

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS
*(AUDITED)***

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2015***

BETH COLLIER, TREASURER



Dave Yost • Auditor of State

Board of Education
Grandview Heights City School District
1587 West 3rd Avenue
Columbus, Ohio 43212

We have reviewed the Independent Auditor's Report of the Grandview Heights City School District, Franklin County, prepared by Julian & Grube, Inc., for the audit period July 1, 2014 through June 30, 2105. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

February 17, 2016

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**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

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Julian & Grube, Inc.

Serving Ohio Local Governments

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Independent Auditor's Report

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Grandview Heights City School District, Franklin County, Ohio, as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Grandview Heights City School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Grandview Heights City School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Grandview Heights City School District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Grandview Heights City School District, Franklin County, Ohio, as of June 30, 2015, and the respective changes in the financial position and, where applicable, cash flows thereof and the budgetary comparison for the General fund thereof for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the fiscal year ended June 30, 2015, the Grandview Heights City School District adopted the provisions of Governmental Accounting Standard No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted to opine on the Grandview Heights City School District's basic financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards (the "Schedule") presents additional analysis as required by the 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 financial statements.

The Schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this Schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2015, on our consideration of the Grandview Heights City School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Grandview Heights City School District's internal control over financial reporting and compliance.



Julian & Grube, Inc.
December 18, 2015

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

The management's discussion and analysis of Grandview Heights City School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the transmittal letter, the notes to the basic financial statements and basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2015 are as follows:

- In total, net position increased \$1,825,344. Net position of governmental activities increased \$1,775,497, which represents a 16.59% increase from 2014 as restated (see Note 3.A). Business-type activities net position increased \$49,847 from 2014 as restated (see Note 3.A).
- General revenues accounted for \$18,930,603 in revenue or 94.39% of governmental activities revenues. Program specific revenues in the form of charges for services and sales, operating grants and contributions accounted for \$1,124,839 or 5.61% of governmental activities revenues.
- The District had \$18,229,945 in expenses related to governmental activities; only \$1,124,839 of these expenses was offset by program specific charges for services, operating grants or contributions resulting in a net cost of \$17,105,106 for the District. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$18,930,603 was adequate to provide for these programs.
- The District's major governmental fund is the general fund. The general fund had \$17,961,396 in revenues and \$16,765,266 in expenditures and other financing uses. During fiscal 2015, the general fund's fund balance increased \$1,196,130 from a balance of \$6,548,994 to \$7,745,124.
- The business-type activities net position which include the child care and food service enterprise operations increased \$49,847 on \$690,429 in expenses and \$690,276 in revenues. The business-type activities food service operations also received \$50,000 in transfers in from governmental activities in fiscal year 2015.

Using this Annual Financial Report

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

The statement of net position and statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund is by far the most significant fund, and the only governmental fund reported as a major fund.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2015?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current fund's revenues and expenses regardless of when cash is received or paid.

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

In the statement of net position and the statement of activities, the District is divided into two distinct kinds of activities:

Governmental activities – Most of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant and extracurricular activities.

Business-type activities – These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided. The District's child care and food service operations are reported as business-type activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds and the analysis of the District's major and nonmajor enterprise funds begins on page 12. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's only major governmental fund is the general fund.

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 all 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 fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the financial statements.

Proprietary Funds

Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match information provided in the statements for the District as a whole.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Reporting the District's Fiduciary Responsibilities

The District acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in an agency fund. The District's fiduciary activities are reported in a separate statement of assets and liabilities. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

The required supplementary information provides detailed information regarding the District's proportionate share of the net pension liability of the retirement systems and a ten year schedule of District's contributions to the retirement systems to fund pension obligations.

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**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

The District as a Whole

The statement of net position provides the perspective of the District as a whole. The table below provides a summary of the District's net position for 2015 and 2014. The net position at June 30, 2014 has been restated as described in Note 3.A.

| | <u>Net Position - Governmental Activities</u> | | <u>Net Position - Business-Type Activities</u> | |
|--|---|------------------------|--|---------------------|
| | 2015 | Restated 2014 | 2015 | Restated 2014 |
| <u>Assets</u> | | | | |
| Current and other assets | \$ 21,391,558 | \$ 19,442,983 | \$ 405,418 | \$ 316,619 |
| Capital assets, net | 11,504,149 | 11,623,133 | 24,573 | 28,756 |
| Total assets | <u>32,895,707</u> | <u>31,066,116</u> | <u>429,991</u> | <u>345,375</u> |
| <u>Deferred outflows of resources</u> | | | | |
| Pension | 1,640,075 | 1,349,104 | 60,990 | 53,862 |
| Total deferred outflows | <u>1,640,075</u> | <u>1,349,104</u> | <u>60,990</u> | <u>53,862</u> |
| <u>Liabilities</u> | | | | |
| Current liabilities | 2,079,379 | 2,188,244 | 112,221 | 111,100 |
| Long-term liabilities: | | | | |
| Due within one year | 948,335 | 588,453 | 4,086 | 778 |
| Due in more than one year: | | | | |
| Net pension liability | 23,180,542 | 27,609,829 | 718,638 | 795,293 |
| Other amounts | 3,686,385 | 4,466,135 | 5,364 | 7,878 |
| Total liabilities | <u>29,894,641</u> | <u>34,852,661</u> | <u>840,309</u> | <u>915,049</u> |
| <u>Deferred inflows of resources</u> | | | | |
| Property taxes and PILOTS | 9,352,923 | 8,265,648 | - | - |
| Pensions | 4,215,810 | - | 116,637 | - |
| Total deferred inflows | <u>13,568,733</u> | <u>8,265,648</u> | <u>116,637</u> | <u>-</u> |
| <u>Net Position</u> | | | | |
| Net investment in capital assets | 7,939,149 | 7,743,673 | 24,573 | 28,756 |
| Restricted | 1,510,143 | 1,691,596 | - | - |
| Unrestricted (deficit) | <u>(18,376,884)</u> | <u>(20,138,358)</u> | <u>(490,538)</u> | <u>(544,568)</u> |
| Total net position (deficit) | <u>\$ (8,927,592)</u> | <u>\$ (10,703,089)</u> | <u>\$ (465,965)</u> | <u>\$ (515,812)</u> |

During 2015, the District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Under the new standards required by GASB 68, the net pension liability equals the District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, for governmental activities from \$15,557,636 to (\$10,703,089) and business type activities from \$225,619 to (\$515,812).

Current and other assets increased primarily due to an increase in taxes receivable resulting from the passage of the 5.9 mill tax levy in November 2014. Capital assets for 2015 remained consistent with 2014 balances. Long-term liabilities decreased as a result of a decrease in the net pension liability discussed above. Specific factors effecting the net pension liability include the District's contributions to the pension systems (STRS and SERS) subsequent to the measurement date of the liability, expected versus actual experience of the pension systems and projected versus actual earnings on pension plan investments. These factors are outside of the control of the District. The District contributes its statutorily required contributions to the pension systems; however, it's the pension systems that collect, hold and distribute pensions to District employees, not the District.

Over time, net position can serve as a useful indicator of a District's financial position. At June 30, 2015, the District's liabilities plus deferred inflows of resources exceeded assets and deferred outflows by \$9,393,557. Of this total, \$1,510,143 is restricted in use.

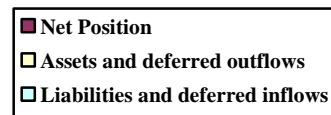
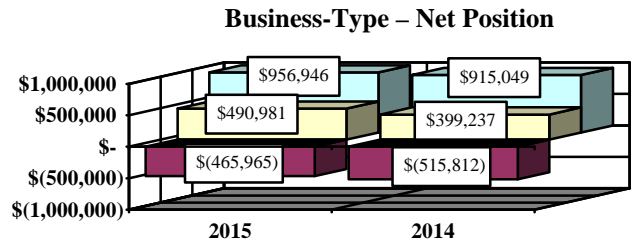
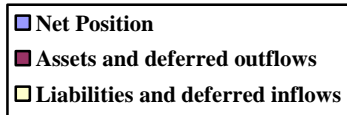
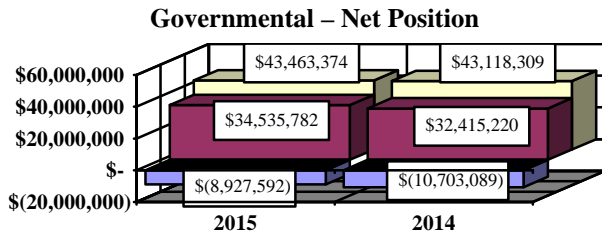
**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)**

At year-end, capital assets represented 34.59% of total assets. Capital assets include land, buildings and improvements, furniture and equipment and vehicles. The net investment in capital assets at June 30, 2015, was \$7,963,722. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$1,510,143, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is a deficit of \$18,867,422. Of the unrestricted net position, a deficit of \$18,376,884 is reported in the governmental activities and a deficit of \$490,538 is reported in the business type activities.

The graphs below show the assets, liabilities plus deferred inflows and net position of the governmental activities and business-type activities at June 30, 2015 and 2014 (restated).



**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

The table below shows the change in net position for fiscal years 2015 and 2014 (restated).

Change in Net Position

| | Governmental Activities | | Business-type Activities | | Total | |
|---|-------------------------|------------------------|--------------------------|---------------------|-----------------------|------------------------|
| | 2015 | Restated 2014 | 2015 | Restated 2014 | 2015 | Restated 2014 |
| Revenues | | | | | | |
| Program revenues: | | | | | | |
| Charges for services and sales | \$ 581,955 | \$ 551,175 | \$ 629,385 | \$ 643,246 | \$ 1,211,340 | \$ 1,194,421 |
| Operating grants and contributions | 542,884 | 1,481,620 | 59,540 | 70,052 | 602,424 | 1,551,672 |
| General revenues: | | | | | | |
| Property taxes | 14,238,380 | 12,573,443 | - | - | 14,238,380 | 12,573,443 |
| Payments in lieu of taxes | 805,514 | 380,981 | - | - | 805,514 | 380,981 |
| Grants and entitlements | 3,718,251 | 3,676,448 | - | - | 3,718,251 | 3,676,448 |
| Investment earnings | 11,742 | 14,689 | - | - | 11,742 | 14,689 |
| Other | 156,716 | 66,901 | 1,351 | - | 158,067 | 66,901 |
| Total revenues | 20,055,442 | 18,745,257 | 690,276 | 713,298 | 20,745,718 | 19,458,555 |
| Expenses | | | | | | |
| Program expenses: | | | | | | |
| Instruction: | | | | | | |
| Regular | 7,663,106 | 8,800,139 | - | - | 7,663,106 | 8,800,139 |
| Special | 2,345,687 | 2,426,035 | - | - | 2,345,687 | 2,426,035 |
| Vocational | 18,136 | 151,634 | - | - | 18,136 | 151,634 |
| Other | 1,678 | 4,070 | - | - | 1,678 | 4,070 |
| Support services: | | | | | | |
| Pupil | 1,161,245 | 1,281,432 | - | - | 1,161,245 | 1,281,432 |
| Instructional staff | 1,524,716 | 1,471,863 | - | - | 1,524,716 | 1,471,863 |
| Board of education | 168,189 | 341,110 | - | - | 168,189 | 341,110 |
| Administration | 1,359,561 | 1,099,895 | - | - | 1,359,561 | 1,099,895 |
| Fiscal | 587,856 | 626,595 | - | - | 587,856 | 626,595 |
| Business | 98,431 | 339,764 | - | - | 98,431 | 339,764 |
| Operations and maintenance | 1,668,550 | 1,576,722 | - | - | 1,668,550 | 1,576,722 |
| Pupil transportation | 36,677 | 24,234 | - | - | 36,677 | 24,234 |
| Central | 72,513 | 81,656 | - | - | 72,513 | 81,656 |
| Operation of non-instructional services | 2,774 | 3,702 | - | - | 2,774 | 3,702 |
| Extracurricular activities | 927,791 | 930,019 | - | - | 927,791 | 930,019 |
| Interest and fiscal charges | 593,035 | 704,401 | - | - | 593,035 | 704,401 |
| Food service | - | - | 295,170 | 317,895 | 295,170 | 317,895 |
| Child care | - | - | 395,259 | 426,205 | 395,259 | 426,205 |
| Total expenses | 18,229,945 | 19,863,271 | 690,429 | 744,100 | 18,920,374 | 20,607,371 |
| Transfers | (50,000) | (40,000) | 50,000 | 40,000 | - | - |
| Changes in net position | 1,775,497 | (1,158,014) | 49,847 | 9,198 | 1,825,344 | (1,148,816) |
| Net position (deficit) | | | | | | |
| at beginning of year (restated) | (10,703,089) | N/A | (515,812) | N/A | (11,218,901) | N/A |
| Net position (deficit) at end of year | \$ (8,927,592) | \$ (10,703,089) | \$ (465,965) | \$ (515,812) | \$ (9,393,557) | \$ (11,218,901) |

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Governmental Activities

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$1,349,104 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$915,546.

Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

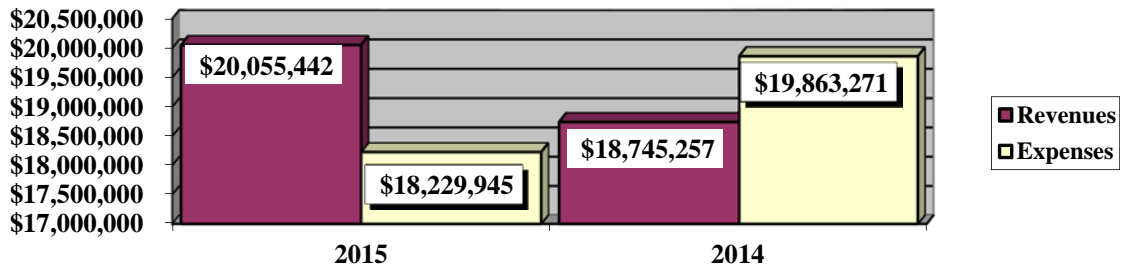
| | |
|---|-----------------------|
| Total 2015 program expenses under GASB 68 | \$ 18,229,945 |
| Pension expense under GASB 68 | (915,546) |
| 2015 contractually required contributions | <u>1,419,994</u> |
| Adjusted 2015 program expenses | 18,734,393 |
| Total 2014 program expenses under GASB 27 | <u>19,863,271</u> |
| Decrease in program expenses not related to pension | <u>\$ (1,128,878)</u> |

For fiscal year 2015, the net position of the District's governmental activities increased \$1,775,497. Total governmental expenses of \$18,229,945 were offset by program revenues of \$1,124,839 and general revenues of \$18,930,603. Program revenues supported 6.17% of the total governmental expenses. Program revenues decreased primarily due to Straight A grant funding revenue which was all recognized in fiscal year 2014. This grant concluded so intergovernmental revenues decreased.

General revenues increased \$2,218,141 primarily due collections on the 5.9 mill tax levy approved by the voters in November 2014.

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2015 and 2014.

Governmental Activities - Revenues and Expenses



**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2015 and 2014. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

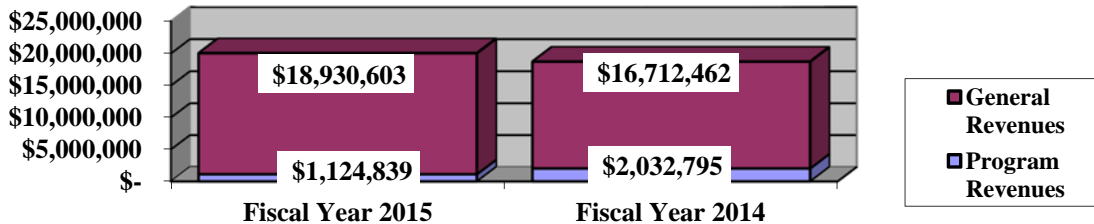
Governmental Activities

| | Total Cost of Services <u>2015</u> | Net Cost of Services <u>2015</u> | Total Cost of Services <u>2014</u> | Net Cost of Services <u>2014</u> |
|---|--|--|--|--|
| Program expenses: | | | | |
| Instruction: | | | | |
| Regular | \$ 7,663,106 | \$ 7,301,563 | \$ 8,800,139 | \$ 8,087,524 |
| Special | 2,345,687 | 1,897,791 | 2,426,035 | 2,133,917 |
| Vocational | 18,136 | 8,788 | 151,634 | 150,439 |
| Other | 1,678 | 1,678 | 4,070 | 4,070 |
| Support services: | | | | |
| Pupil | 1,161,245 | 1,127,468 | 1,281,432 | 1,126,800 |
| Instructional staff | 1,524,716 | 1,521,898 | 1,471,863 | 1,327,448 |
| Board of education | 168,189 | 168,189 | 341,110 | (3,295) |
| Administration | 1,359,561 | 1,359,146 | 1,099,895 | 1,061,553 |
| Fiscal | 587,856 | 587,856 | 626,595 | 626,595 |
| Business | 98,431 | 45,197 | 339,764 | 236,774 |
| Operations and maintenance | 1,668,550 | 1,640,618 | 1,576,722 | 1,491,777 |
| Pupil transportation | 36,677 | 15,077 | 24,234 | 9,834 |
| Central | 72,513 | 72,513 | 81,656 | 81,656 |
| Operation of non-instructional services | 2,774 | 2,774 | 3,702 | 3,702 |
| Extracurricular activities | 927,791 | 761,515 | 930,019 | 787,281 |
| Interest and fiscal charges | 593,035 | 593,035 | 704,401 | 704,401 |
| Total expenses | <u>\$ 18,229,945</u> | <u>\$ 17,105,106</u> | <u>\$ 19,863,271</u> | <u>\$ 17,830,476</u> |

The dependence upon tax revenues during fiscal year 2015 for governmental activities is apparent, as 91.84% of 2015 instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 93.83%. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio, are the primary support for District students.

The graph below presents the District's governmental activities revenue for fiscal years 2015 and 2014.

Governmental Activities - General and Program Revenues



**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Business-type Activities

Business-type activities include food service operations and the child care program. These programs had revenues of \$690,276, transfers in of \$50,000 and expenses of \$690,429 for fiscal year 2015. Management reviews these programs to develop policies to allow these services to become self-supporting.

The District's largest business-type activity is child care operations. Child care operations had \$444,817 in charges for services and sales, \$1,872 in operating grants and contributions and \$944 in general revenues and had total expenses of \$395,259. Child care revenues were sufficient to support child care expenses by \$52,374.

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 expenses still include pension expense of \$53,862 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$88,219.

Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

| | | |
|--|----|-----------------|
| Total 2015 program expenses under GASB 68 | \$ | 690,429 |
| Pension expense under GASB 68 | | (88,219) |
| 2015 contractually required contributions | | <u>55,365</u> |
| Adjusted 2015 program expenses | | 657,575 |
| Total 2014 program expenses under GASB 27 | | <u>744,100</u> |
| Increase (decrease) in program expenses not related to pension | \$ | <u>(86,525)</u> |

The District's Funds

Governmental Funds

The District's governmental funds (as presented on the Balance Sheet on page 20) reported a combined fund balance of \$9,297,873, which is more than last year's fund total of \$8,049,878.

The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2015 and 2014.

| | <u>Fund Balance</u> <u>June 30, 2015</u> | <u>Fund Balance</u> <u>June 30, 2014</u> | <u>Change</u> |
|--------------------|---|---|---------------------|
| General | \$ 7,745,124 | \$ 6,548,994 | \$ 1,196,130 |
| Other governmental | <u>1,552,749</u> | <u>1,500,884</u> | <u>51,865</u> |
| Total | <u>\$ 9,297,873</u> | <u>\$ 8,049,878</u> | <u>\$ 1,247,995</u> |

General Fund

The District's general fund balance increased \$1,196,130, primarily due to tax collections resulting from the passage of the 5.9 mill tax levy in November 2014.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

The table that follows assists in illustrating the financial activities and fund balance of the general fund.

| | <u>2015</u> <u>Amount</u> | <u>2014</u> <u>Amount</u> | <u>Increase</u> <u>(Decrease)</u> | <u>Percentage</u> <u>Change</u> |
|--|------------------------------|------------------------------|--------------------------------------|------------------------------------|
| <u>Revenues</u> | | | | |
| Property taxes and payment in lieu of taxes | \$ 13,691,639 | \$ 11,870,192 | \$ 1,821,447 | 15.34 % |
| Intergovernmental | 3,695,215 | 3,620,118 | 75,097 | 2.07 % |
| Investment earnings | 11,742 | 14,689 | (2,947) | (20.06) % |
| Tuition and fees | 334,513 | 270,802 | 63,711 | 23.53 % |
| Other revenues | <u>228,287</u> | <u>238,011</u> | <u>(9,724)</u> | (4.09) % |
| Total | <u>\$ 17,961,396</u> | <u>\$ 16,013,812</u> | <u>\$ 1,947,584</u> | 12.16 % |

Property tax and payment in lieu of taxes revenue increased primarily due to the tax collections on 5.9 mill tax levy approved by the voters in November 2014. Intergovernmental revenues increased due to increased Foundation funding from the State of Ohio. Tuition and fees increased due to increased enrollment and fees associated with classroom materials used in instruction.

The table that follows assists in illustrating the expenditures of the general fund.

| | <u>2015</u> <u>Amount</u> | <u>2014</u> <u>Amount</u> | <u>Increase</u> <u>(Decrease)</u> | <u>Percentage</u> <u>Change</u> |
|---|------------------------------|------------------------------|--------------------------------------|------------------------------------|
| <u>Expenditures</u> | | | | |
| Instruction | \$ 9,380,357 | \$ 10,093,638 | \$ (713,281) | (7.07) % |
| Support services | 6,453,745 | 5,965,684 | 488,061 | 8.18 % |
| Extracurricular activities | 771,556 | 765,077 | 6,479 | 0.85 % |
| Facilities acquisition and construction | 17,549 | 3,062 | 14,487 | 473.12 % |
| Debt service | <u>92,059</u> | <u>146,837</u> | <u>(54,778)</u> | (37.31) % |
| Total | <u>\$ 16,715,266</u> | <u>\$ 16,974,298</u> | <u>\$ (259,032)</u> | (1.53) % |

In total, expenditures decreased 1.53% from 2014.

Nonmajor Governmental Funds

The nonmajor governmental funds had \$2,402,696 in revenues and \$2,350,831 in expenditures. During fiscal 2015, the nonmajor governmental fund's fund balance increased \$51,865 from \$1,500,884 to \$1,552,749.

Enterprise Funds

The District's enterprise funds reported operating revenues of \$630,736, operating expenses of \$690,429 and nonoperating revenues of \$59,540 and a transfer in of \$50,000. Net position of the enterprise funds increased \$49,847 from (\$515,812) to (\$465,965). The Child Care Fund reported both a positive operating income and change in net position of \$50,502 and \$52,374, respectively. The Food Service Fund (a nonmajor enterprise fund) reported an operating loss and change in net position of (\$110,195) and (\$2,527), respectively.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

General Fund Budgeting Highlights

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

For the General Fund, the final budgeted revenue was \$14,933,870. The original budgeted revenue was \$14,933,870. Actual revenue and other financing sources was \$16,991,714. The difference between the final budgeted revenues and the actual revenues and other financing sources was \$2,057,844.

Total actual expenditures and other financing uses on the budget basis (cash outlays plus encumbrances) were \$17,347,450. This amount was \$373,366 less than the final budgeted amounts due mainly to instruction expenses being less than expected. The final budgeted expenditures and other financing uses were increased \$525,080 from the original budgeted amounts to account for an anticipated increase in employee salary and wage costs. Overall, fund balance on the budget basis increased \$35,450 from the prior year.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2015, the District had \$11,528,722 invested in land, buildings and improvements, furniture and equipment and vehicles. Of this total, \$11,504,149 was reported in governmental activities and \$24,573 was reported in business-type activities. The following table shows fiscal 2015 balances compared to 2014:

Capital Assets at June 30 (Net of Depreciation)

| | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | | <u>Total</u> | |
|----------------------------|--------------------------------|----------------------|---------------------------------|------------------|----------------------|----------------------|
| | <u>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> |
| Land | \$ 137,400 | \$ 137,400 | \$ - | \$ - | \$ 137,400 | \$ 137,400 |
| Buildings and improvements | 9,395,330 | 9,695,506 | - | - | 9,395,330 | 9,695,506 |
| Furniture and equipment | 1,850,615 | 1,777,892 | 24,573 | 28,756 | 1,875,188 | 1,806,648 |
| Vehicles | 120,804 | 12,335 | - | - | 120,804 | 12,335 |
| Total | <u>\$ 11,504,149</u> | <u>\$ 11,623,133</u> | <u>\$ 24,573</u> | <u>\$ 28,756</u> | <u>\$ 11,528,722</u> | <u>\$ 11,651,889</u> |

Overall capital assets, net of accumulated depreciation, decreased \$123,167 from fiscal year 2014 to fiscal year 2015. Capital outlays of \$616,458 were less than depreciation expense of \$739,511 and disposals of \$114 during the year. See Note 7 to the basic financial statements for more detail on the District's capital assets.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Debt Administration

At June 30, 2015, the District has \$3,565,000 in long-term debt outstanding. Of this total, \$700,000 is due within one year and \$2,865,000 is due within greater than one year. The following table summarizes outstanding long-term debt:

Outstanding Debt, at Year End

| | Governmental Activities 2015 | Governmental Activities 2014 |
|----------------------------|------------------------------------|------------------------------------|
| Long Term Debt: | | |
| General obligation bonds | \$ 3,565,000 | \$ 3,740,000 |
| Capital appreciation bonds | - | 50,463 |
| Capital lease obligation | - | 88,997 |
| | <u> </u> | <u> </u> |
| Total | <u>\$ 3,565,000</u> | <u>\$ 3,879,460</u> |

Payments of principal and interest on the general obligation bonds and note are made from the Debt Service Fund. See Note 8 to the basic financial statements for more detail on the District's long-term obligations.

Current Financial Related Activities

Grandview Yard

Nationwide Realty Investors purchased the former Big Bear property and many other adjacent properties with the intention of constructing a major redevelopment project known as Grandview Yard. In July of 2009, the District entered into a compensation agreement with the City of Grandview Heights, which included two components of funding to be paid from this project to the District from the City. First, the District is guaranteed a "hold-harmless" amount, representing compensation for lost tax revenue as a result of decreased property values from demolition done during the initial phase of the project. Secondly, the District will receive an amount equal to 11% of all real property taxes that would have been received by all political subdivisions and taxing districts on the exempt value of all the parcels of the property used for non-residential purposes and between 15% and 60% for residential units depending on the number of units and year of assessment.

Since 2010, the District has received a total of \$3,028,886 for payment in lieu of taxes from the City of Grandview Heights. Of this total amount received, \$2,391,489 is hold-harmless funding, representing no increase in overall revenue to the District. The remaining \$637,397 represents increased funding to the District over the five-year period since the project began. The overall increased revenue to the District is projected at approximately \$250,000 per year over the next five years.

State & Local Funding

The future financial stability of the District is not without challenges. Contributing to the challenge for the District is the funding received by the District from the State of Ohio. With the passage of the state budget earlier this summer, Grandview Heights Schools will lose a vital source of state funding support with the elimination of the tangible personal property tax reimbursement. The school district will realize a decrease in overall state funding of \$663,658 in FY 2017 compared to FY 2016, which represents almost 4% of our total annual operating budget.

We have also had to make some adjustments to our expenditures by adding staff and services in the classroom to meet the growing needs of our students. This is an important investment in our schools, and it will ensure Grandview Heights students have the support they need to be successful in the classroom.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

The voters in the District generously approved a 5.9 mill tax levy on November 4, 2014, which has enabled the District to maintain important programs and services that directly benefit our students. This support is especially important to help us weather financial challenges we face. Fortunately, community support, coupled with our commitment to responsible fiscal management, has prepared us for these challenges and unexpected scenarios. We have enacted various cost saving measures that have saved the district over \$100,000 annually in our daily operations. 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 2017-18 fiscal year for general operating purposes.

Looking forward, we will continue to analyze costs and implement initiatives that maximize taxpayer dollars and ensure money is being prioritized to the classroom. In fact, according to the Ohio Department of Education, Grandview Heights is ranked #1 in funds spent on classroom teaching when compared to other districts of a similar size. This goal remains very important to us.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional information contact: Beth Collier, Treasurer, at Grandview Heights City School District, 1587 West 3rd Avenue, Columbus, Ohio 43212.

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**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

STATEMENT OF NET POSITION
JUNE 30, 2015

| | Governmental Activities | Business-type Activities | Total |
|--|------------------------------------|-------------------------------------|-----------------------|
| Assets: | | | |
| Equity in pooled cash and cash equivalents . . . | \$ 5,393,979 | \$ 389,936 | \$ 5,783,915 |
| Cash in segregated accounts | 12,658 | - | 12,658 |
| Receivables: | | | |
| Property taxes | 15,045,214 | - | 15,045,214 |
| Payment in lieu of taxes | 815,916 | - | 815,916 |
| Accounts | 39,040 | 13,825 | 52,865 |
| Internal loans | - | - | - |
| Intergovernmental | 84,751 | 155 | 84,906 |
| Materials and supplies inventory | - | 173 | 173 |
| Inventory held for resale | - | 1,329 | 1,329 |
| Capital assets: | | | |
| Nondepreciable capital assets | 137,400 | - | 137,400 |
| Depreciable capital assets, net | 11,366,749 | 24,573 | 11,391,322 |
| Capital assets, net | 11,504,149 | 24,573 | 11,528,722 |
| Total assets | <u>32,895,707</u> | <u>429,991</u> | <u>33,325,698</u> |
| Deferred outflows of resources: | | | |
| Pension - STRS | 1,368,364 | - | 1,368,364 |
| Pension - SERS | 271,711 | 60,990 | 332,701 |
| Total deferred outflows of resources | <u>1,640,075</u> | <u>60,990</u> | <u>1,701,065</u> |
| Liabilities: | | | |
| Accounts payable | 257,545 | 13,467 | 271,012 |
| Accrued wages and benefits payable | 1,495,626 | 23,126 | 1,518,752 |
| Intergovernmental payable | 77,032 | 1,811 | 78,843 |
| Pension and postemployment benefits payable | 221,686 | 33,082 | 254,768 |
| Accrued interest payable | 14,832 | - | 14,832 |
| Unearned revenue | - | 40,735 | 40,735 |
| Deposits held and due to others | 12,658 | - | 12,658 |
| Long-term liabilities: | | | |
| Due within one year | 948,335 | 4,086 | 952,421 |
| Due in more than one year: | | | |
| Net pension liability (See Note 14) | 23,180,542 | 718,638 | 23,899,180 |
| Other amounts due in more than one year | 3,686,385 | 5,364 | 3,691,749 |
| Total liabilities | <u>29,894,641</u> | <u>840,309</u> | <u>30,734,950</u> |
| Deferred inflows of resources: | | | |
| Property taxes levied for the next fiscal year | 8,537,007 | - | 8,537,007 |
| Payment in lieu of taxes levied for the next fiscal year | 815,916 | - | 815,916 |
| Pension - STRS | 3,696,186 | - | 3,696,186 |
| Pension - SERS | 519,624 | 116,637 | 636,261 |
| Total deferred inflows of resources | <u>13,568,733</u> | <u>116,637</u> | <u>13,685,370</u> |
| Net position: | | | |
| Net investment in capital assets | 7,939,149 | 24,573 | 7,963,722 |
| Restricted for: | | | |
| Capital projects | 509,005 | - | 509,005 |
| Debt service | 987,704 | - | 987,704 |
| State funded programs | 7,200 | - | 7,200 |
| Federally funded programs | 6,234 | - | 6,234 |
| Unrestricted (deficit) | (18,376,884) | (490,538) | (18,867,422) |
| Total net position (deficit) | <u>\$ (8,927,592)</u> | <u>\$ (465,965)</u> | <u>\$ (9,393,557)</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

| | Expenses | Program Revenues | |
|---|---------------|-----------------------------------|---------------------------------------|
| | | Charges for Services and Sales | Operating Grants and Contributions |
| Governmental activities: | | | |
| Instruction: | | | |
| Regular | \$ 7,663,106 | \$ 334,513 | \$ 27,030 |
| Special | 2,345,687 | - | 447,896 |
| Vocational | 18,136 | - | 9,348 |
| Other | 1,678 | - | - |
| Support services: | | | |
| Pupil. | 1,161,245 | - | 33,777 |
| Instructional staff | 1,524,716 | - | 2,818 |
| Board of education | 168,189 | - | - |
| Administration. | 1,359,561 | - | 415 |
| Fiscal. | 587,856 | - | - |
| Business. | 98,431 | 53,234 | - |
| Operations and maintenance | 1,668,550 | 27,932 | - |
| Pupil transportation. | 36,677 | - | 21,600 |
| Central | 72,513 | - | - |
| Operation of non-instructional services | 2,774 | - | - |
| Extracurricular activities. | 927,791 | 166,276 | - |
| Interest and fiscal charges | 593,035 | - | - |
| Total governmental activities | 18,229,945 | 581,955 | 542,884 |
| Business-type activities: | | | |
| Child care. | 395,259 | 444,817 | 1,872 |
| Food service. | 295,170 | 184,568 | 57,668 |
| Total business-type activities | 690,429 | 629,385 | 59,540 |
| Totals | \$ 18,920,374 | \$ 1,211,340 | \$ 602,424 |

General revenues:

- Property taxes levied for:
 - General purposes
 - Debt service.
 - Capital outlay.
 - Payments in lieu of taxes.
- Grants and entitlements not restricted to specific programs
- Investment earnings
- Miscellaneous

Total general revenues

Transfers

Total general revenues and transfers

Change in net position

Net position at beginning of year (restated)

Net position at end of year.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Net (Expense) Revenue
and Changes in Net Position**

| Governmental Activities | Business-Type Activities | Total |
|------------------------------------|-------------------------------------|----------------|
| \$ (7,301,563) | \$ - | \$ (7,301,563) |
| (1,897,791) | - | (1,897,791) |
| (8,788) | - | (8,788) |
| (1,678) | - | (1,678) |
| (1,127,468) | - | (1,127,468) |
| (1,521,898) | - | (1,521,898) |
| (168,189) | - | (168,189) |
| (1,359,146) | - | (1,359,146) |
| (587,856) | - | (587,856) |
| (45,197) | - | (45,197) |
| (1,640,618) | - | (1,640,618) |
| (15,077) | - | (15,077) |
| (72,513) | - | (72,513) |
| (2,774) | - | (2,774) |
| (761,515) | - | (761,515) |
| (593,035) | - | (593,035) |
| (17,105,106) | - | (17,105,106) |
| - | 51,430 | 51,430 |
| - | (52,934) | (52,934) |
| - | (1,504) | (1,504) |
| (17,105,106) | (1,504) | (17,106,610) |
| 12,917,131 | - | 12,917,131 |
| 841,460 | - | 841,460 |
| 479,789 | - | 479,789 |
| 805,514 | - | 805,514 |
| 3,718,251 | - | 3,718,251 |
| 11,742 | - | 11,742 |
| 156,716 | 1,351 | 158,067 |
| 18,930,603 | 1,351 | 18,931,954 |
| (50,000) | 50,000 | - |
| 18,880,603 | 51,351 | 18,931,954 |
| 1,775,497 | 49,847 | 1,825,344 |
| (10,703,089) | (515,812) | (11,218,901) |
| \$ (8,927,592) | \$ (465,965) | \$ (9,393,557) |

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

| | <u>General</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|----------------------|--|---|
| Assets: | | | |
| Equity in pooled cash and cash equivalents . . . | \$ 4,234,812 | \$ 1,159,167 | \$ 5,393,979 |
| Cash in segregated accounts | 12,658 | - | 12,658 |
| Receivables: | | | |
| Property taxes | 13,653,813 | 1,391,401 | 15,045,214 |
| Payment in lieu of taxes | 815,916 | - | 815,916 |
| Accounts | 39,015 | 25 | 39,040 |
| Interfund loans | 21,378 | - | 21,378 |
| Intergovernmental | 25,269 | 59,482 | 84,751 |
| Total assets | <u>18,802,861</u> | <u>2,610,075</u> | <u>21,412,936</u> |
| Liabilities: | | | |
| Accounts payable | \$ 103,527 | \$ 154,018 | \$ 257,545 |
| Accrued wages and benefits payable | 1,460,431 | 35,195 | 1,495,626 |
| Compensated absences payable | 118,939 | - | 118,939 |
| Intergovernmental payable | 75,015 | 2,017 | 77,032 |
| Pension and postemployment benefits payable. | 216,759 | 4,927 | 221,686 |
| Interfund loans payable | - | 21,378 | 21,378 |
| Deposits held and due to others | 12,658 | - | 12,658 |
| Total liabilities. | <u>1,987,329</u> | <u>217,535</u> | <u>2,204,864</u> |
| Deferred inflows of resources: | | | |
| Property taxes levied for the next fiscal year. . . | 7,747,493 | 789,514 | 8,537,007 |
| Payment in lieu of taxes levied for the next fiscal year. | 815,916 | - | 815,916 |
| Delinquent property tax revenue not available. . . . | 480,579 | 48,973 | 529,552 |
| Intergovernmental revenue not available. | - | 1,304 | 1,304 |
| Miscellaneous revenue not available. | 26,420 | - | 26,420 |
| Total deferred inflows of resources | <u>9,070,408</u> | <u>839,791</u> | <u>9,910,199</u> |
| Fund balances: | | | |
| Restricted: | | | |
| Debt service | - | 971,326 | 971,326 |
| Capital improvements | - | 491,242 | 491,242 |
| Vocational education. | - | 6,234 | 6,234 |
| Other purposes. | - | 7,200 | 7,200 |
| Extracurricular. | - | 79,381 | 79,381 |
| Assigned: | | | |
| Student and staff support. | 119,064 | - | 119,064 |
| School supplies | 56,319 | - | 56,319 |
| Unassigned (deficit) | 7,569,741 | (2,634) | 7,567,107 |
| Total fund balances | <u>7,745,124</u> | <u>1,552,749</u> | <u>9,297,873</u> |
| Total liabilities, deferred inflows and fund balances | <u>\$ 18,802,861</u> | <u>\$ 2,610,075</u> | <u>\$ 21,412,936</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2015

| | | | |
|---|----|--------------|--------------|
| Total governmental fund balances | | \$ | 9,297,873 |
| <i>Amounts reported for governmental activities on the statement of net position are different because:</i> | | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | | | 11,504,149 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds. | | | |
| Delinquent property taxes receivable | \$ | 529,552 | |
| Accounts receivable | | 2,490 | |
| Intergovernmental receivable | | 25,234 | |
| Total | | 557,276 | 557,276 |
| Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds. | | | (14,832) |
| The net pension liability is not due and payable in the current period; therefore, liability and related deferred inflows are not reported in governmental funds. | | | |
| Deferred outflows - Pension | | 1,640,075 | |
| Deferred inflows - Pension | | (4,215,810) | |
| Net pension liability | | (23,180,542) | |
| Total | | (25,756,277) | (25,756,277) |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. | | | |
| General obligation bonds | | (3,565,000) | |
| Compensated absences | | (950,781) | |
| Total | | (4,515,781) | (4,515,781) |
| Net position of governmental activities | | \$ | (8,927,592) |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

| | <u>General</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|---------------------|--|---|
| Revenues: | | | |
| From local sources: | | | |
| Property taxes | \$ 12,886,125 | \$ 1,323,072 | \$ 14,209,197 |
| Payment in lieu of taxes | 805,514 | - | 805,514 |
| Tuition | 224,261 | - | 224,261 |
| Earnings on investments | 11,742 | - | 11,742 |
| Extracurricular | - | 166,276 | 166,276 |
| Classroom materials and fees | 110,252 | - | 110,252 |
| Rental income | 27,932 | - | 27,932 |
| Other local revenues | 200,355 | 6,330 | 206,685 |
| Intergovernmental - state | 3,682,262 | 426,638 | 4,108,900 |
| Intergovernmental - federal | 12,953 | 480,380 | 493,333 |
| Total revenues | <u>17,961,396</u> | <u>2,402,696</u> | <u>20,364,092</u> |
| Expenditures: | | | |
| Current: | | | |
| Instruction: | | | |
| Regular | 7,347,796 | 264,218 | 7,612,014 |
| Special | 2,009,053 | 401,322 | 2,410,375 |
| Vocational | 21,742 | - | 21,742 |
| Other | 1,766 | - | 1,766 |
| Support services: | | | |
| Pupil | 1,089,205 | 35,452 | 1,124,657 |
| Instructional staff | 1,543,568 | 3,493 | 1,547,061 |
| Board of education | 168,189 | - | 168,189 |
| Administration | 1,387,527 | 535 | 1,388,062 |
| Fiscal | 572,650 | 20,289 | 592,939 |
| Business | 50,531 | - | 50,531 |
| Operations and maintenance | 1,557,638 | 11,249 | 1,568,887 |
| Pupil transportation | 15,077 | 21,600 | 36,677 |
| Central | 69,360 | - | 69,360 |
| Extracurricular activities | 771,556 | 147,714 | 919,270 |
| Facilities acquisition and construction | 17,549 | 547,125 | 564,674 |
| Debt service: | | | |
| Principal retirement | 88,997 | 225,463 | 314,460 |
| Interest and fiscal charges | 3,062 | 672,371 | 675,433 |
| Total expenditures | <u>16,715,266</u> | <u>2,350,831</u> | <u>19,066,097</u> |
| Excess of revenues over (under) expenditures | <u>1,246,130</u> | <u>51,865</u> | <u>1,297,995</u> |
| Other financing uses: | | | |
| Transfers (out) | (50,000) | - | (50,000) |
| Net change in fund balances | 1,196,130 | 51,865 | 1,247,995 |
| Fund balances at beginning of year | <u>6,548,994</u> | <u>1,500,884</u> | <u>8,049,878</u> |
| Fund balances at end of year | <u>\$ 7,745,124</u> | <u>\$ 1,552,749</u> | <u>\$ 9,297,873</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

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, 2015

| | | |
|---|------------|------------------|
| Net change in fund balances - total governmental funds | \$ | 1,247,995 |
| <i>Amounts reported for governmental activities in the statement of activities are different because:</i> | | |
| 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. | | |
| Capital asset additions | \$ 616,458 | |
| Current year depreciation | (735,328) | |
| Total | | (118,870) |
| The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position. | | |
| | | (114) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | |
| Delinquent property tax revenue | 29,183 | |
| Other local revenue | 2,490 | |
| Intergovernmental revenue | (340,323) | |
| Total | | (308,650) |
| Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. Principal payments during the year were: | | |
| Bonds | 225,463 | |
| Capital leases | 88,997 | |
| Total | | 314,460 |
| In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. | | |
| | | 82,398 |
| Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. | | |
| | | 53,830 |
| Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows. | | |
| | | 1,419,994 |
| Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. | | |
| | | (915,546) |
| Change in net position of governmental activities | \$ | 1,775,497 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---|-------------------------|---------------------|---------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| From local sources: | | | | |
| Property taxes | \$ 10,368,562 | \$ 10,368,562 | \$ 12,017,064 | \$ 1,648,502 |
| Payment in lieu of taxes. | 687,000 | 687,000 | 805,514 | 118,514 |
| Tuition. | 165,560 | 165,560 | 217,366 | 51,806 |
| Earnings on investments | 15,000 | 15,000 | 11,677 | (3,323) |
| Classroom materials and fees | 50,300 | 50,300 | 52,455 | 2,155 |
| Rental income | 30,500 | 30,500 | 27,901 | (2,599) |
| Other local revenues | 30,000 | 30,000 | 89,975 | 59,975 |
| Intergovernmental - state | 3,571,948 | 3,571,948 | 3,690,968 | 119,020 |
| Intergovernmental - federal | 15,000 | 15,000 | 12,953 | (2,047) |
| Total revenues | <u>14,933,870</u> | <u>14,933,870</u> | <u>16,925,873</u> | <u>1,992,003</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 7,882,114 | 8,076,751 | 7,572,811 | 503,940 |
| Special. | 2,256,691 | 2,380,891 | 2,127,564 | 253,327 |
| Vocational. | 208,949 | 208,949 | 83,530 | 125,419 |
| Other. | 6,805 | 6,805 | 2,020 | 4,785 |
| Support services: | | | | |
| Pupil. | 1,105,277 | 1,141,769 | 1,193,219 | (51,450) |
| Instructional staff | 1,493,368 | 1,544,717 | 1,618,192 | (73,475) |
| Board of education | 74,448 | 74,448 | 166,236 | (91,788) |
| Administration. | 1,146,664 | 1,156,044 | 1,430,810 | (274,766) |
| Fiscal | 629,516 | 629,516 | 592,821 | 36,695 |
| Business | 37,000 | 37,000 | 20,645 | 16,355 |
| Operations and maintenance. | 1,438,982 | 1,524,504 | 1,592,631 | (68,127) |
| Pupil transportation | 20,220 | 21,220 | 15,077 | 6,143 |
| Central. | 80,261 | 82,761 | 65,079 | 17,682 |
| Extracurricular activities. | 740,441 | 760,441 | 795,437 | (34,996) |
| Facilities acquisition and construction | 5,000 | 5,000 | - | 5,000 |
| Total expenditures | <u>17,125,736</u> | <u>17,650,816</u> | <u>17,276,072</u> | <u>374,744</u> |
| Excess of revenues (under) expenditures | <u>(2,191,866)</u> | <u>(2,716,946)</u> | <u>(350,199)</u> | <u>2,366,747</u> |
| Other financing sources (uses): | | | | |
| Refund of prior year's expenditures | - | - | 54,600 | 54,600 |
| Transfers (out). | (70,000) | (70,000) | (50,000) | 20,000 |
| Advances in. | - | - | 11,241 | 11,241 |
| Advances (out) | - | - | (21,378) | (21,378) |
| Total other financing sources (uses) | <u>(70,000)</u> | <u>(70,000)</u> | <u>(5,537)</u> | <u>64,463</u> |
| Net change in fund balance | (2,261,866) | (2,786,946) | (355,736) | 2,431,210 |
| Fund balance at beginning of year | 3,986,642 | 3,986,642 | 3,986,642 | - |
| Prior year encumbrances appropriated | 391,186 | 391,186 | 391,186 | - |
| Fund balance at end of year | <u>\$ 2,115,962</u> | <u>\$ 1,590,882</u> | <u>\$ 4,022,092</u> | <u>\$ 2,431,210</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

| | Child Care Fund | Nonmajor Enterprise Fund | Total Business-Type Activities - Enterprise Funds |
|---|----------------------------|---|--|
| Assets: | | | |
| Equity in pooled cash and cash equivalents | \$ 387,768 | \$ 2,168 | \$ 389,936 |
| Receivables: | | | |
| Accounts | 13,393 | 432 | 13,825 |
| Intergovernmental. | 155 | - | 155 |
| Materials and supplies inventory. | - | 173 | 173 |
| Inventory held for resale | - | 1,329 | 1,329 |
| Total current assets | <u>401,316</u> | <u>4,102</u> | <u>405,418</u> |
| Noncurrent assets: | | | |
| Depreciable capital assets, net | <u>3,734</u> | <u>20,839</u> | <u>24,573</u> |
| Total assets. | <u>405,050</u> | <u>24,941</u> | <u>429,991</u> |
| Deferred outflows of resources: | | | |
| Pension - SERS | <u>42,302</u> | <u>18,688</u> | <u>60,990</u> |
| Liabilities: | | | |
| Accounts payable. | 13,467 | - | 13,467 |
| Accrued wages and benefits | - | 23,126 | 23,126 |
| Compensated absences. | 4,086 | - | 4,086 |
| Pension and postemployment benefits payable. | 23,103 | 9,979 | 33,082 |
| Intergovernmental payable | 1,006 | 805 | 1,811 |
| Unearned revenue | <u>31,269</u> | <u>9,466</u> | <u>40,735</u> |
| Total current liabilities | <u>72,931</u> | <u>43,376</u> | <u>116,307</u> |
| Long-term liabilities: | | | |
| Compensated absences payable. | - | 5,364 | 5,364 |
| Net pension liability (See Note 14) | <u>498,442</u> | <u>220,196</u> | <u>718,638</u> |
| Total long-term liabilities | <u>498,442</u> | <u>225,560</u> | <u>724,002</u> |
| Total liabilities | <u>571,373</u> | <u>268,936</u> | <u>840,309</u> |
| Deferred inflows of resources: | | | |
| Pension - SERS | <u>80,899</u> | <u>35,738</u> | <u>116,637</u> |
| Net position: | | | |
| Investment in capital assets | 3,734 | 20,839 | 24,573 |
| Unrestricted (deficit) | <u>(208,654)</u> | <u>(281,884)</u> | <u>(490,538)</u> |
| Total net position (deficit) | <u>\$ (204,920)</u> | <u>\$ (261,045)</u> | <u>\$ (465,965)</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

| | Child Care Fund | Nonmajor Enterprise Fund | Total Business-Type Activities - Enterprise Funds |
|---|----------------------------|---|--|
| Operating revenues: | | | |
| Charges for services. | \$ 444,817 | \$ 184,568 | \$ 629,385 |
| Other | 944 | 407 | 1,351 |
| Total operating revenues | <u>445,761</u> | <u>184,975</u> | <u>630,736</u> |
| Operating expenses: | | | |
| Personal services. | 341,923 | 192,993 | 534,916 |
| Purchased services. | 10,634 | 2,442 | 13,076 |
| Materials and supplies | 39,009 | 95,844 | 134,853 |
| Other. | 2,428 | 973 | 3,401 |
| Depreciation | 1,265 | 2,918 | 4,183 |
| Total operating expenses. | <u>395,259</u> | <u>295,170</u> | <u>690,429</u> |
| Operating income (loss) | <u>50,502</u> | <u>(110,195)</u> | <u>(59,693)</u> |
| Nonoperating revenues: | | | |
| Grants and subsidies. | 1,872 | 46,568 | 48,440 |
| Federal donated commodities | - | 11,100 | 11,100 |
| Total nonoperating revenues. | <u>1,872</u> | <u>57,668</u> | <u>59,540</u> |
| Income (loss) before transfers | 52,374 | (52,527) | (153) |
| Transfer in | - | 50,000 | 50,000 |
| Change in net position | 52,374 | (2,527) | 49,847 |
| Net position at beginning of year (restated) . | <u>(257,294)</u> | <u>(258,518)</u> | <u>(515,812)</u> |
| Net position at end of year | <u>\$ (204,920)</u> | <u>\$ (261,045)</u> | <u>\$ (465,965)</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

| | <u>Child Care Fund</u> | <u>Nonmajor Enterprise Fund</u> | <u>Total Business-Type Activities - Enterprise Funds</u> |
|--|----------------------------|---|--|
| Cash flows from operating activities: | | | |
| Cash received from charges for services | \$ 480,719 | \$ 187,030 | \$ 667,749 |
| Cash received from other operations | 944 | 407 | 1,351 |
| Cash payments for personal services | (337,442) | (195,630) | (533,072) |
| Cash payments for purchased services | (13,163) | (2,442) | (15,605) |
| Cash payments for materials and supplies | (29,229) | (84,746) | (113,975) |
| Cash payments for other expenses | (2,428) | (973) | (3,401) |
| | | | |
| Net cash provided by (used in) operating activities | 99,401 | (96,354) | 3,047 |
| Cash flows from noncapital financing activities: | | | |
| Cash received from grants and subsidies | 2,470 | 46,568 | 49,038 |
| Cash received from transfers in | - | 50,000 | 50,000 |
| | | | |
| Net cash provided by noncapital financing activities | 2,470 | 96,568 | 99,038 |
| | | | |
| Net increase in cash and cash equivalents | 101,871 | 214 | 102,085 |
| | | | |
| Cash and cash equivalents at beginning of year . . . | 285,897 | 1,954 | 287,851 |
| Cash and cash equivalents at end of year | \$ 387,768 | \$ 2,168 | \$ 389,936 |
| Reconciliation of operating income (loss) to net cash provided by (used in) operating activities: | | | |
| Operating income (loss) | \$ 50,502 | \$ (110,195) | \$ (59,693) |
| Adjustments: | | | |
| Depreciation | 1,265 | 2,918 | 4,183 |
| Federal donated commodities | - | 11,100 | 11,100 |
| Changes in assets and liabilities: | | | |
| Decrease in materials and supplies inventory | - | 1,327 | 1,327 |
| (Increase) in inventory held for resale | - | (1,329) | (1,329) |
| (Increase) decrease in accounts receivable | 12,971 | (281) | 12,690 |
| (Increase) in deferred outflows - pensions | (5,473) | (1,655) | (7,128) |
| (Decrease) in accounts payable | 7,251 | - | 7,251 |
| Increase (decrease) in accrued wages and benefits . . | (20,398) | 59 | (20,339) |
| Increase (decrease) in intergovernmental payable . . . | (280) | 87 | (193) |
| Increase (decrease) in compensated absences payable . | 3,308 | (2,514) | 794 |
| (Decrease) in pension obligation payable | (8,223) | (3,049) | (11,272) |
| (Decrease) in net pension liability | (45,352) | (31,303) | (76,655) |
| Increase in deferred inflows - pensions | 80,899 | 35,738 | 116,637 |
| Increase in unearned revenue | 22,931 | 2,743 | 25,674 |
| | | | |
| Net cash provided by (used in) operating activities | \$ 99,401 | \$ (96,354) | \$ 3,047 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
JUNE 30, 2015

| | Agency |
|--|---------------|
| Assets: | |
| Equity in pooled cash and cash equivalents . . . | \$ 73,738 |
| Total assets. | \$ 73,738 |
| Liabilities: | |
| Intergovernmental payable | \$ 3,262 |
| Due to students. | 70,476 |
| Total liabilities | \$ 73,738 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 - DESCRIPTION OF THE DISTRICT

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.

NOTE 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 Governmental Accounting Standards Board (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. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The following organizations are described due to their relationship to the District.

JOINTLY GOVERNED ORGANIZATION

Meta Solutions

The District is a participant in Meta Solutions which is a computer consortium that was the result of a merger between Tri-Rivers Educational Computer Association (TRECA) and the Metropolitan Educational Council (MEC). Meta Solutions develops, implements and supports the technology and instructional needs of schools in a cost-effective manner. Meta Solutions provides instructional, core, technology and purchasing services for its member districts. The Board of Directors consists of the Superintendents from eight of the member districts. During fiscal year 2015, the District paid Meta Solutions \$60,815 for services. Financial information can be obtained from Scott Armstrong, who serves as Chief Financial Officer, 100 Executive Drive, Marion, Ohio 43302.

JOINT VENTURE WITHOUT EQUITY INTEREST

The Rockbridge Academy (the "Academy")

The Academy is a joint venture consisting of a consortium of five school districts. The Academy 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.

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 Academy; however, the District does have an ongoing financial obligation to support the Academy in meeting its financial obligations. The District submitted \$7,000 to the Rockbridge Academy during fiscal year 2015. Further detailed financial information may be obtained by contacting the Educational Service Center of Central Ohio at (614) 445-3750.

INSURANCE POOL

Ohio School Plan (the "Plan")

The District participates in the Plan, an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. See Note 12.A. for detailed information about the plan.

B. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

GOVERNMENTAL FUNDS

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

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.

Nonmajor governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) financial resources that are restricted, committed, or assigned for the repayment of long-term obligation principal and interest and (c) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

PROPRIETARY FUNDS

Proprietary funds focus on the determination of operating income, changes in net position, financial position, and cash flows. The District's only proprietary funds are enterprise funds. Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following is the District's major enterprise fund:

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

The nonmajor enterprise fund of the District is used to account for food service operations.

FIDUCIARY FUNDS

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

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. Basis of Presentation

Government-Wide Financial Statements - The statement of net position 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 those activities of the District that are governmental and those that are considered business-type activities.

The statement of net position presents the financial condition of the governmental and business-type activities of the District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities and for the business-type 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 charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limitations. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

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

D. Measurement Focus

Government-Wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the District are included on the statement of net position.

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

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses and changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary fund activities.

E. 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.

Non-exchange 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 6). 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 non-exchange 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, payment in lieu of taxes, tuition, grants, and student fees.

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, deferred outflows of resources have been reported for the following two items related the District's net pension liability: (1) the difference between expected and actual experience of the pension systems, and (2) the District's contributions to the pension systems subsequent to the measurement date.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, payments in lieu of taxes and unavailable revenue. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2016 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

The District also reports a deferred inflow of resources for the net difference between projected and actual earnings on pension plan investments related to the District's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position.

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.

F. Cash and Investments

To improve cash management, cash received by the District is pooled. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements. The District had no investments at June 30, 2015. All cash was maintained in depository accounts.

Under existing Ohio statutes, interest earnings are allotted to the general fund unless the Board of Education has, by resolution, specified funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2015 amounted to \$11,742 which includes \$2,831 assigned from other District funds.

For purposes of the statement of cash flows and for presentation on the statement of net position, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the District's investment account at fiscal year-end is provided in Note 4.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

G. Inventory

Within the basic financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories of the general fund were not significant at year-end. Inventories of the food service enterprise fund (a nonmajor enterprise fund) consist of donated and purchased food and supplies. Donated commodities are presented at their entitlement value.

H. Capital Assets and Depreciation

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

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 increased its capitalization threshold from \$300 to \$500 during fiscal year 2015. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

| <u>Description</u> | Governmental Activities <u>Estimated Lives</u> | Business-Type Activities <u>Estimated Lives</u> |
|----------------------------|--|---|
| Buildings and Improvements | 5 - 50 Years | N/A |
| Furniture and Equipment | 3 - 20 Years | 3 - 20 Years |
| Vehicles | 10 Years | N/A |

I. 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.

Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

J. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as interfund loan receivables and payables. These interfund balances between governmental funds are eliminated for reporting on the statement of net position.

K. 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 right to receive compensation is 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 and vacation 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. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees with 15 years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16. 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.

L. Accrued Liabilities and Long-term Debt

All accrued liabilities and long-term debt are 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.

M. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the 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 first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

N. Fund Balance

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

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

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

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes, but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

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

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

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

O. Budget Stabilization Arrangement

The District has established a budget stabilization reserve. Additions to the budget stabilization reserve can only be made by formal resolution of the Board of Education. Expenditures out of the budget stabilization reserve can only be made to offset future budget deficits. At June 30, 2015, the balance in the budget stabilization reserve was \$750,000. This amount is included in unassigned fund balance of the general fund and in unrestricted net position on the statement of net position.

P. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are charges for services for the child care fund and the food service fund (a nonmajor enterprise fund). Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. All revenues and expenses not meeting these definitions are classified as nonoperating.

Q. Budgetary Data

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

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

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

R. 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 assigned in the General Fund only, since they do not constitute expenditures or liabilities.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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 re-appropriated.

S. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

T. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2015.

U. Estimates

The preparation of financial statements in conformity with GAAP 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.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles/Restatement of Net Position

For fiscal year 2015, the District has implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27", GASB Statement No. 69 "Government Combinations and Disposals of Government Operations", and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68".

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the District.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 68 improves the accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The implementation of GASB Statement No. 68 affected the District's pension plan disclosures, as presented in Note 14 to the financial statements, and added required supplementary information which is presented on pages 64 - 70.

GASB Statement No. 71 improves the accounting and financial reporting by addressing an issue in GASB Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities.

A net position restatement is required in order to implement GASB Statement No 68 and 71. The net position of the governmental activities and business-type activities at July 1, 2014 have been restated as follows:

| | Governmental Activities | Business-Type Activities |
|--|----------------------------|-----------------------------|
| Net position as previously reported | \$ 15,557,636 | \$ 225,619 |
| Deferred outflows - payments subsequent to measurement date | 1,349,104 | 53,862 |
| Net pension liability | (27,609,829) | (795,293) |
| Restated net position at July 1, 2014 | \$ (10,703,089) | \$ (515,812) |

Other than employer contributions subsequent to the measurement date, the District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available. The restatement had no effect on fund balances.

B. Deficit Fund Balances/Net Position

Fund balances/net position at June 30, 2015 included the following individual fund deficits:

| <u>Nonmajor governmental funds</u> | <u>Deficit</u> |
|------------------------------------|----------------|
| IDEA Part B | \$ 2,158 |
| Title I | 429 |
| Improving teacher quality | 47 |
| <u>Major enterprise fund</u> | |
| Child care | 204,920 |
| <u>Nonmajor enterprise fund</u> | |
| Food service | 261,045 |

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances/net position resulted from adjustments for accrued liabilities. The individual fund deficits of the nonmajor governmental funds above are reported as unassigned fund balance on the governmental funds balance sheet.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

A. Cash on Hand

At June 30, 2015, the District had \$430 in undeposited cash on hand which is included on the financial statements as part of "equity in pooled cash and cash equivalents".

B. Cash in Segregated Accounts

At June 30, 2015, the District has \$12,658 in a separate depository account for FSA clearing held separate from the District's internal investment pool. This balance of this depository account is included in "deposits with financial institutions" below.

C. Deposits with Financial Institutions

At June 30, 2015, the carrying amount of all District deposits was \$5,869,881. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2015, \$3,571,727 of the District's bank balance of \$6,012,671 was exposed to custodial risk as discussed below, while \$2,440,944 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

D. Investments

At June 30, 2015, the District had no investments.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

E. Reconciliation of Cash and Cash Equivalents to the Statement of Net Position

The following is a reconciliation of cash and cash equivalents as reported in the note above to cash and cash equivalents as reported on the statement of net position as of June 30, 2015:

| | |
|---|---------------------|
| <u>Cash and investments per note</u> | |
| Carrying amount of deposits | \$ 5,869,881 |
| Cash on hand | <u>430</u> |
| Total | <u>\$ 5,870,311</u> |
| <u>Cash and investments per statement of net position</u> | |
| Governmental activities | \$ 5,406,637 |
| Business-type activities | 389,936 |
| Agency funds | <u>73,738</u> |
| Total | <u>\$ 5,870,311</u> |

NOTE 5 - RECEIVABLES

Receivables at June 30, 2015 consisted of property taxes, payments in lieu of taxes, accounts (billings for user charged services and student fees) and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of Federal funds.

A summary of the principal items of receivables reported on the statement of net position follows:

| | Governmental activities | Business-type activities |
|---------------------------|----------------------------|-----------------------------|
| Property taxes | \$ 15,045,214 | \$ - |
| Intergovernmental | 84,751 | 155 |
| Accounts | 39,040 | 13,825 |
| Payments in lieu of taxes | <u>815,916</u> | <u>-</u> |
| Total | <u>\$ 15,984,921</u> | <u>\$ 13,980</u> |

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2015 represent the collection of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed values as of January 1, 2014, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2015 represent the collection of calendar year 2014 taxes. Public utility real and personal property taxes received in calendar year 2015 became a lien on December 31, 2013, were levied after April 1, 2014, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Franklin County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2015, are available to finance fiscal year 2015 operations. The amount available as an advance at June 30, 2015 was \$5,425,741 in the general fund, \$352,366 in the debt service fund and \$200,548 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2014 was \$4,529,063 in the general fund, \$310,671 in the debt service fund and \$194,059 in the permanent improvement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2015 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

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

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2015 taxes were collected are:

| | 2014 Second Half Collections | | 2015 First Half Collections | |
|---|---------------------------------|----------------|--------------------------------|----------------|
| | <u>Amount</u> | <u>Percent</u> | <u>Amount</u> | <u>Percent</u> |
| Agricultural/residential and other real estate | \$ 273,346,610 | 96.94 | \$ 294,708,350 | 97.14 |
| Public utility personal | <u>8,617,680</u> | <u>3.06</u> | <u>8,688,080</u> | <u>2.86</u> |
| Total | <u>\$ 281,964,290</u> | <u>100.00</u> | <u>\$ 303,396,430</u> | <u>100.00</u> |
| Tax rate per \$1,000 of assessed valuation | \$ 104.30 | | \$ 105.30 | |

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

| | <u>Balance 06/30/14</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance 06/30/15</u> |
|---|-----------------------------|---------------------|-------------------|-----------------------------|
| Governmental activities: | | | | |
| <i>Capital assets, not being depreciated:</i> | | | | |
| Land | \$ 137,400 | \$ - | \$ - | \$ 137,400 |
| Total capital assets, not being depreciated | <u>137,400</u> | <u>-</u> | <u>-</u> | <u>137,400</u> |
| <i>Capital assets, being depreciated:</i> | | | | |
| Buildings and improvements | 17,667,117 | - | - | 17,667,117 |
| Furniture and equipment | 5,700,623 | 491,487 | (45,795) | 6,146,315 |
| Vehicles | <u>88,909</u> | <u>124,971</u> | <u>-</u> | <u>213,880</u> |
| Total capital assets, being depreciated | <u>23,456,649</u> | <u>616,458</u> | <u>(45,795)</u> | <u>24,027,312</u> |
| <i>Less: accumulated depreciation:</i> | | | | |
| Buildings and improvements | (7,971,611) | (300,176) | - | (8,271,787) |
| Furniture and equipment | (3,922,731) | (418,650) | 45,681 | (4,295,700) |
| Vehicles | <u>(76,574)</u> | <u>(16,502)</u> | <u>-</u> | <u>(93,076)</u> |
| Total accumulated depreciation | <u>(11,970,916)</u> | <u>(735,328)</u> | <u>45,681</u> | <u>(12,660,563)</u> |
| Governmental activities capital assets, net | <u>\$ 11,623,133</u> | <u>\$ (118,870)</u> | <u>\$ (114)</u> | <u>\$ 11,504,149</u> |

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 7 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:

| | |
|---------|------------|
| Regular | \$ 437,851 |
| Special | 2,775 |

Support services:

| | |
|--------------------------------|---------------|
| Pupil | 78,020 |
| Instructional staff | 12,884 |
| Administration | 4,085 |
| Fiscal | 1,850 |
| Business | 47,900 |
| Operations and maintenance | 105,571 |
| Central | 2,223 |
| Operation of non-instructional | 2,774 |
| Extracurricular activities | <u>39,395</u> |

Total depreciation expense \$ 735,328

| | <u>Balance</u> <u>06/30/14</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance</u> <u>06/30/15</u> |
|--|-----------------------------------|-------------------|-------------------|-----------------------------------|
| Business-Type activities: | | | | |
| <i>Capital assets, being depreciated:</i> | | | | |
| Furniture and equipment | \$ 154,748 | \$ - | \$ (2,950) | \$ 151,798 |
| Total capital assets, being depreciated | <u>154,748</u> | <u>-</u> | <u>(2,950)</u> | <u>151,798</u> |
| <i>Less: accumulated depreciation:</i> | | | | |
| Furniture and equipment | (125,992) | (4,183) | 2,950 | (127,225) |
| Total accumulated depreciation | <u>(125,992)</u> | <u>(4,183)</u> | <u>2,950</u> | <u>(127,225)</u> |
| Business-Type activities capital assets, net | <u>\$ 28,756</u> | <u>\$ (4,183)</u> | <u>\$ -</u> | <u>\$ 24,573</u> |

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 8 - LONG-TERM OBLIGATIONS

The District's long-term obligations have been restated as described in Note 3.A. The changes in the District's long-term obligations during the year consist of the following:

| | Restated Balance <u>07/01/14</u> | <u>Increase</u> | <u>Decrease</u> | Balance <u>06/30/15</u> | Amount Due in <u>One Year</u> |
|---|--|-------------------|-----------------------|----------------------------|-------------------------------------|
| <u>Governmental activities:</u> | | | | | |
| Series 2001 refunding bonds: | | | | | |
| Current interest | \$ 2,485,000 | \$ - | \$ - | \$ 2,485,000 | \$ 510,000 |
| Capital appreciation | 50,463 | - | (50,463) | - | - |
| Series 1996 construction bonds: | | | | | |
| Current interest | 1,255,000 | - | (175,000) | 1,080,000 | 190,000 |
| Capital lease obligations | 88,997 | - | (88,997) | - | - |
| Net pension liability: | | | | | |
| STRS | 23,798,824 | - | (3,819,850) | 19,978,974 | - |
| SERS | 3,811,005 | - | (609,437) | 3,201,568 | - |
| Total net pension liability | <u>27,609,829</u> | <u>-</u> | <u>(4,429,287)</u> | <u>23,180,542</u> | <u>-</u> |
| Compensated absences | <u>1,175,128</u> | <u>359,792</u> | <u>(465,200)</u> | <u>1,069,720</u> | <u>248,335</u> |
| Total governmental activities | <u>\$ 32,664,417</u> | <u>\$ 359,792</u> | <u>\$ (5,208,947)</u> | <u>\$ 27,815,262</u> | <u>\$ 948,335</u> |
| <u>Business-type activities:</u> | | | | | |
| Compensated absences | \$ 8,656 | \$ 4,604 | \$ (3,810) | \$ 9,450 | \$ 4,086 |
| Net pension liability: | | | | | |
| SERS | <u>795,293</u> | <u>-</u> | <u>(76,655)</u> | <u>718,638</u> | <u>-</u> |
| Total business-type activities | <u>\$ 803,949</u> | <u>\$ 4,604</u> | <u>\$ (80,465)</u> | <u>\$ 728,088</u> | <u>\$ 4,086</u> |

All general obligation bonds will be paid from property taxes in the debt service fund (a nonmajor governmental fund).

Compensated absences in the governmental activities will be paid from the general fund and compensated absences in the business-type activities will be paid from the child care fund and the food service fund (a nonmajor enterprise fund).

See Note 14 for further information on the District's net pension liability. The District pays obligations related to employee compensation from the fund benefitting from their service.

The capital lease obligations was paid from the general fund. See Note 9 for more detail.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 8 - LONG-TERM OBLIGATIONS - (Continued)

Series 2001 Refunding Bonds

On November 1, 2001, the District issued \$8,559,989 of general obligation bonds. The bond issue included serial, term and capital appreciation bonds in the amounts of \$5,880,000, \$2,485,000 and \$194,989, respectively. The bonds advance refunded \$8,560,000 of outstanding 1995 School Facilities Construction and Improvement Bonds. The bonds were issued for a 24 year period with final maturity at December 1, 2019. The 1995 bonds are defeased and are not reported in the accompanying basic financial statements. At June 30, 2015, \$1,080,000 of the refunded bonds were outstanding.

The term bonds were issued at \$2,485,000. The term bonds that mature on December 1, 2019 are subject to mandatory sinking fund redemption on December 1, 2015 and on each December 1 thereafter at 100 percent of the principal amount thereof, plus accrued interest, to the date of redemption according to the following schedule:

| <u>Year</u> | <u>Principal Amount to be Redeemed</u> |
|-------------|--|
| 2016 | \$ 500,000 |
| 2017 | 495,000 |
| 2018 | 490,000 |

The serial bonds were issued at \$5,880,000 and matured on December 1, 2011. The capital appreciation bonds matured on December 1, 2014 at an accreted value of \$540,000.

Series 1996 Construction Bonds

Voted general obligation bonds in the amount of \$3,060,000 were issued in accordance with Chapter 133 of the ORC 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 multipurpose facility, renovate school buildings, improve school sites and implement technology improvements. 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 series 2001 refunding bonds described above.

Future Debt Service Requirements

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2015, are as follows:

| <u>Fiscal Year Ending</u> | <u>General Obligation Bonds</u> | | |
|-------------------------------|---------------------------------|-------------------|---------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2016 | \$ 700,000 | \$ 160,593 | \$ 860,593 |
| 2017 | 700,000 | 125,782 | 825,782 |
| 2018 | 710,000 | 90,635 | 800,635 |
| 2019 | 720,000 | 54,893 | 774,893 |
| 2020 | <u>735,000</u> | <u>18,436</u> | <u>753,436</u> |
| Total | <u>\$ 3,565,000</u> | <u>\$ 450,339</u> | <u>\$ 4,015,339</u> |

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 8 - LONG-TERM OBLIGATIONS - (Continued)

Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2015, are a voted debt margin of \$24,712,005 (including available funds of \$971,326) and an unvoted debt margin of \$303,396.

NOTE 9 - CAPITAL LEASES - LESSEE DISCLOSURE

In prior fiscal years, the District entered into capital lease agreements for the acquisition of computer equipment. These leases meet the criteria of a capital lease as defined by GASB which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term.

Capital lease payments have been reclassified and are reflected as debt service expenditures in the statement of revenues, expenditures and changes in fund balances. These expenditures are reflected as program/function expenditures on a budgetary basis. Capital assets acquired by the leases have been capitalized in the amount of \$544,743, which represents the present value of the future minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2015 was \$445,367 leaving a current book value of \$99,376.

A corresponding liability was recorded in the statement of net position. Principal payments in the 2015 fiscal year totaled \$88,997. This was the final lease payment on the capital lease obligation. This amount is reflected as debt service principal retirement in the general fund and as a reduction to the long-term liabilities reported on the statement of net position.

There were no remaining capital lease obligations at June 30, 2015.

NOTE 10 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of GAAP, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 10 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis); and,
- (d) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

Net Change in Fund Balance

| | <u>General fund</u> |
|---|---------------------|
| Budget basis | \$ (355,736) |
| Net adjustment for revenue accruals | 938,381 |
| Net adjustment for expenditure accruals | 528,248 |
| Net adjustment for other sources/uses | (44,463) |
| Funds budgeted elsewhere | 26,541 |
| Adjustment for encumbrances | 103,159 |
| GAAP basis | <u>\$ 1,196,130</u> |

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the uniform school supplies fund and the public school support fund.

NOTE 11 - SET-ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 11 - SET-ASIDES - (Continued)

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

| | <u>Capital Improvements</u> |
|---|---------------------------------|
| Set-aside balance June 30, 2014 | \$ - |
| Current year set-aside requirement | 178,629 |
| Current year offsets | <u>(178,629)</u> |
| Total | <u>\$ -</u> |
| Balance carried forward to fiscal year 2016 | <u>\$ -</u> |
| Set-aside balance June 30, 2015 | <u>\$ -</u> |

NOTE 12 - RISK MANAGEMENT

A. Property and Liability

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 2015, the District contracted with the Ohio School Plan (the "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 Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a fifteen member Board consisting of superintendents, treasurers, and a member of the Harcum-Schuett Insurance Agency, Inc., and a member of the Hylant Group, Inc. The Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Harcum-Schuett Insurance Agency serves as the sales and marketing representative which establishes agreements between the Plan and its members. Financial information can be obtained from Harcum-Schuett Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206. The Plan has over 300 school districts insured. The District also contracted with the Hanover Insurance Group, member of Citizens Insurance Company of America, and Wright Specialty/Caitlin Insurance Company to provide property and fleet insurance requiring deductibles ranging from \$250 to \$2,500 depending on the type of property. Insurance settlements have not exceeded insurance coverage for each of the past three fiscal years and there has been no significant reduction in coverage from the prior year.

B. Workers' Compensation

The District participates in the State Workers' Compensation system that 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.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 12 - RISK MANAGEMENT - (Continued)

C. Employee Health Insurance

The District offers employee group health insurance from Aetna, dental insurance from Delta Dental Plan, and life insurance from the American United 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.

NOTE 13 - CONTINGENCIES

A. Grants

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2015, if applicable, cannot be determined at this time.

B. Litigation

The District is not party to legal proceedings to legal proceedings that, in the opinion of management, would have a material impact on the financial statements.

C. Foundation Funding

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional Districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

NOTE 14 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

The net pension liability represents the District’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the District’s obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *pension and postemployment benefits payable* on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

Plan Description –District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

| | Eligible to Retire on or before August 1, 2017 * | Eligible to Retire after August 1, 2017 |
|------------------------------|---|--|
| Full Benefits | Any age with 30 years of service credit | Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit |
| Actuarially Reduced Benefits | Age 60 with 5 years of service credit Age 55 with 25 years of service credit | Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit |

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$299,336 for fiscal year 2015. Of this amount \$22,800 is reported as pension and postemployment benefits payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$1,176,023 for fiscal year 2015. Of this amount, \$142,646 is reported as pension and postemployment benefits payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

| | SERS | STRS | Total |
|--|--------------|---------------|---------------|
| Proportionate share of the net pension liability | \$ 3,920,206 | \$ 19,978,974 | \$ 23,899,180 |
| Proportion of the net pension liability | 0.07746000% | 0.08213870% | |
| Pension expense | \$ 228,770 | \$ 774,995 | \$ 1,003,765 |

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | SERS | STRS | Total |
|--|------------|--------------|--------------|
| Deferred outflows of resources | | | |
| Differences between expected and actual experience | \$ 33,365 | \$ 192,341 | \$ 225,706 |
| District contributions subsequent to the measurement date | 299,336 | 1,176,023 | 1,475,359 |
| Total deferred outflows of resources | \$ 332,701 | \$ 1,368,364 | \$ 1,701,065 |
| Deferred inflows of resources | | | |
| Net difference between projected and actual earnings on pension plan investments | \$ 636,261 | \$ 3,696,186 | \$ 4,332,447 |

\$1,475,359 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| | SERS | STRS | Total |
|-----------------------------|--------------|----------------|----------------|
| Fiscal Year Ending June 30: | | | |
| 2016 | \$ (150,724) | \$ (875,962) | \$ (1,026,686) |
| 2017 | (150,724) | (875,962) | (1,026,686) |
| 2018 | (150,724) | (875,962) | (1,026,686) |
| 2019 | (150,724) | (875,959) | (1,026,683) |
| Total | \$ (602,896) | \$ (3,503,845) | \$ (4,106,741) |

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

| | |
|--|--|
| Wage Inflation | 3.25 percent |
| Future Salary Increases, including inflation | 4.00 percent to 22 percent |
| COLA or Ad Hoc COLA | 3 percent |
| Investment Rate of Return | 7.75 percent net of investments expense, including inflation |
| Actuarial Cost Method | Entry Age Normal |

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|------------------------|------------------------------|---|
| Cash | 1.00 % | 0.00 % |
| US Stocks | 22.50 | 5.00 |
| Non-US Stocks | 22.50 | 5.50 |
| Fixed Income | 19.00 | 1.50 |
| Private Equity | 10.00 | 10.00 |
| Real Assets | 10.00 | 5.00 |
| Multi-Asset Strategies | 15.00 | 7.50 |
| Total | <u>100.00 %</u> | |

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

| | <u>1% Decrease (6.75%)</u> | <u>Current Discount Rate (7.75%)</u> | <u>1% Increase (8.75%)</u> |
|--|--------------------------------|--|--------------------------------|
| District's proportionate share of the net pension liability | \$ 5,592,970 | \$ 3,920,206 | \$ 2,513,268 |

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|-----------------------------------|--|
| Inflation | 2.75 percent |
| Projected salary increases | 2.75 percent at age 70 to 12.25 percent at age 20 |
| Investment Rate of Return | 7.75 percent, net of investment expenses |
| Cost-of-Living Adjustments (COLA) | 2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date. |

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|----------------------|--------------------------|---|
| Domestic Equity | 31.00 % | 8.00 % |
| International Equity | 26.00 | 7.85 |
| Alternatives | 14.00 | 8.00 |
| Fixed Income | 18.00 | 3.75 |
| Real Estate | 10.00 | 6.75 |
| Liquidity Reserves | 1.00 | 3.00 |
| Total | <u>100.00 %</u> | |

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

| | 1% Decrease (6.75%) | Current Discount Rate (7.75%) | 1% Increase (8.75%) |
|--|------------------------|-------------------------------------|------------------------|
| District's proportionate share of the net pension liability | \$ 28,602,080 | \$ 19,978,974 | \$ 12,686,729 |

NOTE 15 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 15 - POSTEMPLOYMENT BENEFITS - (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer’s SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the District’s surcharge obligation was \$40,350.

The District’s contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$58,246, \$41,378, and \$38,749, respectively. For fiscal year 2015, 93.19 percent has been contributed, with the balance being reported as pension and postemployment benefits payable. The full amount has been contributed for fiscal years 2014 and 2013.

B. State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The District’s contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$86,139, and \$81,789 respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

NOTE 16 - OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District’s commitments for encumbrances (less amounts already included in payables) in the governmental funds were as follows:

| <u>Fund</u> | <u>Year-End Encumbrances</u> |
|-----------------------|----------------------------------|
| General | \$ 96,717 |
| Nonmajor governmental | <u>178,791</u> |
| Total | <u>\$ 275,508</u> |

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 17 - INTERFUND TRANSACTIONS

- A. Interfund loans receivable/payable consisted of the following at June 30, 2015, as reported on the fund statements:

| <u>Receivable fund</u> | <u>Payable fund</u> | <u>Amount</u> |
|------------------------|-----------------------|------------------|
| General | Nonmajor governmental | <u>\$ 21,378</u> |

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. Interfund balances between governmental funds are eliminated on the government-wide financial statements.

- B. Interfund transfers for the fiscal year ended June 30, 2015, consisted of the following, as reported on the fund statements:

| <u>Transfers from General Fund to:</u> | <u>Amount</u> |
|--|------------------|
| Nonmajor enterprise fund | <u>\$ 50,000</u> |

Interfund transfers represent the use of unrestricted revenues collected in the general fund that are used to finance various programs accounted for in other funds in accordance with budgetary authorizations. The transfer was made from the general fund to support food service operations.

Interfund transfers between governmental funds are eliminated for reporting on the statement of activities. Interfund transfers between governmental funds and enterprise funds are reported on the statement of activities. All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

REQUIRED SUPPLEMENTARY INFORMATION

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TWO FISCAL YEARS

| | <u>2014</u> | <u>2013</u> |
|---|--------------|--------------|
| District's proportion of the net pension liability | 0.07746000% | 0.07746000% |
| District's proportionate share of the net pension liability | \$ 3,920,206 | \$ 4,606,298 |
| District's covered-employee payroll | \$ 2,250,837 | \$ 2,299,668 |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 174.17% | 200.30% |
| Plan fiduciary net position as a percentage of the total pension liability | 71.70% | 65.52% |

Note: Information prior to fiscal year 2013 was unavailable.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TWO FISCAL YEARS

| | <u>2014</u> | <u>2013</u> |
|---|---------------|---------------|
| District's proportion of the net pension liability | 0.08213870% | 0.08213870% |
| District's proportionate share of the net pension liability | \$ 19,978,974 | \$ 23,798,824 |
| District's covered-employee payroll | \$ 8,392,308 | \$ 8,626,892 |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 238.06% | 275.87% |
| Plan fiduciary net position as a percentage of the total pension liability | 74.70% | 69.30% |

Note: Information prior to fiscal year 2013 was unavailable.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

SCHEDULE OF DISTRICT CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TEN FISCAL YEARS

| | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> |
|--|------------------|------------------|------------------|------------------|------------------|
| Contractually required contribution | \$ 299,336 | \$ 311,966 | \$ 318,274 | \$ 278,167 | \$ 320,538 |
| Contributions in relation to the contractually required contribution | <u>(299,336)</u> | <u>(311,966)</u> | <u>(318,274)</u> | <u>(278,167)</u> | <u>(320,538)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's covered-employee payroll | \$ 2,271,138 | \$ 2,250,837 | \$ 2,299,668 | \$ 2,068,156 | \$ 2,550,024 |
| Contributions as a percentage of covered-employee payroll | 13.18% | 13.86% | 13.84% | 13.45% | 12.57% |

| <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> |
|------------------|------------------|------------------|------------------|------------------|
| \$ 300,780 | \$ 262,128 | \$ 251,832 | \$ 228,024 | \$ 217,152 |
| <u>(300,780)</u> | <u>(262,128)</u> | <u>(251,832)</u> | <u>(228,024)</u> | <u>(217,152)</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| \$ 2,221,418 | \$ 2,663,902 | \$ 2,564,481 | \$ 2,135,056 | \$ 2,052,476 |
| 13.54% | 9.84% | 9.82% | 10.68% | 10.58% |

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

SCHEDULE OF DISTRICT CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TEN FISCAL YEARS

| | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| Contractually required contribution | \$ 1,176,023 | \$ 1,091,000 | \$ 1,121,496 | \$ 1,188,304 | \$ 1,152,421 |
| Contributions in relation to the contractually required contribution | <u>(1,176,023)</u> | <u>(1,091,000)</u> | <u>(1,121,496)</u> | <u>(1,188,304)</u> | <u>(1,152,421)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's covered-employee payroll | \$ 8,400,164 | \$ 8,392,308 | \$ 8,626,892 | \$ 9,140,800 | \$ 8,864,777 |
| Contributions as a percentage of covered-employee payroll | 14.00% | 13.00% | 13.00% | 13.00% | 13.00% |

| <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> |
|--------------------|--------------------|--------------------|--------------------|--------------------|
| \$ 1,235,851 | \$ 1,177,032 | \$ 1,160,360 | \$ 1,092,720 | \$ 1,044,168 |
| <u>(1,235,851)</u> | <u>(1,177,032)</u> | <u>(1,160,360)</u> | <u>(1,092,720)</u> | <u>(1,044,168)</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| \$ 9,506,546 | \$ 9,054,092 | \$ 8,925,846 | \$ 8,405,538 | \$ 8,032,062 |
| 13.00% | 13.00% | 13.00% | 13.00% | 13.00% |

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Information about factors that significantly affect trends in the amounts reported in the schedules should be presented as notes to the schedule.

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for fiscal year 2014 and 2015.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 and 2015. See the notes to the basic financial statements for the methods and assumptions in this calculation.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for fiscal year 2014 and 2015.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 and 2015. See the notes to the basic financial statements for the methods and assumptions in this calculation.

SUPPLEMENTARY INFORMATION

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

| FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE | CFDA NUMBER | (A) PASS-THROUGH GRANT NUMBER | (B) CASH FEDERAL DISBURSEMENTS |
|---|----------------|--|---|
| U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION | | | |
| (D) National School Lunch Program | 10.555 | 2015 | \$ 45,268 |
| (C) National School Lunch Program - Food Donation | 10.555 | 2015 | 11,100 |
| Total National School Lunch Program | | | <u>56,368</u> |
| Child and Adult Care Food Program | 10.558 | 2015 | 2,470 |
| Total U.S. Department of Agriculture | | | <u>58,838</u> |
| U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION | | | |
| Title I Grants to Local Educational Agencies | 84.010 | 2014 | 23,511 |
| Title I Grants to Local Educational Agencies | 84.010 | 2015 | 103,151 |
| Total Title I Grants to Local Educational Agencies | | | <u>126,662</u> |
| Career and Technical Education_Basic Grants to States | 84.048 | 2015 | 96 |
| Special Education Grant Cluster: | | | |
| (E) Special Education_Grants to States | 84.027 | 2014 | 37,465 |
| (E) Special Education_Grants to States | 84.027 | 2015 | 234,034 |
| Total Special Education _Grants to States | | | <u>271,499</u> |
| (E) Special Education_Preschool Grants | 84.173 | 2015 | 5,179 |
| Total Special Education Grant Cluster | | | <u>276,678</u> |
| Improving Teacher Quality State Grants | 84.367 | 2014 | 7,254 |
| Improving Teacher Quality State Grants | 84.367 | 2015 | 31,633 |
| Total Improving Teacher Quality State Grants | | | <u>38,887</u> |
| Total U.S. Department of Education | | | <u>442,323</u> |
| U.S. DEPARTMENT OF TRANSPORTATION PASSED THROUGH THE OHIO DEPARTMENT OF TRANSPORTATION | | | |
| Highway Planning and Construction | 20.205 | 93842 | 21,600 |
| Total U.S. Department of Transportation | | | <u>21,600</u> |
| Total Federal Financial Assistance | | | <u>\$ 522,761</u> |

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

- (A) OAKS did not assign pass-through numbers for fiscal year 2015.
- (B) This schedule was prepared on the cash basis of accounting.
- (C) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are reported at the entitlement value.
- (D) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
- (E) Included as part of "Special Education Grant Cluster" in determining major programs.



Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Required by *Government Auditing Standards***

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Grandview Heights City School District, Franklin County, Ohio, as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Grandview Heights City School District's basic financial statements and have issued our report thereon dated December 18, 2015, wherein we noted as discussed in Note 3, the Grandview Heights City School District adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Grandview Heights City School District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Grandview Heights City School District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Grandview Heights City School District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Board of Education
Grandview Heights City School District

Compliance and Other Matters

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Grandview Heights City School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Grandview Heights City School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Julian & Grube, Inc.
December 18, 2015



Julian & Grube, Inc.
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333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Independent Auditor's Report on Compliance With Requirements Applicable to The
Major Federal Program and on Internal Control Over Compliance
Required by OMB Circular A-133**

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

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Grandview Heights City School District's compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Grandview Heights City School District's major federal program for the fiscal year ended June 30, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Grandview Heights City School District's major federal program.

Management's Responsibility

The Grandview Heights City School District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the Grandview Heights City School District's compliance for the Grandview Heights City School District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Grandview Heights City School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the Grandview Heights City School District's major program. However, our audit does not provide a legal determination of the Grandview Heights City School District's compliance.

Opinion on The Major Federal Program

In our opinion, the Grandview Heights City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the fiscal year ended June 30, 2015.

Board of Education
Grandview Heights City School District

Report on Internal Control Over Compliance

The Grandview Heights City School District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Grandview Heights City School District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Grandview Heights City School District's internal control over compliance.

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

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Julian & Grube, Inc.
December 18, 2015

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2015**

| 1. SUMMARY OF AUDITOR'S RESULTS | | |
|--|---|--|
| <i>(d)(1)(i)</i> | <i>Type of Financial Statement Opinion</i> | Unmodified |
| <i>(d)(1)(ii)</i> | <i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i> | No |
| <i>(d)(1)(ii)</i> | <i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i> | No |
| <i>(d)(1)(iii)</i> | <i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i> | No |
| <i>(d)(1)(iv)</i> | <i>Were there any material internal control weaknesses reported for major federal programs?</i> | No |
| <i>(d)(1)(iv)</i> | <i>Were there any significant deficiencies in internal control reported for major federal programs?</i> | No |
| <i>(d)(1)(v)</i> | <i>Type of Major Programs' Compliance Opinion</i> | Unmodified |
| <i>(d)(1)(vi)</i> | <i>Are there any reportable findings under §.510(a)?</i> | No |
| <i>(d)(1)(vii)</i> | <i>Major Program (listed):</i> | Special Education Grant Cluster: Special Education Grants to States, CFDA #84.027 and Special Education Preschool Grants, CFDA #84.173 |
| <i>(d)(1)(viii)</i> | <i>Dollar Threshold: Type A/B Programs</i> | Type A: >\$300,000 Type B: all others |
| <i>(d)(1)(ix)</i> | <i>Low Risk Auditee?</i> | No |

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2015**

| <u>Finding Number</u> | <u>Finding Summary</u> | <u>Fully Corrected?</u> | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i> |
|------------------------------|--|--------------------------------|---|
| 2014-001 | <u>Financial Reporting - Material Weakness</u> - Adjustments were made to the District's 2014 financial statements and accounting records. | Yes | N/A |



Dave Yost • Auditor of State

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
MARCH 1, 2016**