAL INSTRUCTIONAL SERVICES	7,534,624	0	164,966	7,699,590
Support Service, Pupils	861,164	0	147,947	1,009,111
Support Service, Instructional Staff	536,547	0	20,371	556,918
Support Service, Board of Education	17,009	0	0	17,009
Support Service, Administration	811,960	0	20,049	832,009
Support Service, Fiscal	385,251	11,047	0	396,298
Support Service, Business	0	0	30,812	30,812
Support Service, Operation & Maintenance	1,043,090	0	0	1,043,090
Support Service, Pupil Transportation	14,900	0	0	14,900
Support Service, Central	32,216	0	26,081	58,297
TOTAL SUPPORT SERVICES	3,702,137	11,047	245,260	3,958,444
Extracurricular Student Activities	447,964	0	104,499	552,463
Facilities Services	46,635	0	148,337	194,972
Capital Outlay	22,672	0	0	22,672
Debt Service Principal Retirement	60,221	565,000	0	625,221
Debt Service Interest and Fiscal Charges	4,393	453,363	0	457,756
TOTAL EXPENDITURES	11,818,646	1,029,410	663,062	13,511,118
Excess of Revenues Over (Under) Expenditures	422,359	21,926	(141,489)	302,796
OTHER FINANCING SOURCES (USES):				
Proceeds From Capital Lease Obligations	22,672	0	0	22,672
Operating Transfers In	0	0	86,167	86,167
Operating Transfers Out	(85,000)	0	(1,167)	(86,167)
TOTAL OTHER FINANCING SOURCES (USES)	(62,328)	0	85,000	22,672
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	360,031	21,926	(56,489)	325,468
FUND BALANCE AT BEGINNING OF YEAR	1,169,727	988,936	192,267	2,350,930
FUND BALANCE AT END OF YEAR	\$1,529,758	\$1,010,862	\$135,778	\$2,676,398

See accompanying notes to the basic financial statements

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**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, 2003**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS **\$325,468**

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

Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets and does not result in an expense in the Statement of Activities.	625,221
Some revenues that will not be collected for several months after the District's fiscal year ends are not considered "available" revenues and are deferred in the governmental funds. Deferred Revenues decreased by this amount this year for delinquent taxes receivable.	(96,162)
Proceeds from the issuance of bonds and capital leases are reported as revenues in the governmental funds. In the Statement of Net Assets it increases liabilities.	(22,672)
In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	1,506
Some expenses reported in the Statement of Activities, such as compensated absences payable and other accounts payable, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(132,991)
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 outlays in the current period.	(419,559)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$280,811**

See accompanying notes to the basic financial statements.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGET BASIS - YEAR ENDED JUNE 30, 2003
GENERAL FUND**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
PROPERTY TAXES	\$7,161,950	\$8,984,419	\$8,984,419	\$0
INTERGOVERNMENTAL - STATE	2,832,753	3,016,525	3,016,525	0
INTERGOVERNMENTAL - FEDERAL	0	0	0	0
INTEREST INCOME	135,000	115,000	112,494	(2,506)
TUITION AND FEES (TUIT./S.A./DRIVER ED/USS)	85,756	85,844	88,343	2,499
MISCELLANEOUS REVENUES	10,000	39,379	39,959	580
TOTAL REVENUES	10,225,459	12,241,167	12,241,740	573
EXPENDITURES:				
INSTRUCTION, REGULAR				
Salaries and Wages	4,209,962	4,222,614	4,221,639	975
Fringe Benefits	1,080,264	1,059,127	1,040,516	18,611
Purchased Services	145,350	117,660	117,260	400
Supplies	233,276	222,859	217,999	4,860
Miscellaneous Expenses	37,421	31,307	30,805	502
TOTAL INSTRUCTION, REGULAR	5,706,273	5,653,567	5,628,219	25,348
INSTRUCTION, SPECIAL				
Salaries and Wages	948,408	943,844	941,123	2,721
Fringe Benefits	266,105	256,629	253,938	2,691
Purchased Services	468,455	622,912	622,767	145
Supplies	11,237	8,662	7,629	1,033
Miscellaneous Expenses	300	0	0	0
TOTAL INSTRUCTION, SPECIAL	1,694,505	1,832,047	1,825,457	6,590
INSTRUCTION, VOCATIONAL				
Salaries and Wages	67,408	68,763	68,728	35
Fringe Benefits	16,059	16,302	15,782	520
Purchased Services	0	0	0	0
Supplies	0	0	0	0
Miscellaneous Expenses	0	0	0	0
TOTAL INSTRUCTION, VOCATIONAL	83,467	85,065	84,510	555
INSTRUCTION, OTHER				
TOTAL INSTRUCTION, OTHER	0	0	0	0
TOTAL INSTRUCTIONAL SERVICES	\$7,484,245	\$7,570,679	\$7,538,186	\$32,493

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET(NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR YEAR ENDED JUNE 30, 2003
(CONTINUED)**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
SUPPORT SERVICE, PUPILS				
Salaries and Wages	\$586,372	\$624,251	\$623,685	\$566
Fringe Benefits	154,860	156,916	150,771	6,145
Purchased Services	181,861	156,974	155,179	1,795
Supplies	67,317	65,029	63,916	1,113
Miscellaneous Expenses	15,675	9,929	8,161	1,768
TOTAL SUPPORT SERVICE, PUPILS	1,006,085	1,013,099	1,001,712	11,387
SUPPORT SERVICE, INSTRUCTIONAL STAFF				
Salaries and Wages	291,083	267,599	265,313	2,286
Fringe Benefits	208,800	190,260	186,673	3,587
Purchased Services	80,546	52,942	49,827	3,115
Supplies	29,600	24,557	23,762	795
Miscellaneous Expenses	12,739	18,963	18,815	148
TOTAL SUPPORT SERVICE, INSTRUCTIONAL STAFF	622,768	554,321	544,390	9,931
SUPPORT SERVICE, BOARD OF EDUCATION				
Salaries and Wages	6,000	6,000	5,920	80
Fringe Benefits	900	900	846	54
Purchased Services	3,038	775	775	0
Miscellaneous Expenses	8,766	11,831	11,831	0
TOTAL SUPPORT SERVICE, BOARD OF EDUCATION	18,704	19,506	19,372	134
SUPPORT SERVICE, ADMINISTRATION				
Salaries and Wages	550,729	536,749	535,516	1,233
Fringe Benefits	178,808	168,553	163,058	5,495
Purchased Services	56,197	62,484	61,456	1,028
Supplies	27,570	27,236	26,644	592
Miscellaneous Expenses	3,225	4,835	4,759	76
TOTAL SUPPORT SERVICE, ADMINISTRATION	816,529	799,857	791,433	8,424
SUPPORT SERVICE, FISCAL				
Salaries and Wages	155,985	156,914	155,777	1,137
Fringe Benefits	52,087	51,398	51,397	1
Purchased Services	7,951	7,993	6,337	1,656
Supplies	5,497	3,737	3,737	0
Miscellaneous Expenses	175,666	164,758	164,112	646
TOTAL SUPPORT SERVICE, FISCAL	397,186	384,800	381,360	3,440
SUPPORT SERVICE, OPERATION & MAINTENANCE				
Salaries and Wages	437,325	436,056	434,462	1,594
Fringe Benefits	141,436	137,955	132,435	5,520
Purchased Services	435,100	470,345	467,472	2,873
Supplies	75,796	63,337	62,071	1,266
Miscellaneous Expenses	4,000	21,233	20,272	961
TOTAL SUPPORT SERVICE, OPERATION & MAINTENANCE	\$1,093,657	\$1,128,926	\$1,116,712	\$12,214

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET(NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR YEAR ENDED JUNE 30, 2003
(CONTINUED)**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
SUPPORT SERVICE, PUPIL TRANSPORTATION				
Salaries and Wages	\$0	\$0	\$0	\$0
Fringe Benefits	0	0	0	0
Purchased Services	17,531	16,653	16,011	642
Supplies	0	0	0	0
Miscellaneous Expenses	0	0	0	0
TOTAL SUPPORT SERVICE, PUPIL TRANSPORTATION	17,531	16,653	16,011	642
SUPPORT SERVICE, CENTRAL				
Salaries and Wages	20,100	17,777	17,717	60
Fringe Benefits	3,015	3,015	2,338	677
Purchased Services	17,820	16,820	16,417	403
Supplies	1,460	556	556	0
TOTAL SUPPORT SERVICE, CENTRAL	42,395	38,168	37,028	1,140
SUPPORT SERVICE, FOOD				
TOTAL SUPPORT SERVICE, FOOD	0	0	0	0
SUPPORT SERVICE, COMMUNITY				
TOTAL SUPPORT SERVICE, COMMUNITY	0	0	0	0
TOTAL SUPPORT SERVICES	4,014,855	3,955,330	3,908,018	47,312
EXTRACURRICULAR STUDENT ACTIVITIES				
Salaries and Wages	329,663	293,609	292,681	928
Fringe Benefits	65,718	56,607	55,769	838
Purchased Services	79,165	94,399	94,073	326
Supplies	5,801	3,301	3,053	248
TOTAL EXTRACURRICULAR STUDENT ACTIVITIES	480,347	447,916	445,576	2,340
FACILITIES SERVICES				
Purchased Services	28,500	33,937	33,937	0
Miscellaneous Expenses	18,665	19,217	18,948	269
TOTAL FACILITIES SERVICES	47,165	53,154	52,885	269
TOTAL EXPENDITURES	12,026,612	12,027,079	11,944,665	82,414
REVENUE OVER (UNDER) EXPENDITURES	(1,801,153)	214,088	297,075	82,987
OTHER FINANCING (USES):				
TRANSFERS OUT	(50,000)	(85,000)	(85,000)	0
OTHER FINANCING USES	(50,055)	0	0	0
TOTAL OTHER FINANCING (USES)	(100,055)	(85,000)	(85,000)	0
EXCESS REVENUE OVER (UNDER) EXPENDITURES AND OTHER USES	(1,901,208)	129,088	212,075	82,987
FUND BALANCE AT BEGINNING OF YEAR (UNENCUMBERED)	2,140,813	2,140,813	2,140,813	0
PRIOR YEAR ENCUMBRANCES APPROPRIATED	291,491	291,491	291,491	0
FUND BALANCE AT BEGINNING OF YEAR	2,432,304	2,432,304	2,432,304	0
FUND BALANCE AT END OF YEAR	\$531,096	\$2,561,392	\$2,644,379	\$82,987

See accompanying notes to the basic financial statements

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2003**

	<u>ENTERPRISE FUNDS</u>		<u>TOTALS</u>
	<u>FOOD SERVICE FUND</u>	<u>CHILD CARE FUND</u>	
ASSETS:			
Current Assets:			
Cash and Investments	\$27,470	\$37,737	\$65,207
Due From Other Governments	4,683	0	4,683
Accounts Receivable	0	1,368	1,368
Material & Supplies Inventory	4,025	0	4,025
Total Current Assets	<u>36,178</u>	<u>39,105</u>	<u>75,283</u>
Non-current Assets:			
Capital Assets, Net	30,735	2,545	33,280
TOTAL ASSETS	<u>\$66,913</u>	<u>\$41,650</u>	<u>\$108,563</u>
LIABILITIES:			
Current Liabilities:			
Accounts Payable	\$3,825	\$2,566	\$6,391
Accrued Salaries and Benefits Payable	26,619	13,223	39,842
Deferred Other Revenue	0	8,046	8,046
Total Current Liabilities	<u>30,444</u>	<u>23,835</u>	<u>54,279</u>
Long-Term Liabilities:			
Accrued Salaries and Benefits Payable	5,287	5,394	10,681
TOTAL LIABILITIES	<u>35,731</u>	<u>29,229</u>	<u>64,960</u>
NET ASSETS:			
Invested in Capital Assets	30,735	2,545	33,280
Unrestricted	447	9,876	10,323
TOTAL NET ASSETS	<u>\$31,182</u>	<u>\$12,421</u>	<u>\$43,603</u>

See accompanying notes to the basic financial statements

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	ENTERPRISE FUNDS		<u>TOTALS</u>
	<u>FOOD SERVICE FUND</u>	<u>CHILD CARE FUND</u>	
OPERATING REVENUES:			
Charge for Services	\$192,269	\$232,889	\$425,158
Other Revenues	1,000	0	1,000
TOTAL OPERATING REVENUES	<u>193,269</u>	<u>232,889</u>	<u>426,158</u>
OPERATING EXPENSES:			
Employee Salaries & Wages	92,215	193,431	285,646
Employee Frings Benefits	47,166	37,542	84,708
Purchased Services	6,176	4,186	10,362
Materials & Supplies	103,167	15,831	118,998
Other Expenses	329	618	947
Depreciation Expense	9,215	451	9,666
TOTAL OPERATING EXPENSES	<u>258,268</u>	<u>252,059</u>	<u>510,327</u>
OPERATING (LOSS)	(64,999)	(19,170)	(84,169)
NON-OPERATING REVENUES:			
State Sources	1,084	0	1,084
Federal Sources	38,434	0	38,434
TOTAL NON-OPERATING REVENUES	<u>39,518</u>	<u>0</u>	<u>39,518</u>
CHANGE IN NET ASSETS	(25,481)	(19,170)	(44,651)
NET ASSETS BEGINNING OF YEAR	<u>56,663</u>	<u>31,591</u>	<u>88,254</u>
NET ASSETS END OF YEAR	<u>\$31,182</u>	<u>\$12,421</u>	<u>\$43,603</u>

See accompanying notes to the basic financial statements

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	ENTERPRISE FUNDS		<u>TOTALS</u>
	<u>FOOD SERVICE FUND</u>	<u>CHILD CARE FUND</u>	
Cash flows from operating activities:			
Cash received from tuition and fees	\$0	\$228,327	\$228,327
Cash received from sales	192,269	0	192,269
Other cash receipts	1,000	0	1,000
Cash payments for personal services	(131,671)	(229,814)	(361,485)
Cash payments for contract services	(6,176)	(3,591)	(9,767)
Cash payments for supplies and materials	(102,739)	(16,134)	(118,873)
Cash payments for other expenses	(329)	(1,097)	(1,426)
Net cash (used) by operating activities	(47,646)	(22,309)	(69,955)
Cash flows from noncapital financing activities:			
Cash from operating grants			
State sources	1,084	0	1,084
Federal sources	33,481	0	33,481
Net cash from noncapital financing activities	34,565	0	34,565
Cash flows from capital financing activities:			
Purchases of capital assets	0	(1,251)	(1,251)
Net (decrease) in cash and cash equivalents	(13,081)	(23,560)	(36,641)
Cash and cash equivalents at beginning of year	40,551	61,297	101,848
Cash and cash equivalents at end of year	\$27,470	\$37,737	\$65,207
Reconciliation of operating income to net cash provided by operating activities:			
Operating (loss)	(\$64,999)	(\$19,170)	(\$84,169)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	9,215	451	9,666
Commodities expense related to noncash grant	4,953	0	4,953
(Increase) in Due From Other Governments	(4,683)	0	(4,683)
Decrease in Accounts Receivable	0	48	48
Decrease in Inventory	175	0	175
Increase in Accounts Payable	3,825	1,266	5,091
Increase (Decrease) in Accrued Liabilities	4,038	(294)	3,744
(Decrease) in Deferred Revenue	(170)	(4,610)	(4,780)
Net adjustments	17,353	(3,139)	14,214
Net cash (used) by operating activities	(\$47,646)	(\$22,309)	(\$69,955)

See accompanying notes to the basic financial statements

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2003**

	<u>PRIVATE PURPOSE TRUST FUNDS</u>	<u>AGENCY FUND</u>
ASSETS:		
Cash and Investments	\$5,525	\$57,098
TOTAL ASSETS	\$5,525	\$57,098
LIABILITIES:		
Due to Other Government/Others	\$0	\$50,809
Accounts Payable	583	6,289
TOTAL LIABILITIES	583	\$57,098
NET ASSETS		
Held in trust for scholarships	2,136	
Held in trust for outdoor camp	2,757	
Held in trust for CORE Team	49	
TOTAL NET ASSETS	\$4,942	

See accompanying notes to the basic financial statements

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	<u>PRIVATE PURPOSE TRUST FUNDS</u>
ADDITIONS:	
Miscellaneous Revenues	<u>\$22,075</u>
DEDUCTIONS:	
Outdoor Education Camp	20,780
High School Scholarships	0
CORE Team	0
TOTAL DEDUCTIONS	<u>20,780</u>
CHANGE IN NET ASSETS	<u>1,295</u>
NET ASSETS BEGINNING OF YEAR	3,647
NET ASSETS END OF YEAR	<u><u>\$4,942</u></u>

See accompanying notes to the basic financial statements

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

1. REPORTING ENTITY

The Grandview Heights City School District (the District) was organized on May 14, 1906. A special election on May 1, 1906 was held whereby L.D. Bonebrake, C.H. Walcutt, J.E. Hussey, S.M. Orwig and D.S. Field were selected as the first members of the Board of Education. The District continues to be governed by a five-member Board of Education (the Board) elected by the citizens of Grandview Heights and Marble Cliff.

The District is an independent political subdivision of the State of Ohio. It was created by the state to carry out the constitutional requirement to provide a system of public education. The constitution is silent as to how the public schools in Ohio are to be classified or organized, thus leaving it to legislative determination. The District is organized as a city school district according to Ohio Revised Code Section 3311.02. The District consists of the territory within the corporate limits of the City of Grandview Heights and the Village of Marble Cliff encompassing approximately 1.6 square miles.

The accompanying basic financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity, in that the financial statements include all the organizations, activities and functions for which the District is financially accountable. Financial Accountability is defined as the appointment of a voting majority of a component unit's board and either (i) the District's ability to impose its will over a component unit, or (ii) the possibility that the component unit will provide a financial benefit or impose a financial burden on the District. On that basis, the reporting entity of the District includes the services of the School District only. There are no component units.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Fund Accounting

The District's accounts are maintained on the basis of funds, each of which is considered a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to specific District functions or activities. The operation of each fund is accounted for within a separate self-balancing set of accounts. Funds are classified into three categories: governmental, proprietary, and fiduciary. Each category is divided into separate fund types. A summary of the District's major funds follows:

Governmental Funds

General Fund - The General Fund is the general operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds (Continued)

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

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

Business-type Activities

Food Service Fund - The Food Service Fund is used to account for all financial transactions related to food service operations.

Child Care Fund - The Child Care Fund is used to account for all financial transactions related to the District's child care program.

Fiduciary Funds

Fiduciary Funds - Fiduciary funds reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trusts funds, and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private purpose trust which accounts for a scholarship program, CORE team, and an outdoor education camp for students. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations. The District's agency fund accounts for those student activity programs which have student participation in the activity and have students involved in the management of the program.

(b) Basis of Presentation

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between governmental and business-type activities of the District.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of Presentation (Continued)

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type, and for each function or program of the governmental activities of the District. 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 amounts paid by the recipient of goods or services offered by the program, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

Fund Financial Statements – Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements are on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

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

All proprietary funds and private-purpose trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the Statement of Net Assets. Proprietary fund's operating statements present increases (e.g., revenues) and decreases (expenses) in net total assets.

(c) Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. The Fund financial statements are prepared using either modified accrual for governmental funds or accrual basis for proprietary and fiduciary funds.

Revenues Exchange and Non-exchange Transactions – Revenue resulting from exchange transactions is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recognized in the accounting period when they become both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period of the District is sixty days after year-end.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Basis of Accounting (Continued)

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 10) Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been met. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Revenue – The District reports deferred revenue on its governmental funds balance sheet. Deferred revenue arises when potential revenue does not meet both the measurable and available, and for tax receipts the “intended to finance” criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed and revenue is recognized.

The District also reports deferred revenue on the proprietary funds statement of net assets. The deferred revenue arises when child care fees are paid in advance for the services being provided.

Expenditures/Expenses – On the accrual basis of accounting, expenses are recorded at the time they are incurred. The measurement focus of governmental fund accounting is on flow of current financial resources. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred except for principal and interest on general long-term debt, which is recorded when due.

(d) Cash and Investments

Monies received by the District are pooled in a central bank account with individual fund balance integrity retained throughout. In 1998, the District adopted GASB Statement No. 31 (GASB 31), Accounting and Financial Reporting for Certain Investments and for External Investment Pools, and records all its investments at fair value, except repurchase agreements which are reported at cost.

The Grandview Heights School District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2003. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2003.

Following Ohio statutes, the Board of Education has, by Board Policy #6144, specified the funds to receive an allocation of interest earnings. All interest revenue received amounting to \$112,184 has been credited to the General Fund during fiscal year 2003.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Inventory

On government-wide financial statements, inventories are presented at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis and inventories are determined by physical count.

(f) Capital Assets and Depreciation

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets are reported in the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by proprietary funds are reported on both statement types.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District follows the policy of not capitalizing assets with a cost of less than \$300 and a useful life of less than one year. The District does not possess any infrastructure.

All reported capital assets, with the exception of land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over estimated useful lives ranging from 50 years for buildings, 5 years for improvements other than buildings, and 3 to 20 years for equipment.

(g) Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. 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 and after nonoperating revenues/expenses in proprietary funds. These amounts are eliminated in the government-wide statements, except for amounts due between governmental and business-type activities.

On fund financial statements, short-term interfund loans are classified as interfund receivables/payables. These amounts are eliminated in the statement of net assets, except for amounts due between governmental and business-type activities, which are presented as internal balances.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Compensated Absences

The District has implemented the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Vacation benefits are accrued as a liability as the benefits are earned if the employee's 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. Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick leave accumulated at June 30 by those employees who are currently eligible to receive termination payments and those employees for whom it is probable they will become eligible to receive termination benefits in the future. The criteria for determining the vacation and sick leave liability is derived from Board policy, negotiated agreements and state laws.

The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, the amount of accumulated sick leave of employees has been recorded as a current liability to the extent that the amounts are expected to be paid using expendable available financial resources. The balance of the liability is not recorded. For proprietary funds, the entire amount of compensated absences is recorded as an expense and liability of the fund.

(i) Accrued Liabilities and Long-term Debt

All accrued liabilities and long-term debt is reported in the government-wide financial statements as well as the proprietary fund financial statements. For governmental fund financial statements, the accrued liabilities are generally reported as a governmental fund liability if due for payment as of the balance sheet date regardless of whether they will be liquidated with current financial resources. However, claims for judgments and compensated absences paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources. Long-term debt paid from governmental funds are not recognized as a liability in the fund financial statements when due.

(j) Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net related depreciation and debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Fund Balance Reserves

The District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available spendable resources and therefore are not available for appropriation for expenditures. Fund equity reserves have been established for encumbrances, prepaid expenditures, and HB412 Set Aside.

(l) Proprietary Funds and Governmental and Business Type Activities

Pursuant to GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting, the District follows guidance as applicable to proprietary funds and governmental and business type activities, and Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB Pronouncements. The District does not apply FASB Statements or interpretations issued after November 30, 1989.

(m) Statements of Cash Flows

For purposes of the statement of cash flows, all cash and investments are also considered to be cash equivalents, since they are available to the proprietary funds on demand.

(n) Management Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those estimates.

(o) Budgetary Data

All governmental, proprietary and fiduciary fund types are subject to annual expenditure budgets. The Board follows the procedures outlined below in establishing the expenditures budget data reported in the basic financial statements:

- (1) A Tax Budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by January 20 of each year, for the fiscal year commencing the following July 1. The Grandview Heights Board of Education normally adopts the Tax Budget at its organizational meeting in January after conducting a public budget hearing. All funds are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each function.
- (2) The County Budget Commission certifies its actions to the District by March 1. As part of this certification, the District receives the official certificate of estimated resources which states the projected receipts of each fund. On or about July 1, this certificate is amended to include any unencumbered balances from the preceding year.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Budgetary Data (Continued)

- (3) An annual appropriation measure must be passed by October 1 of each year for the period July 1 to June 30. Unencumbered appropriations lapse at year-end and encumbered appropriations are carried forward as additions to appropriations in the succeeding fiscal year. The Grandview Heights Board of Education normally adopts its annual appropriation measure at its regular July meeting. The Board adopts a temporary appropriation measure to allow the District to operate until its annual appropriations are adopted. The appropriation measure may be amended or supplemented during the year as new information becomes available. Individual buildings and/or departments may transfer funds within their budgets. Supplemental appropriations are presented on a monthly basis during the year and include the transfers requested by staff and any amendments to fund unanticipated expenditures. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education. Supplemental appropriations approved during the current fiscal year, in the opinion of management, had no significant effect on the financial statements of the District. Appropriations may not exceed estimated resources and expenditures may not exceed appropriations in any fund at the object level.
- (4) The District prepares its budget on a basis of accounting that differs from generally accepted accounting principles (GAAP). The comparison of actual results with the budget are presented in the Statement of Revenues, Expenditures, and Changes in Fund Balance—Budget and Actual—General Fund in accordance with the budget basis of accounting.

The major differences between the budgetary basis of accounting and GAAP are that:

- A. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- B. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis); and
- C. Encumbrances are recorded as the equivalent of expenditures (budget basis) as opposed to a reservation of fund balance (GAAP basis).

(p) Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in governmental funds. Encumbrances outstanding at year end are reported as reservations of fund balance, since they do not constitute expenditures or liabilities.

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

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

3. CASH AND INVESTMENTS

The Ohio Revised Code authorizes the District to invest in United States and State of Ohio bonds, notes and other obligations; bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association; bank certificates of deposit; no-load money market mutual funds consisting exclusively of obligations previously described in this paragraph and repurchase agreements secured by such obligations, provided that investments in securities herein are made only through eligible institutions; banker acceptances; commercial paper notes rated prime and issued by United States' corporations; repurchase agreements secured by United States obligations; and State Treasury Asset Reserve of Ohio, which is managed by the Treasurer of the State of Ohio (STAR Ohio). All federal agency securities shall be direct issuances of federal government agencies or instrumentalities. It is management's policy to invest in United States and State of Ohio bonds, notes and other obligations; repurchase agreements; bank certificates of deposit; and STAR Ohio. Earnings on investments are credited to the General Fund unless otherwise required by law. It is management's policy while investing the District's public funds primarily to ensure the safety of the principal. The secondary consideration is liquidity and third is rate of return on the investment.

State statutes classify monies held by the School District into three categories. Active deposits are public deposits necessary to meet current demand on the treasury. Such monies must be maintained either as cash in the School District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts or in money market deposit accounts. Inactive deposits are public deposits the Board of Education 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 accounts including passbook accounts.

Public Depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the Federal Deposit Insurance Corporation (FDIC), or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the District's name. The District complied with the provisions of these statutes.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

3. CASH AND INVESTMENTS (Continued)

At June 30, 2003 the carrying amount of the District's deposits was \$145,043 and the bank balance was \$405,373. \$105,373 of the balance was covered by federal depository insurance and \$300,000 was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the FDIC. The District's investments are categorized to give an indication of the level of risk assumed by the District on June 30, 2003. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's agent, or the agent's trust department in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty's agent or the agent's trust department, but not in the District's name. The investment with STAR Ohio is not required to be categorized due to its nature according to GASB #3. STAR Ohio has established procedures, reasonably designed, taking into account current market quotations, to stabilize the net asset value per share, as computed for the purpose of purchase and redemption, at a single value of \$1.00. The fair value of the District's position in STAR Ohio is the same as the value of the pool shares.

Investments:	-----Category-----			<u>Cost</u>	<u>Carrying Value</u>
	---1---	---2---	---3---		
T-Note #9128277G1	\$	\$200,781	\$ -	\$ 200,781	\$ 201,688
T-Note #912828AD2		204,311		204,311	204,063
Repurchase Agreements					
(General)	-	-	461,000	461,000	461,000
(Payroll)	-	-	112,000	112,000	112,000
STAR Ohio					
(General)	-	-	-	2,157,592	2,157,592
(Bond Ret./PI)	-	-	-	1,007,434	1,007,434
Total Investments	\$	\$405,092	\$573,000	\$4,143,118	\$ 4,143,777
Bank Deposits including certificates of deposit and payroll account					405,373
Reconciling items:					
Petty Cash/Change					1,950
Deposit In Transit					6,419
Bank Error					(10)
Outstanding Checks including general & payroll accounts					<u>(266,739)</u>
Total Cash and Investments (Including Restricted Assets)					<u>\$4,290,770</u>

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

4. DUE FROM OTHER GOVERNMENTS

Intergovernmental receivables at June 30, 2003, consist of the following:

	<u>Governmental Activities</u>
	<u>Due From</u>
	<u>Federal</u>
	<u>Government</u>
General Fund	\$482
Other Governmental Fund	914
Total	<u>\$1,396</u>
	<u>Business Activities</u>
	<u>Due From</u>
	<u>Federal</u>
	<u>Government</u>
Food Service Fund	<u>\$4,683</u>
Total	<u>\$4,683</u>

5. INTERFUND RECEIVABLES AND PAYABLES

There were no interfund receivables and payables as of June 30, 2003.

6. CAPITAL ASSETS

Summaries of changes in capital assets for the fiscal year ended June 30, 2003, follows:

<u>Activity</u>	<u>Balance</u> <u>July 1 2002</u>	<u>Additions</u>	<u>Reduction</u>	<u>Balance</u> <u>June 30 2003</u>
Governmental Activities:				
Land	\$137,400	\$ -	\$ -	\$137,400
Buildings	16,578,021	37,620	-	16,615,641
Improvements Other Than Buildings	4,380	-	2,635	1,745
Furniture & Equipment	3,714,229	113,353	168,074	3,659,508
Vehicles	<u>75,101</u>	<u>-</u>	<u>-</u>	<u>75,101</u>
Totals at Cost	<u>\$20,509,131</u>	<u>\$150,973</u>	<u>\$170,709</u>	<u>\$20,489,395</u>
Less Accumulated Depreciation				
Buildings	\$4,539,794	\$270,667	\$ -	\$4,810,461
Improvements Other Than Buildings	2,368	87	1,424	1,031
Furniture & Equipment	2,725,865	172,444	49,107	2,849,202
Vehicles	<u>16,605</u>	<u>7,156</u>	<u>-</u>	<u>23,761</u>
Total Accumulated Depreciation	<u>\$7,284,632</u>	<u>\$450,354*</u>	<u>\$ 50,531</u>	<u>\$7,684,455</u>
Capital Assets, Net	<u>\$13,224,499</u>	<u>(\$299,381)</u>	<u>\$ 120,178</u>	<u>\$12,804,940</u>

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

6. CAPITAL ASSETS (Continued)

Business-type Activities:

Furniture & Equipment	<u>\$172,429</u>	<u>\$ 1,251</u>	<u>\$3,617</u>	<u>\$170,063</u>
Totals at Cost	<u>\$172,429</u>	<u>\$ 1,251</u>	<u>\$3,617</u>	<u>\$170,063</u>
Less Accumulated Depreciation				
Furniture & Equipment	<u>\$133,742</u>	<u>\$6,484</u>	<u>\$3,443</u>	<u>\$136,783</u>
Total Accumulated Depreciation	<u>133,742</u>	<u>6,484</u>	<u>3,443</u>	<u>136,783</u>
Capital Assets, Net	<u>\$38,687</u>	<u>(\$5,233)</u>	<u>\$ 174</u>	<u>\$33,280</u>

* Depreciation Expense was charged to governmental functions as follows:

Instruction:	
Regular	\$363,705
Special	9,017
Support Service:	
Pupils	24,145
Instructional Staff	11,279
Administration	4,586
Fiscal	301
Business	2,208
Operation & Maintenance	20,738
Central	2,450
Extracurricular	<u>11,925</u>
Total Depreciation Expense	<u>\$450,354</u>

7. LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2003, follows:

	Balance July 1 <u>2002</u>	<u>Addition</u>	<u>Deletion</u>	Balance June 30 <u>2003</u>	Amounts Due In <u>One Year</u>
Governmental Activities:					
Long-term Obligations:					
Accrued Interest	\$ 38,533	\$ 37,027	\$ 38,533	\$ 37,027	\$ 37,027
Capital Lease	109,062	22,672	60,221	71,513	63,709
Accrued Vacation and Vested Pers./Sick Leave	995,544	132,990	-	1,128,534	134,956
G.O. Bonds	<u>11,234,989</u>	-	<u>565,000</u>	<u>10,669,989</u>	<u>615,000</u>
Total	<u>\$12,308,128</u>	<u>\$ 192,689</u>	<u>\$ 663,754</u>	<u>\$11,907,063</u>	<u>\$ 850,692</u>
Business Type Activities:					
Long-term Obligations:					
Accrued Vacation and Vested Pers./Sick Leave	-	<u>\$ 10,681</u>	-	<u>\$ 10,861</u>	<u>\$ -</u>
Total	<u>\$ -</u>	<u>\$ 10,681</u>	<u>\$ -</u>	<u>\$ 10,681</u>	<u>\$ 10,861</u>

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

7. LONG-TERM LIABILITIES (Continued)

Additions and deletions of accrued sick leave are shown net since it is impracticable for the District to determine these amounts separately. District employees are granted sick leave in varying amounts. Vested personal and sick leave is the amount the District would owe in the form of severance pay to employees eligible to retire on June 30, 2003, plus vested personal and sick leave for faculty and classified staff members with over 15 years of service in the retirement system in accordance with GASB Statement #16.

Capital Leases: The District is making installment payments on computer equipment purchased with original values of \$94,950, \$64,052, and \$22,672. This obligation provides for interest at rates 8.54% and 3.30%, with an outstanding balance of \$71,513 at June 30, 2003.

The following is a schedule of future minimum lease payments required under the capital lease and present value of the minimum lease payments as of June 30, 2002:

	Year Ending June 30
FY 2004	\$63,709
FY 2005	7,804
Present Value of Minimum Lease Payments	\$ 71,513

Voted general obligation bonds in the amount of \$10,000,000 were issued in accordance with Chapter 133 of the Ohio Revised Code on March 1, 1995 with an average annual interest rate of 5.94%. The purpose of the bond issue was to construct a new multi-purpose facility, renovate school buildings, improve school sites and implement technology improvements. The bonds were scheduled to be repaid over a 24 year period with the final payment due on December 1, 2019. The \$8,560,000 balance of these bonds were advance-refunded on November 1, 2001 with new bonds issued for \$8,559,989 at an average annual interest rate of 5.1901%. A dedicated tax estimated by the Franklin County Auditor to average 5.52 mills is being collected to repay this debt and the \$3,060,000 debt described in the following paragraph.

Voted general obligation bonds in the amount of \$3,060,000 were issued in accordance with Chapter 133 of the Ohio Revised Code on January 1, 1996 with an average annual interest rate of 5.31%. The purpose of the bond issue was to complete the construction of the new multi-purpose facility, renovate school buildings, improve school sites and implement technology improvements as described in the paragraph above. The bonds are scheduled to be repaid over a 23 year period with the final payment due on December 1, 2019. A dedicated tax estimated by the Franklin County Auditor to average 5.52 mills is being collected to repay this debt and the \$10,000,000 debt described in the preceding paragraph.

In the opinion of management, the District has complied with all bond covenants.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

7. LONG-TERM LIABILITIES (Continued)

The annual maturities of the general obligation bonds as of June 30, 2003, and related interest payments are as follows:

NOVEMBER 1, 2001 BONDS ISSUED TO ADVANCE-REFUND:

<u>Fiscal Year Ended:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment Due During Year</u>
June 30, 2004	\$530,000	295,097	825,097
June 30, 2005	555,000	278,823	833,823
June 30, 2006	575,000	261,872	836,872
June 30, 2007	640,000	242,848	882,848
June 30, 2008	635,000	221,652	856,652
June 30, 2009-2013	2,540,646	1,297,852	3,838,498
June 30, 2014-2018	1,619,343	1,477,901	3,097,244
<u>June 30, 2019-2020</u>	<u>980,000</u>	<u>46,550</u>	<u>1,026,550</u>
Sub-totals	\$8,074,989	4,122,595	12,197,584

JANUARY 1, 1996 RENOVATION AND CONSTRUCTION BONDS:

<u>Fiscal Year Ended:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment Due During Year</u>
June 30, 2004	\$85,000	139,368	224,368
June 30, 2005	90,000	135,407	225,407
June 30, 2006	100,000	131,060	231,060
June 30, 2007	105,000	125,846	230,846
June 30, 2008	110,000	119,880	229,880
June 30, 2009-2013	685,000	493,813	1,178,813
June 30, 2014-2018	945,000	269,868	1,214,868
<u>June 30, 2019-2020</u>	<u>475,000</u>	<u>26,779</u>	<u>501,779</u>
Sub-totals	\$2,595,000	1,442,021	4,037,021

The ORC 133.06 provides that the net debt of a school district, whether or not approved by the people, shall not exceed 9% of the total value of all property in the school district as listed and assessed for taxation. In addition, the unvoted net debt of a school district cannot exceed 0.1% of the total assessed value of property. However, school districts are permitted to incur unvoted debt up to 0.9% of the total assessed value of property for energy conservation measures in accordance with ORC 3313.372. This creates a new situation whereby the unvoted debt limitation is 1.0% of the total assessed value of property in the school district. The total valuation of the Grandview Heights School District on June 30, 2003 was \$234,995,712 according to the Franklin County Auditor's Office. There was no unvoted net debt at June 30, 2003. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At June 30, 2003, the District's total net debt and unvoted net debt were approximately 4.5% of the total assessed value of all property within the school district. The aggregate amount of the District's unvoted debt is also subject to overlapping debt restrictions with Franklin County. As of June 30, 2003, this entity has complied with the requirement that debt service payments on unvoted overlapping debt must not exceed in the aggregate 1% (10 mills) of the assessed property value.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

8. DEFINED BENEFIT PENSION PLANS

(a) State Teachers Retirement System

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's contributions to STRS for the fiscal years ended June 30 2003, 2002, and 2001 were \$932,412, \$961,776, and \$884,476 respectively, equal to the required contributions for each year.

(b) School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Board Street, Columbus, Ohio 43215-3726.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The School District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$203,724, \$198,840, and \$186,258 respectively, equal to the required contributions for each year.

9. OTHER POST EMPLOYMENT BENEFITS

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

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

9. OTHER POST EMPLOYMENT BENEFITS (Continued)

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the costs of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2003, the board allocated employer contributions equal to one percent of covered payroll to the Health Care Reserve Fund. The balance in the fund was \$3,011 million at June 30, 2003. For the fiscal year ended June 30, 2003, net health care costs paid by STRS were \$354,697,000 and STRS has 105,300 eligible benefit recipients.

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

For the fiscal year ended June 30, 2003, employer contributions to fund health care benefits were 5.83 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2003, were \$182,946,777, and the target level was \$274.4 million. At June 30, 2003, SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 participants currently receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$215,015 for fiscal year 2003.

10. PROPERTY TAXES

Property Taxes include amounts levied against all real, public utility and tangible (used in business) property located in the school district. All property taxes are collected on behalf of the District by Franklin County. Due and collection dates for real property taxes, as established by Franklin County, were January 20, 2003 and June 20, 2003 for those taxes due during 2003. Tangible personal property taxes are due April 30 if paid annually; if paid semi-annually, the first payment is due April 30 with the remainder payable by September 20.

Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility real property taxes attached as a lien on December 31 of the prior year were levied April 1 and are collected with real property taxes. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the previous year.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

10. PROPERTY TAXES (Continued)

Assessed values are established by State law at 35% of appraised market value for Real Estate and Public Utility and at 25% for Tangible Personal. A revaluation of all property is required to be completed no less than every six years. The last revaluation was completed in August, 1999. Public utility property taxes are assessed on tangible personal property, as well as land and improvements, at 88% of true value with certain exceptions. The assessed values for collection in 2003 upon which the 2002 levies were based, was as follows:

Real estate:	
Residential	\$153,491,780
Commercial	\$33,177,600
Industrial	\$15,212,510
Public utility:	
Real	\$18,290
Personal	\$8,660,180
Tangible personal	<u>\$24,435,352</u>
Total	<u>\$234,995,712</u>

Ohio law prohibits taxation of property from all taxing authorities in excess of 1% of assessed value without a vote of the people. Under current procedures, the District's share is .5% (5.0 mills) of assessed value. Increases in the property tax rate are restricted only by voter willingness to approve such increases. The total tax rate for the District, including voted increases, was 93.02 mills in 2003 with an effective rate of 40.92 for residential property and 62.22 for commercial property.

The Franklin County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Grandview Heights City School District. The Franklin County Auditor periodically remits to the District its portion of the taxes collected. Property taxes may be paid on either an annual or a semiannual basis.

11. FEDERAL AND STATE GRANTS

The Federal and State Grants remain subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Based on prior experience, the District believes such disallowances, if any, would be immaterial.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

12. BUDGET BASIS OF ACCOUNTING

The following adjustments are necessary to convert the results of operations and fund balances at end of year from GAAP basis to budget basis:

- (a) Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses:

	<u>General</u>
GAAP basis	\$360,031
Increase (decrease):	
Due to revenues:	
Received in cash during fiscal year 2003 but accrued June 30, 2002	40,168
Accrued at June 30 2003, not yet received in cash	(39,433)
Due to expenditures:	
Paid in cash during fiscal year 2003, accrued June 30 2002	(1,302,745)
Accrued June 30 2003, not yet paid in cash	<u>1,519,645</u>
Budget basis	577,666
Encumbrances outstanding on June 30, 2003	<u>(365,591)</u>
Budget basis, unencumbered	<u>\$212,075</u>

- (b) Fund balances at end of year:

	<u>General</u>
GAAP basis	\$1,529,758
Increase (decrease):	
Due to revenues:	
Received in cash during fiscal year 2003 but accrued at June 30, 2002	0
Accrued at June 30, 2003, not yet received in cash	(39,433)

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

12. BUDGET BASIS OF ACCOUNTING (Continued)

Due to expenditures:	
Paid in cash during fiscal year 2003, accrued at June 30, 2002	0
Accrued at June 30, 2003, not yet paid in cash	<u>1,519,645</u>
Budget basis	3,009,970
Encumbrances outstanding on June 30, 2003	<u>(365,591)</u>
Fund balance at end of year, unencumbered, budget basis	<u>\$2,644,379</u>

13. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft or damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2003, the District contracted with the Ohio School Plan for general liability insurance with a \$2,000,000 single occurrence limit and a \$4,000,000 aggregate limit with a \$10,000 deductible. The District also contracted with the Indiana Insurance Company to provide property and fleet insurance requiring deductibles ranging from \$100 to \$1,000 depending on the type of property. Additionally, the District participates in the State Workers' Compensation system which provides coverage for accidents and injuries to employees while on the job. The premium is based on a rate per \$100 of salaries and is calculated as part of a state-wide group rating plan for workers' compensation insurance coverage sponsored by the Ohio School Board's Association. Finally, the District offers employee group health insurance from United Health Care, dental insurance from Delta Dental Plan, and life insurance from the Unum Life Insurance Company with a portion of health insurance premiums being paid by employees. Insurance settlements have not exceeded insurance coverage for each of the past three fiscal years.

14. JOINTLY GOVERNED ORGANIZATION AND JOINT VENTURE

The Metropolitan Educational Council is a not for profit educational council whose primary purpose and objective is to contribute to the educational services available to school districts in Franklin County and surrounding areas by cooperative action membership. The governing board consists of a representative from each of the Franklin County districts. MEC is its own fiscal agent. The District does not have an ongoing financial interest in or ongoing financial responsibility for MEC. MEC provides computer services to the District including payroll, budgetary and student management information. The District submitted \$132,559 to MEC during the fiscal year 2003.

The Rockbridge Academy (Academy) is a joint venture consisting of a consortium of five school districts. The joint venture was formed for the purpose of providing alternative education services to at risk students. The initial capital of the Academy was raised through the receipt of a per pupil charge dependent upon the services utilized.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

14. JOINTLY GOVERNED ORGANIZATION AND JOINT VENTURE (Continued)

The Governing Board of the Academy consists of five members appointed by each member school. The District does not have an equity interest that is explicit and measurable in the joint venture, however, the District does have an ongoing financial obligation to support the Academy in meeting its financial obligations. The District did not submit any monies to the Academy during the fiscal year.

The Academy is dependent upon continued support of the member schools, as it is not independently accumulating adequate financial resources. Further detailed financial information may be obtained by contacting the Upper Arlington City School District at (614) 487-5007.

15. LITIGATION

The Grandview Heights City School District is presently not participating in any litigation and, in the opinion of management, no litigation is pending.

16. SET ASIDE CALCULATIONS AND FUND RESERVES

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

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

	<u>Textbooks</u>	<u>Capital Acquisitions</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set Aside Cash Balance as of June 30, 2002	\$ 0	\$ 0	\$ 68,902	\$68,902
Current Year Set Aside Requirement	\$167,556	\$167,556	\$ 0	\$335,112
Current Year Offsets	\$0	\$0	\$ 0	\$ 0
Qualifying Disbursements	<u>\$216,383</u>	<u>\$337,182</u>	<u>\$ 0</u>	<u>\$553,565</u>
Total	<u>(\$ 48,827)</u>	<u>(\$169,626)</u>	<u>\$ 68,902</u>	<u>(\$149,551)</u>
Set Aside Cash Balance as of June 30, 2003	<u>\$0</u>	<u>\$0</u>	<u>\$ 68,902</u>	<u>\$68,902</u>

- a) The total reserve balance for all three set-asides at the end of the fiscal year was \$68,902. Although the District had qualifying disbursements during the year that reduced the textbooks and capital acquisitions set aside amounts to below zero, only the amount for the textbook reserve may be used to reduce the set-aside requirements of future years. Therefore, the negative amount for capital acquisition can not be carried over to the next fiscal year.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

17. SCHOOL FUNDING DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding decision is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...".

The District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

18. SUBSEQUENT EVENT

In October of 2003 AOCER industries and in November 12, 2003, the Penn Traffic Corporation had decided to stop operations within the Districts limits. These closings will cause the District to lose an estimated \$803, 021 in Personal Property tax revenue.

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**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
JUNE 30, 2003**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Grant Year	Federal CFDA Number	Receipts	Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>					
<i>Passed Through Ohio Department of Education:</i>					
National School Lunch Program	LL-P4	2003	10.555	\$33,481	\$33,481
Total U.S. Department of Agriculture				33,481	33,481
<u>U.S. DEPARTMENT OF EDUCATION</u>					
<i>Passed Through Columbus City School District</i>					
Vocational Education-Basic Grants to State		2000	84.048		1,501
		2001			301
		2002			1,180
		2003		10,106	6,900
Total Vocational Education - Basic Grants to State				<u>10,106</u>	<u>9,882</u>
<i>Passed Through Ohio Department of Education:</i>					
Special Education Grants to States (IDEA Part B)	6B-SF	2002	84.027	848	14,882
		2003		166,055	147,790
Total Special Education Grants to States - IDEA Part B				<u>166,903</u>	<u>162,672</u>
Grants to Local Educational Agencies (ESEA Title I)	C1-S1	2002	84.010	1,728	204
		2003		77,257	76,957
Total ESEA Title I				<u>78,985</u>	<u>77,161</u>
Drug-Free Schools Grant	DR-S1	2001	84.186	(993)	600
		2002		(1,257)	88
		2003		6,104	4,794
Total Drug-Free Schools Grant				<u>3,854</u>	<u>5,482</u>
Eisenhower Professional Development State Grants Title II, Part B	MS-S1	2002	84.281	(1,167)	2,199
Title V - Innovative Program	C2-S1	2000	84.298	(1,482)	0
		2001		(3)	300
		2002		(453)	1,407
		2003		11,572	6,322
Total Title V - Innovative Program				<u>9,634</u>	<u>8,029</u>
Title II D - Technology Fund	TJ-S1	2002	84.318	0	9,714
		2003		1,711	1,500
Total Title II D - Technology Fund				<u>1,711</u>	<u>11,214</u>
Title II A - State Grants for Improving Teaching Quality	TR-S1	2003	84.367	39,190	36,440
Total U.S. Department of Education				309,216	313,079
<u>U.S. CORPORATION FOR NATIONAL AND COMMUNITY SERVICES:</u>					
<i>Passed Through Upper Arlington City School District</i>					
Learn and Serve Grant		2001	94.004	0	251
		2002		0	211
		2003		1,250	712
Total U.S. Corporation for National and Community Services				<u>1,250</u>	<u>1,174</u>
Totals				\$343,947	\$347,734

The accompanying notes to this schedule are an integral part of this schedule.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

FISCAL YEAR ENDED JUNE 30, 2003

NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – REFUND OF PRIOR YEAR RECEIPTS TO THE OHIO DEPARTMENT OF EDUCATION

The Schedule includes negative receipt amounts for refund of prior year receipts to the Ohio Department of Education. These refunds are due to the expiration of period of availability and are as follows:

<u>Grant</u>	<u>CFDA Number</u>	<u>Grant Year</u>	<u>Amount of Repayment</u>
Title V - Innovative Program	84.298	2000/2001	\$ 1,485
Special Education Grants to State (IDEA Part B)	84.027	2002	292
Grants to Local Education Agencies (ESEA Title I)	84.010	2002	96
Drug Free Schools Grant	84.186	2001	993
Total			\$ 2,866

NOTE C – TRANSFER BETWEEN SPECIAL COST CENTER

The U.S. Department of Education (USDOE) makes grant awards available to the Ohio Department of Education (ODE), in general, for a period of 27 months. During that time, ODE is required to comply with program regulations and grant funds to local educational agencies for use in programs conducted in their local area. Using the same time frame as granted by the USDOE, ODE would award formula grants under the ESEA for a period of 27 months for all grants except Title I Basic Grants to States.

Each year beginning July 1, USDOE would provide another grant award to ODE for subgranting to local agencies. This created an overlap of grant awards to local agencies where up to three grant programs could be operating at the same time for exactly the same purpose. Under this scenario, each grant program was treated separately with separate reporting and management requirements.

Beginning July 2002, a revised process was instituted by ODE to fund grants on a yearly cycle. For effective management of the grant projects from the USDOE, ODE chose this method for several reasons. First, a July 1 to June 30 fiscal period for each project aligns the project periods for all Federal and State projects as well as puts the projects on the same timing as the school's fiscal year mandated by the Ohio Revised Code. Second, this system permits the local educational agency to manage only one project from ODE rather than three under the previous system.

The transfers between cost centers are as follows:

Grant	CFDA Number	Transfer Out	Special Cost Center	Transfer In	Special Cost Center
Title V - Innovative Program	84.298	\$ 1,970	2002	\$1,970	2003
Drug Free Schools Grant	84.186	1,910	2002	1,910	2003
Total		\$3,880		\$3,880	

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

FISCAL YEAR ENDED JUNE 30, 2003

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
(Continued)**

NOTE D – TRANSFERS DUE TO ELIMINATION OF CFDA’s

Starting July 1, 2003, the Ohio Department of Education (ODE) combined the following CFDA numbers; 84.281 and 84.340, into CFDA 84.367. The ODE required that the funds carried over from grant year 2002 be transferred to the CFDA 84.367. The following table indicates the funds the District transferred between the aforementioned CFDA numbers for year end June 30, 2003:

Grant	CFDA Number	Transfer In/(Out)
Eisenhower Professional Development State Grants – Title II, Part B	84.281	\$ (1,167)
Title II A – State Grants for Improving Teaching Quality	84.367	\$ 1,167

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Auditor of State Betty Montgomery

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

Board of Education
Grandview Heights City School District
Franklin County
1587 West Third Avenue
Columbus, Ohio 43212

We have audited the financial statements of Grandview Heights City School District, Franklin County, Ohio, (the District) as of and for the year ended June 30, 2003, and have issued our report thereon dated December 12, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 12, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 12, 2003.

35 N. Fourth St. / Second Floor / Columbus, OH 43215
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199
www.auditor.state.oh.us

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

December 12, 2003



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Education
Grandview Heights City School District
Franklin County
1587 West Third Avenue
Columbus, Ohio 43212

Compliance

We have audited the compliance of the Grandview Heights City School District, Franklin County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003. We noted a certain instance of noncompliance that did not require inclusion in this report that we have reported to the management of the District in a separate letter dated December 12, 2003.

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Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. We noted a matter involving the internal control over federal compliance that did not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 12, 2003.

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



Betty Montgomery
Auditor of State

December 12, 2003

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
JUNE 30, 2003**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

NONE

3. FINDINGS FOR FEDERAL AWARDS

NONE

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**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 6, 2004**