



**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2005



**Auditor of State
Betty Montgomery**

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

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 Grandview Heights City School District, Franklin County, Ohio (the District), as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Grandview Heights City School District, Franklin County, Ohio, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2005, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Betty Montgomery
Auditor of State

December 23, 2005

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED**

Financial Highlights

The District's net assets are \$7,676,262 as of June 30, 2005 according to the Statement of Net Assets. This represents an increase of \$1,100,912 over last year. The increase in net assets is due primarily to a higher percentage decrease in expenditures as compared to revenues. The District's cash and investments have increased \$990,070 according to the Statement of Net Assets.

On April 29, 2003 the Board of Education adopted a new Settlement Agreement with the Grandview Heights Education Association (teaching staff) including base salary increases of 3.5% for school years 2004-05 and 2005-06. On August 26, 2003, the Board of Education approved a new Settlement Agreement with the Grandview Heights Education Support Staff Association (non-teaching staff) including base salary increases of 3.5% and 3.25% for school years 2004-05 and 2005-06 respectively. On February 10, 2004 the Board of Education approved a plan for reorganization of the School District and an annual expenditure reduction of \$853,000 effective with the 2004-05 school year. The reorganization was in response to the loss of personal property tax revenues resulting mostly from the departure of the District's largest taxpayer, Big Bear Stores. Based on the District's current five-year forecast, it is expected that the passage of this levy will keep the District solvent through the 2005-06 school year.

The District on November 8, 2005, passed a tax levy including 7.85 mills for a continuing period of time for general operating purposes and 1.65 mills for a five-year period for capital improvements and maintenance. The new local property tax will begin collection in January 2006. The Board of Education will begin collective bargaining with the Grandview Heights Education Association and the Grandview Heights Education Support Staff Association in the spring of 2006. Based on the District's five-year forecast, it is expected that the passage of this levy will keep the District solvent through the 2008-09 school year and keep the District off the ballot until at least 2008.

The General Fund reported a positive fund balance of \$3,546,535 according to the Balance Sheet. The General Fund cash and investments and restricted cash and cash equivalents have increased \$938,275 since last year. The increase in cash is mainly due to expenditures being reduced from the prior year.

Reporting the District as a Whole

The Statement of Net Assets and Statement of Activities

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

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

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
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Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

Proprietary Funds

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

Fiduciary Funds

The District is the trustee, or fiduciary, for various student activities. All of the District's fiduciary activities are reported in the Statement of Net Assets, Fiduciary funds. We exclude these activities from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$7,676,262 according to the Statement of Net Assets at the close of the most recent fiscal year.

The largest portion of the District's net assets (48%) are unrestricted. As such, these assets are available for future spending to meet the District's ongoing activities. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. A comparative analysis of fiscal year 2005 to 2004 follows from the Statements of Net Assets:

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
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	<u>Net Assets</u>					
	Governmental Activities		Business-Type Activities		Total	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Current Assets	\$15,999,641	\$15,744,681	\$59,505	\$71,621	\$16,059,146	\$15,816,302
Capital Assets	<u>12,200,223</u>	<u>12,585,520</u>	<u>33,120</u>	<u>26,885</u>	<u>12,233,343</u>	<u>12,612,405</u>
Total Assets	<u>28,199,864</u>	<u>28,330,201</u>	<u>92,625</u>	<u>98,506</u>	<u>28,292,489</u>	<u>28,428,707</u>
Current Liabilities	9,917,100	10,499,043	54,409	58,665	9,971,509	10,557,708
Long Term Liabilities	<u>10,637,535</u>	<u>11,289,125</u>	<u>7,183</u>	<u>6,524</u>	<u>10,644,718</u>	<u>11,295,649</u>
Total Liabilities	<u>20,554,635</u>	<u>21,788,168</u>	<u>61,592</u>	<u>65,189</u>	<u>20,616,227</u>	<u>21,853,357</u>
Net Assets:						
Invested in Capital						
Assets, Net of Debt	2,713,388	2,417,262	33,120	26,885	2,746,508	2,444,147
Restricted	1,276,951	1,256,043	0	0	1,276,951	1,256,043
Unrestricted	<u>3,654,890</u>	<u>2,868,728</u>	<u>(2,087)</u>	<u>6,432</u>	<u>3,652,803</u>	<u>2,875,160</u>
Total Net Assets	<u><u>\$7,645,229</u></u>	<u><u>\$6,542,033</u></u>	<u><u>\$31,033</u></u>	<u><u>\$33,317</u></u>	<u><u>\$7,676,262</u></u>	<u><u>\$6,575,350</u></u>

A portion of the District's net assets (17%) represents resources subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets may be used to meet the District's ongoing activities.

	<u>Changes in Net Assets</u>					
	Governmental Activities		Business-Type Activities		Total	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Revenues						
Program Revenues						
Charges for Services	\$361,160	\$330,622	\$379,883	\$391,710	\$741,043	\$722,332
Operating Grants and Contributions	570,150	509,026	80,176	38,893	650,326	547,919
General Revenues						
Property Taxes	11,130,760	12,489,029	0	0	11,130,760	12,489,029
Intergovernmental - State	2,990,731	3,178,906	0	0	2,990,731	3,178,906
Other	<u>159,634</u>	<u>293,895</u>	<u>0</u>	<u>0</u>	<u>159,634</u>	<u>293,895</u>
Total Revenues	<u>15,212,435</u>	<u>16,801,478</u>	<u>460,059</u>	<u>430,603</u>	<u>15,672,494</u>	<u>17,232,081</u>
Expenses						
Instruction	8,424,308	8,446,951	0	0	8,424,308	8,446,951
Support Services	4,402,992	4,519,824	0	0	4,402,992	4,519,824
Extracurricular Activities	623,200	612,545	0	0	623,200	612,545
Facilities Services	246,456	211,037	0	0	246,456	211,037
Interest & Fiscal Charges	412,283	434,124	0	0	412,283	434,124
Food Service	0	0	267,812	259,126	267,812	259,126
Child Care	0	0	194,531	181,763	194,531	181,763
Total Expenses	<u>14,109,239</u>	<u>14,224,481</u>	<u>462,343</u>	<u>440,889</u>	<u>14,571,582</u>	<u>14,665,370</u>
Change in Net Assets	<u><u>\$1,103,196</u></u>	<u><u>\$2,576,997</u></u>	<u><u>(\$2,284)</u></u>	<u><u>(\$10,286)</u></u>	<u><u>\$1,100,912</u></u>	<u><u>\$2,566,711</u></u>

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

Governmental Activities

Net assets of the District's governmental activities increased by \$1,103,196 and unrestricted net assets reflect a positive balance of \$3,654,890. The increase in net assets is due primarily to a higher percentage decrease in expenditures as compared to revenues. Additionally, the Board of Education approved a reorganization plan on February 10, 2004 with the intention of reducing expenditures by approximately \$853,000 annually in response to the loss of the District's largest property tax payer, Big Bear Stores, and due to general economic slow-down.

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

The District on November 8, 2005 passed a tax levy including 7.85 mills for a continuing period of time for general operating purposes and 1.65 mills for a five-year period for capital improvements and maintenance. The new local property tax will begin collection in January 2006. The Board of Education will begin collective bargaining with the Grandview Heights Education Association and the Grandview Heights Education Support Staff Association in the spring of 2006. 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 2008-09 school year and keep the District off the ballot until at least 2008.

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

	<u>Total Cost of Services 2005</u>	<u>Net Cost of Services 2005</u>
Program Expenses		
Instruction		
Regular	\$6,341,264	\$6,157,533
Special	1,987,159	1,708,803
Vocational	95,885	84,688
Support Services		
Pupils	1,300,673	1,124,940
Instructional Staff	401,042	388,144
Board of Education	18,401	18,401
Administration	980,887	952,179
Fiscal	455,762	455,762
Business	37,517	(9,018)
Operation & Maintenance	1,150,234	1,150,234
Pupil Transportation	12,208	12,208
Central	46,268	36,416
Extracurricular	623,200	438,900
Facilities Services	246,456	246,456
Interest & Fiscal Charges	<u>412,283</u>	<u>412,283</u>
Total Expenses	<u>\$14,109,239</u>	<u>\$13,177,929</u>

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
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73% of total revenues for governmental activities come from local taxes. The reliance on general revenues to support governmental activities is indicated by the net services column reflecting the need for \$13,177,929 of support.

Business-Type Activities

Business-type activities include food service and child care. These programs had a decrease in net assets of \$2,284 for the fiscal year. The decrease was primarily due to the food service operations.

The District's Funds

The District's governmental funds reported a combined fund balance of \$4,900,842 which is above last years total of \$3,892,601 according to the Balance Sheet, Governmental Funds. The schedule below indicates the fund balance and the total change in fund balance by fund as of June 30, 2005 and 2004.

	<u>Fund Balance</u> <u>June 30, 2005</u>	<u>Fund Balance</u> <u>June 30, 2004</u>	<u>Increase</u> <u>(Decrease)</u>
General	\$3,546,535	\$2,556,624	\$989,911
Debt Service	1,248,509	1,138,607	\$109,902
Other Governmental	105,798	197,370	(\$91,572)
Total	<u>4,900,842</u>	<u>3,892,601</u>	<u>1,008,241</u>

General Fund

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

	<u>2005</u> <u>Amount</u>	<u>2004</u> <u>Amount</u>	<u>Percent</u> <u>Change</u>
Revenues			
Taxes	\$10,242,299	\$10,466,030	-2.1%
Interest Earnings	109,071	50,068	117.8%
Intergovernmental - State	3,021,577	3,238,237	-6.7%
Other Revenue	233,136	253,145	-7.9%
Total	<u>\$13,606,083</u>	<u>\$14,007,480</u>	<u>-2.9%</u>

The property tax revenue is down \$233,731 due to the departure of the District's largest property tax payer, Big Bear Stores. Interest earnings are up \$59,003 as the interest rate environment continued to increase. State revenue is down \$216,660 due to a reduction in the District's state school foundation revenue.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

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

Expenditures by Function	2005 <u>Amount</u>	2004 <u>Amount</u>	Percent <u>Change</u>
Instruction	\$7,888,755	\$8,012,498	-1.5%
Support Services	4,025,356	4,240,904	-5.1%
Extracurricular	491,519	482,542	1.9%
Facilities Services	53,006	52,264	1.4%
Capital Outlay	0	150,093	-100.0%
Debt Service	60,536	117,406	-48.4%
Total	<u>\$12,519,172</u>	<u>\$13,055,707</u>	<u>-4.1%</u>

Expenditures are down \$536,535 or 4.1% over the prior year mostly due to salary and benefit decreases associated with the District's reorganization plan approved by the Board of Education on February 10, 2004. Additionally the District completed its retirement incentive program payment to the State Teachers Retirement System of Ohio including the final amount paid during fiscal year 2004 of \$133,155.

The reorganization plan approved by the Board of Education on February 10, 2004 to be effective with the 2005 fiscal year intended to reduce expenditures by about \$855,000 included the following items – most of which were intended to be permanent.

Reorganize the grade configuration to include all grades K-3 at Stevenson Elementary School, grades 4-8 at the Edison/Middle School Building, and grades 9-12 at the high school building thereby eliminating:

- Seven teacher positions
- Five teacher assistant positions
- One secretary position
- Two and one-half tutor positions
- One English as a Second Language tutor

Reduce special programs such as:

- Half of the District's commitment to the Rockbridge Academy
- The Christopher Program
- The Zoo and Public Policy programs

Miscellaneous reductions including:

- Extracurricular activities reduction
- Computer lease reduction
- Vocational education tuition reduction

Revenues exceeded expenditures during the fiscal year and expenditures decreasing from the prior year, resulted in an increase in fund balance and contributing to the fiscal stability of the District.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
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Debt Service Fund

The District's debt service fund balance increased by \$109,902 due to smaller interest payments associated with the refinancing of the 1995 renovation and construction bonds on November 1, 2001. The primary revenues of the fund are property taxes, calculated by the county auditor, state rollback and homestead reimbursements, and personal property tax state reimbursements. The expenses of the fund include debt principal and interest payments as well as county auditor and treasurer fees. The increased fund balance will be used to make upcoming debt payments.

Other Governmental Funds

Other governmental funds consist of special revenue and capital projects funds. The decrease in fund balance of \$91,572 is primarily due to the expenditure of money from the installation of a cellular telephone tower on the District's athletic field that was deposited into the Permanent Improvement Fund during the 2004 fiscal year.

General Fund Budget Information

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

The District increased its General Fund property tax revenue estimates to reflect the receipt of advances from the August, 2005 real property tax settlement and the collection of the final portion of delinquent personal property taxes associated with Big Bear Stores. General Fund state revenue estimates were increased for the collection of personal property tax state reimbursement. Other revenue sources were increased to reflect the receipt of additional interest income, tuition and property use fees. The District increased its total General Fund expenditure estimate by \$137,256—about one percent difference from the original estimate. The increase was due to a variety of items including temporary labor necessary for operation and maintenance services.

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

Capital Assets

The District has \$12,233,343 invested in capital assets net of depreciation, with \$12,200,223 attributed to governmental activities. Detailed information regarding capital asset activity is included in the notes to the basic financial statements.

Debt

On June 30, 2005, the District had \$9,409,989 in outstanding bonds. The District paid \$645,000 in principal on bonds outstanding and \$414,230 in interest payments during the 2005 fiscal year. Detailed information regarding long term debt is included in the notes to the basic financial statements.

Under current state statutes, the District's general obligation bonded debt issues are subject to a legal limitation based on 9% of the total taxable valuation of real and personal property. As of June 30, 2005, the District's general obligation debt was below the legal limit.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
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**MANAGEMENT'S DISCUSSION & ANALYSIS
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Restrictions and Other Limitations

The most significant challenge to the School District is to improve its high level of student performance in an economical fashion with a small student enrollment. The District consistently achieves top rankings on the Ohio School District Report Cards most recently achieving an "excellent" rating on the 2004-05 state performance standards. Student enrollment has declined from its recent high of 1,332 in October, 1997 to 1,176 in October, 2004. It is anticipated that enrollment will remain constant during the foreseeable future.

Contributing to the challenge is the funding received by the District from the State of Ohio. The District's five-year financial forecast anticipates a reduction of over four hundred thousand dollars annually from the State for its school foundation program after June, 2007. Additionally, the financial forecast anticipates the loss of more than four hundred thousand dollars each year after August, 2006 when the state discontinues its reimbursement for public utility taxes whose collection has been discontinued since 2001.

The State of Ohio adds to the challenge facing the School District by further limiting its ability to receive local property taxes. House Bill 283, passed in 1999, reduced the inventory portion of the personal property tax valuation by 1% per year beginning with collection year 2001 from 25% of market value to 0% in 2027. In 2003, the State exacerbated the loss when it passed the 2003-05 fiscal year state budget bill that doubled the rate of decrease to 2% per year beginning in 2005. The state completed the devastation of the collection of personal property taxes in 2005 with the passage of Am. Sub. HB-66, the 2005-07 biennium budget bill. Included in the bill was a stipulation to eliminate all tangible personal property taxes as a source of revenue for school districts in Ohio. This assault on school funding means the elimination of what had represented 15% of the Grandview Heights School District 2004-05 General Fund operating revenues. Personal property tax valuation including machinery, equipment, furniture, fixtures and inventory will be phased out by tax year 2009. The law also reclassified tangible personal property of telephone, telegraph and telecommunications companies as general business tangible personal property and begins a phase-out in tax year 2007. The law reportedly establishes a replacement mechanism for lost tax revenues to school districts until tax year 2009 at which time it will be phased out entirely over time until tax year 2018.

Finally, the continuing deterioration of the local economy also contributes to the challenge facing the School District. The District's largest taxpayer, Big Bear Stores, closed and left the School District in January, 2004. In response to Big Bear and the loss of other personal property tax revenue, the Board of Education on February 10, 2004 approved a reorganization of the School District resulting in savings of approximately \$855,000. The District's current five-year cash financial forecast reflects that the District will remain solvent through the 2005-06 school year. However, the dedicated voters in the Grandview Heights City School District approved a 9.5 mill tax levy on November 8, 2005. That tax levy included 7.85 mills for general operating purposes for a continuing period of time and 1.65 mills for capital improvements and maintenance for a five-year period. With this tax levy, it is anticipated that the School District will remain solvent through the 2008-09 school year.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**STATEMENT OF NET ASSETS
JUNE 30, 2005**

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
ASSETS			
Cash and Cash Equivalents	\$6,470,897	\$48,427	\$6,519,324
Receivables:			
Accrued Interest	10,518	0	10,518
Taxes	9,477,474	0	9,477,474
Due From Other Governments	5,198	427	5,625
Accounts	1,349	6,755	8,104
Materials and Supplies Inventory	0	3,896	3,896
Prepaid Expenditures/Expenses	34,205	0	34,205
Capital Assets, Net of Depreciation	12,200,223	33,120	12,233,343
TOTAL ASSETS	\$28,199,864	\$92,625	\$28,292,489
LIABILITIES			
Due to Other Governments	\$16,512	\$150	\$16,662
Accounts Payable	302,229	6,728	308,957
Accrued Salaries and Benefits Payable	1,324,334	43,931	1,368,265
Deferred Tax Revenue	8,258,323	0	8,258,323
Deferred Intergovernmental Revenue	5,184	0	5,184
Deferred Other Revenue	10,518	3,600	14,118
Long-Term Liabilities:			
Due Within One Year	918,767	359	919,126
Due in More Than One Year	9,718,768	6,824	9,725,592
TOTAL LIABILITIES	20,554,635	61,592	20,616,227
NET ASSETS			
Invested in Capital Assets, Net of Depreciation and Related Debt	2,713,388	33,120	2,746,508
Restricted For:			
Debt Service	1,248,509	0	1,248,509
Capital Projects	1,726	0	1,726
Other Purposes	26,716	0	26,716
Unrestricted	3,654,890	(2,087)	3,652,803
TOTAL NET ASSETS	\$7,645,229	\$31,033	\$7,676,262

See accompanying notes to the basic financial statements

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
	Expenses	Charges for Services and Sales	Operating Grants, Contributions, and Interest Income	Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES						
Instruction:						
Regular	\$6,341,264	\$130,325	\$53,406	(\$6,157,533)	0	(\$6,157,533)
Special	1,987,159		278,356	(1,708,803)	0	(1,708,803)
Vocational	95,885		11,197	(84,688)	0	(84,688)
Support Services:						
Pupils	1,300,673		175,733	(1,124,940)	0	(1,124,940)
Instructional Staff	401,042		12,898	(388,144)	0	(388,144)
Board of Education	18,401			(18,401)	0	(18,401)
Administration	980,887		28,708	(952,179)	0	(952,179)
Fiscal	455,762			(455,762)	0	(455,762)
Business	37,517	46,535		9,018	0	9,018
Operation and Maintenance	1,150,234			(1,150,234)	0	(1,150,234)
Pupil Transportation	12,208			(12,208)	0	(12,208)
Central	46,268		9,852	(36,416)	0	(36,416)
Extracurricular Student Activities	623,200	184,300		(438,900)	0	(438,900)
Facilities Services	246,456			(246,456)	0	(246,456)
Debt Service Interest and Fiscal Charges	412,283			(412,283)	0	(412,283)
TOTAL GOVERNMENTAL ACTIVITIES	14,109,239	361,160	570,150	(13,177,929)	0	(13,177,929)
BUSINESS-TYPE ACTIVITIES						
Food Service	267,812	190,727	73,036	-	(4,049)	(4,049)
Child Care	194,531	189,156	7,140	-	1,765	1,765
TOTAL BUSINESS-TYPE ACTIVITIES	462,343	379,883	80,176	-	(2,284)	(2,284)
TOTALS	\$14,571,582	\$741,043	\$650,326	(\$13,177,929)	(\$2,284)	(\$13,180,213)

GENERAL REVENUES

Property Taxes Levied for:			
General Purpose	10,088,891	0	10,088,891
Debt Service	1,041,869	0	1,041,869
Intergovernmental - State	2,990,731	0	2,990,731
Interest Income	109,071	0	109,071
Miscellaneous Revenues	50,563	0	50,563
TOTAL GENERAL REVENUES	14,281,125	0	14,281,125

CHANGE IN NET ASSETS

	1,103,196	(2,284)	1,100,912
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**NET ASSETS AT BEGINNING OF YEAR
NET ASSETS AT END OF YEAR**

	6,542,033	33,317	6,575,350
	\$7,645,229	\$31,033	\$7,676,262

See accompanying notes to the basic financial statements

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005**

	GENERAL FUND	DEBT SERVICE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS:				
Cash and Cash Equivalents	\$5,012,169	\$1,244,772	\$145,054	\$6,401,995
Accrued Interest Receivable	10,518	0	0	10,518
Taxes Receivable	8,600,771	876,703	0	9,477,474
Due From Other Governments/Others	14	0	5,184	5,198
Accounts Receivable	1,114	0	235	1,349
Prepaid Expenditures/Expenses	33,998	0	207	34,205
Restricted Assets:				
Cash and Cash Equivalents	68,902	0	0	68,902
TOTAL ASSETS	\$13,727,486	\$2,121,475	\$150,680	\$15,999,641
LIABILITIES:				
Due to Other Governments	\$16,512	\$0	\$0	\$16,512
Accounts Payable	268,353	0	33,876	302,229
Accrued Salaries and Benefits Payable	1,318,512	0	5,822	1,324,334
Deferred Tax Revenue	8,567,056	872,966	0	9,440,022
Deferred Intergovernmental Revenue	0	0	5,184	5,184
Deferred Other Revenue	10,518	0	0	10,518
TOTAL LIABILITIES	10,180,951	872,966	44,882	11,098,799
FUND BALANCES:				
Fund Balance Reserved for HB-412 Set Asides	68,902	0	0	68,902
Fund Balance Reserved for Prepays	33,998	0	207	34,205
Fund Balance Reserved for Encumbrances	292,035	0	30,519	322,554
Fund Balance Unreserved				
General Fund	3,151,600	0	0	3,151,600
Debt Service Fund	0	1,248,509	0	1,248,509
Special Revenue Funds	0	0	74,867	74,867
Capital Project Funds	0	0	205	205
TOTAL FUND BALANCES	3,546,535	1,248,509	105,798	4,900,842
TOTAL LIABILITIES, FUND BALANCES	\$13,727,486	\$2,121,475	\$150,680	\$15,999,641

See accompanying notes to the basic financial statements

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2005**

TOTAL GOVERNMENTAL FUND BALANCES	\$4,900,842
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	12,200,223
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in funds.	1,181,699
Long-Term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Interest payable	(33,655)
Accrued benefits payable	(1,117,045)
Capital lease payable	(76,846)
General obligation bonds payable	(9,409,989)
	<u>(10,637,535)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$7,645,229</u></u>

See accompanying notes to the basic financial statements

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	GENERAL FUND	DEBT SERVICE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:				
Property Taxes	\$10,242,299	\$1,057,189	\$0	\$11,299,488
Intergovernmental - State	3,021,577	121,358	56,357	3,199,292
Intergovernmental - Federal	0	0	361,589	361,589
Interest Income	109,071	0	0	109,071
Tuition and Fees	182,573	0	0	182,573
Miscellaneous Revenues	50,563	0	178,587	229,150
TOTAL REVENUES	13,606,083	1,178,547	596,533	15,381,163
EXPENDITURES:				
Instruction, Regular	5,901,254	0	76,148	5,977,402
Instruction, Special	1,892,648	0	81,256	1,973,904
Instruction, Vocational	94,853	0	0	94,853
TOTAL INSTRUCTIONAL SERVICES	7,888,755	0	157,404	8,046,159
Support Service, Pupils	1,023,438	0	183,589	1,207,027
Support Service, Instructional Staff	384,887	0	13,668	398,555
Support Service, Board of Education	18,401	0	0	18,401
Support Service, Administration	939,480	0	30,421	969,901
Support Service, Fiscal	443,363	9,415	0	452,778
Support Service, Business	0	0	38,000	38,000
Support Service, Operation & Maintenance	1,166,908	0	0	1,166,908
Support Service, Pupil Transportation	12,208	0	0	12,208
Support Service, Central	36,671	0	10,441	47,112
TOTAL SUPPORT SERVICES	4,025,356	9,415	276,119	4,310,890
Extracurricular Student Activities	491,519	0	143,165	634,684
Facilities Services	53,006	0	193,450	246,456
Capital Outlay	0	0	41,830	41,830
Debt Service Principal Retirement	54,934	645,000	14,967	714,901
Debt Service Interest and Fiscal Charges	5,602	414,230	0	419,832
TOTAL EXPENDITURES	12,519,172	1,068,645	826,935	14,414,752
Excess of Revenues Over (Under) Expenditures	1,086,911	109,902	(230,402)	966,411
OTHER FINANCING SOURCES (USES):				
Proceeds From Capital Lease Obligations	0	0	41,830	41,830
Operating Transfers In	0	0	97,263	97,263
Operating Transfers Out	(97,000)	0	(263)	(97,263)
TOTAL OTHER FINANCING SOURCES (USES)	(97,000)	0	138,830	41,830
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	989,911	109,902	(91,572)	1,008,241
FUND BALANCE AT BEGINNING OF YEAR	2,556,624	1,138,607	197,370	3,892,601
FUND BALANCE AT END OF YEAR	\$3,546,535	\$1,248,509	\$105,798	\$4,900,842

See accompanying notes to the basic financial statements

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS **\$1,008,241**

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

Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets and does not result in an expense in the Statement of Activities.	714,901
Some revenues that will not be collected for several months after the District's fiscal year ends are not considered "available" revenues and are deferred in the governmental funds. Deferred Revenues decreased by this amount this year for delinquent taxes receivable.	(168,728)
Proceeds from the issuance of bonds and capital leases are reported as revenues in the governmental funds. In the Statement of Net Assets it increases liabilities.	(41,830)
In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	7,549
Some expenses reported in the Statement of Activities, such as compensated absences payable and other accounts payable, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(31,562)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(385,375)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$1,103,196**

See accompanying notes to the basic financial statements.

GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGET BASIS - YEAR ENDED JUNE 30, 2005
GENERAL FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
PROPERTY TAXES	\$8,398,740	\$10,321,450	\$10,321,450	\$0
INTERGOVERNMENTAL - STATE	2,979,018	3,021,577	3,021,577	0
INTEREST INCOME	50,000	95,000	108,884	13,884
TUITION AND FEES (TUIT./S.A./DRIVER ED/USS)	156,110	181,950	182,292	342
MISCELLANEOUS REVENUES	25,000	50,055	50,167	112
TOTAL REVENUES	11,608,868	13,670,032	13,684,370	14,338
EXPENDITURES:				
INSTRUCTION, REGULAR				
Salaries and Wages	4,491,800	4,527,132	4,523,807	3,325
Fringe Benefits	1,159,114	1,157,964	1,150,936	7,028
Purchased Services	48,872	64,650	64,063	587
Supplies	241,789	181,500	168,883	12,617
Miscellaneous Expenses	27,360	28,274	27,983	291
TOTAL INSTRUCTION, REGULAR	5,968,935	5,959,520	5,935,672	23,848
INSTRUCTION, SPECIAL				
Salaries and Wages	970,600	990,910	990,297	613
Fringe Benefits	267,263	271,758	270,256	1,502
Purchased Services	668,381	721,399	721,214	185
Supplies	9,565	5,468	4,282	1,186
Miscellaneous Expenses	66	66	0	66
TOTAL INSTRUCTION, SPECIAL	1,915,875	1,989,601	1,986,049	3,552
INSTRUCTION, VOCATIONAL				
Salaries and Wages	76,765	76,070	76,062	8
Fringe Benefits	18,314	18,431	18,201	230
TOTAL INSTRUCTION, VOCATIONAL	95,079	94,501	94,263	238
TOTAL INSTRUCTIONAL SERVICES	\$7,979,889	\$8,043,622	\$8,015,984	\$27,638

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGET BASIS - YEAR ENDED JUNE 30, 2005**

**GENERAL FUND
(CONTINUED)**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
SUPPORT SERVICE, PUPILS				
Salaries and Wages	\$687,088	\$698,932	\$698,656	\$276
Fringe Benefits	190,043	188,615	185,286	3,329
Purchased Services	200,259	224,005	222,488	1,517
Supplies	83,890	83,580	81,415	2,165
Miscellaneous Expenses	25,997	25,746	25,630	116
TOTAL SUPPORT SERVICE, PUPILS	1,187,277	1,220,878	1,213,475	7,403
SUPPORT SERVICE, INSTRUCTIONAL STAFF				
Salaries and Wages	172,855	170,840	170,435	405
Fringe Benefits	255,798	266,134	263,946	2,188
Purchased Services	79,268	57,419	47,326	10,093
Supplies	37,923	39,722	37,869	1,853
Miscellaneous Expenses	17,150	13,871	13,832	39
TOTAL SUPPORT SERVICE, INSTRUCTIONAL STAFF	562,994	547,986	533,408	14,578
SUPPORT SERVICE, BOARD OF EDUCATION				
Salaries and Wages	6,000	6,000	5,840	160
Fringe Benefits	900	900	873	27
Purchased Services	3,000	1,490	1,490	0
Miscellaneous Expenses	11,263	8,566	8,566	0
TOTAL SUPPORT SERVICE, BOARD OF EDUCATION	21,163	16,956	16,769	187
SUPPORT SERVICE, ADMINISTRATION				
Salaries and Wages	683,086	637,406	637,103	303
Fringe Benefits	205,758	207,046	203,891	3,155
Purchased Services	69,778	76,470	72,461	4,009
Supplies	31,237	30,872	30,824	48
Miscellaneous Expenses	1,800	2,670	2,670	0
TOTAL SUPPORT SERVICE, ADMINISTRATION	991,659	954,464	946,949	7,515
SUPPORT SERVICE, FISCAL				
Salaries and Wages	171,720	172,281	172,271	10
Fringe Benefits	59,834	60,902	60,384	518
Purchased Services	11,471	8,182	8,016	166
Supplies	5,255	3,192	3,192	0
Miscellaneous Expenses	187,420	201,555	201,555	0
TOTAL SUPPORT SERVICE, FISCAL	435,700	446,112	445,418	694
SUPPORT SERVICE, OPERATION & MAINTENANCE				
Salaries and Wages	465,665	494,628	493,816	812
Fringe Benefits	148,467	154,501	152,139	2,362
Purchased Services	457,509	495,541	494,189	1,352
Supplies	55,014	61,055	60,019	1,036
Miscellaneous Expenses	22,435	19,811	19,721	90
TOTAL SUPPORT SERVICE, OPERATION & MAINTENANCE	\$1,149,090	\$1,225,536	\$1,219,884	\$5,652

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGET BASIS - YEAR ENDED JUNE 30, 2005
GENERAL FUND
(CONTINUED)**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
SUPPORT SERVICE, PUPIL TRANSPORTATION				
Purchased Services	\$14,318	\$14,000	\$13,246	\$754
TOTAL SUPPORT SERVICE, PUPIL TRANSPORTATION	14,318	14,000	13,246	754
SUPPORT SERVICE, CENTRAL				
Salaries and Wages	22,040	17,926	17,826	100
Fringe Benefits	3,306	3,306	2,537	769
Purchased Services	23,113	20,442	17,849	2,593
Supplies	1,400	1,400	454	946
TOTAL SUPPORT SERVICE, CENTRAL	49,859	43,074	38,666	4,408
TOTAL SUPPORT SERVICES	4,412,060	4,469,006	4,427,815	41,191
EXTRACURRICULAR STUDENT ACTIVITIES				
Salaries and Wages	301,992	315,278	315,262	16
Fringe Benefits	64,578	65,805	65,060	745
Purchased Services	102,833	109,472	109,119	353
Supplies	4,001	3,179	2,503	676
TOTAL EXTRACURRICULAR STUDENT ACTIVITIES	473,404	493,734	491,944	1,790
FACILITIES SERVICES				
Purchased Services	41,925	43,777	43,777	0
Miscellaneous Expenses	19,060	13,455	13,455	0
TOTAL FACILITIES SERVICES	60,985	57,232	57,232	0
TOTAL EXPENDITURES	12,926,338	13,063,594	12,992,975	70,619
REVENUE OVER (UNDER) EXPENDITURES	(1,317,470)	606,438	691,395	84,957
OTHER FINANCING SOURCES (USES):				
TRANSFERS OUT	75,000	97,000	97,000	0
OTHER FINANCING USES	54,049	0	0	0
TOTAL OTHER FINANCING SOURCES (USES)	(129,049)	(97,000)	(97,000)	0
EXCESS REVENUE AND OTHER FINANCING SOURCES (USES) OVER (UNDER) EXPENDITURES AND OTHER USES	(1,446,519)	509,438	594,395	84,957
FUND BALANCE AT BEGINNING OF YEAR (UNENCUMBERED)	3,712,821	3,712,821	3,712,821	0
PRIOR YEAR ENCUMBRANCES APPROPRIATED	430,798	430,798	430,798	0
FUND BALANCE AT BEGINNING OF YEAR	4,143,619	4,143,619	4,143,619	0
FUND BALANCE AT END OF YEAR	\$2,697,100	\$4,653,057	\$4,738,014	\$84,957

See accompanying notes to the basic financial statements

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2005**

	ENTERPRISE FUNDS		<u>TOTALS</u>
	<u>FOOD SERVICE FUND</u>	<u>CHILD CARE FUND</u>	
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$16,658	\$31,769	\$48,427
Due From Other Governments	0	427	427
Accounts Receivable	0	6,755	6,755
Material & Supplies Inventory	3,896	0	3,896
Total Current Assets	20,554	38,951	59,505
Non-current Assets:			
Capital Assets, Net	31,183	1,937	33,120
TOTAL ASSETS	51,737	40,888	92,625
LIABILITIES:			
Current Liabilities:			
Due To Other Governments	0	150	150
Accounts Payable	5,276	1,452	6,728
Accrued Salaries and Benefits Payable	27,973	16,317	44,290
Deferred Other Revenue	0	3,600	3,600
Total Current Liabilities	33,249	21,519	54,768
Long-Term Liabilities:			
Accrued Salaries and Benefits Payable	5,654	1,170	6,824
TOTAL LIABILITIES	38,903	22,689	61,592
NET ASSETS:			
Invested in Capital Assets	31,183	1,937	33,120
Unrestricted	(18,349)	16,262	(2,087)
TOTAL NET ASSETS	\$12,834	\$18,199	\$31,033

See accompanying notes to the basic financial statements

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>ENTERPRISE FUNDS</u>		<u>TOTALS</u>
	<u>FOOD SERVICE FUND</u>	<u>CHILD CARE FUND</u>	
OPERATING REVENUES:			
Charge for Services	\$190,727	\$189,156	\$379,883
TOTAL OPERATING REVENUES	<u>190,727</u>	<u>189,156</u>	<u>379,883</u>
OPERATING EXPENSES:			
Employee Salaries & Wages	102,176	143,356	245,532
Employee Frings Benefits	52,008	32,035	84,043
Purchased Services	6,254	5,499	11,753
Materials & Supplies	98,145	12,511	110,656
Other Expenses	3,021	825	3,846
Depreciation Expense	6,208	305	6,513
TOTAL OPERATING EXPENSES	<u>267,812</u>	<u>194,531</u>	<u>462,343</u>
OPERATING INCOME (LOSS)	(77,085)	(5,375)	(82,460)
NON-OPERATING REVENUES:			
State Sources	1,218	0	1,218
Federal Sources	47,747	7,140	54,887
Interest Income	11,907	0	11,907
Other Revenues	12,164	0	12,164
TOTAL NON-OPERATING REVENUES	<u>73,036</u>	<u>7,140</u>	<u>80,176</u>
CHANGE IN NET ASSETS	(4,049)	1,765	(2,284)
NET ASSETS BEGINNING OF YEAR	<u>16,883</u>	<u>16,434</u>	<u>33,317</u>
NET ASSETS END OF YEAR	<u><u>\$12,834</u></u>	<u><u>\$18,199</u></u>	<u><u>\$31,033</u></u>

See accompanying notes to the basic financial statements

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	ENTERPRISE FUNDS		TOTALS
	FOOD SERVICE FUND	CHILD CARE FUND	
Cash flows from operating activities:			
Cash received from tuition and fees	\$0	\$185,736	\$185,736
Cash received from sales	190,727	0	190,727
Cash payments for personal services	(155,312)	(176,522)	(331,834)
Cash payments for contract services	(6,254)	(5,524)	(11,778)
Cash payments for supplies and materials	(87,099)	(13,011)	(100,110)
Cash payments for other expenses	(3,021)	(825)	(3,846)
Net cash (used) by operating activities	<u>(60,959)</u>	<u>(10,146)</u>	<u>(71,105)</u>
Cash flows from noncapital financing activities:			
Cash from operating grants			
State sources	1,218	0	1,218
Federal sources	33,496	6,713	40,209
Other Revenues	12,164	0	12,164
Net cash from noncapital financing activities	<u>46,878</u>	<u>6,713</u>	<u>41,427</u>
Cash flows from capital financing activities:			
Purchases of capital assets	<u>(12,748)</u>	0	<u>(12,748)</u>
Cash flows from investing activities:			
Investment income	<u>11,907</u>	0	<u>11,907</u>
Net (decrease) in cash and cash equivalents	(14,922)	(3,433)	(42,426)
Cash and cash equivalents at beginning of year	31,580	35,202	66,782
Cash and cash equivalents at end of year	<u>\$16,658</u>	<u>\$31,769</u>	<u>\$24,356</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating (loss)	(\$77,085)	(\$5,375)	(\$82,460)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	6,208	305	6,513
Commodities expense related to noncash grant	12,391	0	12,391
Purchase of Inventory	86,422	0	86,422
Consumption of Inventory	(86,658)	0	(86,658)
(Increase) in Accounts Receivable	0	(3,716)	(3,716)
Increase in due to Other Governments	0	150	150
(Decrease) in Accounts Payable	(979)	(649)	(1,628)
(Decrease) in Accrued Liabilities	(1,258)	(1,157)	(2,415)
Increase in Deferred Revenue	0	296	296
Net adjustments	<u>16,126</u>	<u>(4,771)</u>	<u>11,355</u>
Net cash (used) by operating activities	<u>(\$60,959)</u>	<u>(\$10,146)</u>	<u>(\$71,105)</u>

See accompanying notes to the basic financial statements

GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY

STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2005

	AGENCY FUNDS
ASSETS:	
Cash and Investments	\$49,707
TOTAL ASSETS	<u>49,707</u>
LIABILITIES:	
Due to Other Government/Others	49,483
Accounts Payable	224
TOTAL LIABILITIES	<u><u>\$49,707</u></u>

See accompanying notes to the basic financial statements

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**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

1. REPORTING ENTITY

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Fund Accounting

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

Governmental Funds

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

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds (Continued)

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

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

Business-type Activities

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

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

Fiduciary Funds

Fiduciary Funds - Fiduciary funds reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trusts funds, and agency funds. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations. The District's agency fund accounts for those student activity programs which have student participation in the activity and have students involved in the management of the program.

(b) Basis of Presentation

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

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

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of Presentation (Continued)

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

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

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

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

(c) Basis of Accounting

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

Revenues Exchange and Non-exchange Transactions – Revenue resulting from exchange transactions is recorded on the accrual basis when the exchange takes place.

On a modified accrual basis, revenues are recognized in the accounting period when they become both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period of the District is sixty days after year-end.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Basis of Accounting (Continued)

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

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

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

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

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

(d) Cash and Investments

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

The Grandview Heights School District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2005. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2005.

Following Ohio statutes, the Board of Education has, by Board Policy #6144, specified the funds to receive an allocation of interest earnings. All interest revenue received amounts to \$120,978 with \$109,071 credited to the General Fund and \$11,907 credited to the Food Service Fund during fiscal year 2005.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Inventory

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

(f) Capital Assets and Depreciation

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

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

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

(g) Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. These amounts are eliminated in the government-wide statements, except for amounts due between governmental and business-type activities.

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

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Compensated Absences

The District has implemented the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick 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. The criteria for determining the vacation and sick leave liability is derived from Board policy, negotiated agreements and state laws.

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

(i) Accrued Liabilities and Long-term Debt

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

(j) Net Assets

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

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

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Fund Balance Reserves

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

(l) Proprietary Funds and Governmental and Business Type Activities

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

(m) Statements of Cash Flows

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

(n) Management Estimates

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

(o) Budgetary Data

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

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

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Budgetary Data (Continued)

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

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

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

(p) Encumbrances

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

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

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

3. CASH AND INVESTMENTS

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

State statutes classify monies held by the School District into three categories. Active deposits are public deposits necessary to meet current demand on the treasury. Such monies must be maintained either as cash in the School District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts or in money market deposit accounts. Inactive deposits are public deposits the Board of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

3. CASH AND INVESTMENTS (Continued)

At June 30, 2005 the carrying amount of the District's deposits was \$940,410 and the bank balance was \$1,118,954. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, as of June 30, 2005, \$814,087 of the District's bank balance of \$1,118,954 was exposed to custodial risk as discussed below, while \$304,867 was covered by Federal Deposit Insurance Corporation.

Custodial Credit Risk – Deposits: Custodial credit risk for deposits is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. 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.

As of June 30, 2005, the District had the following investments:

Investment	Maturities	Credit Risk	Fair Value
Repurchase Agreements	Daily	AAA	\$ 458,000
STAR Ohio	Not Applicable	AAAm	4,969,628
U.S. Treasury Note	11/30/05	Not Applicable	<u>198,813</u>
Total			<u>\$5,626,441</u>

Interest Rate Risk: The Ohio Revised Code 135.14(D) limits interim securities to a term of five years, unless matched to a specific debt.

Credit Risk: As of June 30, 2005, the District's investments in repurchase agreements were rated AAA by Standard & Poor's and Moody's. The District's investments in STAR Ohio were rated AAAM by Standard & Poor's and Moody's.

Concentration of Credit Risk: The District places no limit on the amount the District may invest in any one issuer for the types of investments listed above. More than 5 percent of the District's investments are in Repurchase Agreements and STAR Ohio. These investments are 8.14% and 88.33%, respectively, of the District's total investments.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

4. DUE FROM OTHER GOVERNMENTS

Intergovernmental receivables at June 30, 2005, consists of the following:

	<u>Governmental Activities</u>		
	<u>Due From</u>		
	<u>Federal Government</u>	<u>State Government</u>	<u>Total</u>
General Fund	\$ -	\$ 14	\$ 14
Other Governmental Funds	990	4,194	5,184
Total	\$ 990	\$ 4,208	\$ 5,198

	<u>Business-Type Activities</u>	
	<u>Due From</u>	
	<u>State Government</u>	<u>Total</u>
Child Care Fund	\$ 427	\$ 427
Total	\$ 427	\$ 427

5. INTERFUND RECEIVABLES AND PAYABLES

There were no interfund receivables and payables as of June 30, 2005.

6. CAPITAL ASSETS

Summaries of changes in capital assets for the fiscal year ended June 30, 2005, follows:

<u>Activity</u>	<u>Balance July 1 2004</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30 2005</u>
Governmental Activities:				
Land	\$ 137,400	\$ -	\$ -	\$ 137,400
Buildings & Improvements	16,641,621	40,810	-	16,682,431
Furniture & Equipment	3,703,120	148,927	391,182	3,460,865
Vehicles	75,101	-	3,535	71,566
Totals at Cost	\$ 20,557,242	\$ 189,737	\$ 394,717	\$ 20,352,262
Less Accumulated Depreciation				
Buildings & Improvements	\$ 5,083,473	\$ 274,310	\$ -	\$ 5,357,783
Furniture & Equipment	2,857,332	131,863	229,480	2,759,715
Vehicles	30,917	7,157	3,533	34,541
Total Accumulated Depreciation	\$ 7,971,722	\$ 413,330	\$ 233,013	\$ 8,152,039
Capital Assets, Net	\$ 12,585,520	\$ (223,593)	\$ 161,704	\$ 12,200,223

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

6. CAPITAL ASSETS (Continued)

Business-Type Activities:

Furniture & Equipment	\$ 166,964	\$ 12,748	\$ -	\$ 179,712
Totals at Cost	<u>\$ 166,964</u>	<u>\$ 12,748</u>	<u>\$ -</u>	<u>\$ 179,712</u>

Less Accumulated Depreciation

Furniture & Equipment	\$ 140,079	\$ 6,513	\$ -	\$ 146,592
Total Accumulated Depreciation	<u>140,079</u>	<u>6,513</u>	<u>-</u>	<u>146,592</u>

Capital Assets, Net	<u>\$ 26,885</u>	<u>\$ 6,235</u>	<u>\$ -</u>	<u>\$ 33,120</u>
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*Depreciation Expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 335,647
Special	6,263
Support Service:	
Pupils	14,152
Instructional Staff	10,397
Administration	3,893
Fiscal	231
Business	1,372
Operation & Maintenance	23,797
Central	4,705
Extracurricular	12,873
Total Depreciation Expense	<u>\$ 413,330</u>

7. LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2005, follows:

	Balance July 1 <u>2004</u>	<u>Addition</u>	<u>Deletion</u>	Balance June 30 <u>2005</u>	Amounts Due In <u>One Year</u>
Governmental Activities					
Long-term Obligations:					
Accrued Interest	\$ 35,384	\$ 33,655	\$ 35,384	\$ 33,655	\$ 33,655
Capital Lease	113,269	41,829	78,252	76,846	62,928
Accrued Vacation and Vested Pers./Sick Leave	1,085,483	31,562	-	1,117,045	147,184
G.O. Bonds	10,054,989	-	645,000	9,409,989	675,000
Total	<u>\$11,289,125</u>	<u>\$ 107,046</u>	<u>\$ 758,636</u>	<u>\$ 10,637,536</u>	<u>\$ 918,767</u>

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

7. LONG-TERM LIABILITIES (Continued)

Business-Type Activities

Long-term Obligations:

Accrued Vacation and Vested Pers./Sick Leave	\$ 6,524	\$ 7,183	\$ 6,524	\$ 7,183	\$ 359
Total	\$ 6,524	\$ 7,183	\$ 6,524	\$ 7,183	\$ 359

Additions and deletions of accrued sick leave are shown net since it is impracticable for the District to determine these amounts separately. District employees are granted sick leave in varying amounts. Vested personal and sick leave is the amount the District would owe in the form of severance pay to employees eligible to retire on June 30, 2005, plus vested personal and sick leave for faculty and classified staff members with over 15 years of service in the retirement system in accordance with GASB Statement #16.

Capital Leases: The District is making installment payments on computer equipment purchased with original values of \$150,093 and \$41,830. This obligation provides for interest at rates 5.50% and 7.53%, with an outstanding balance of \$76,846 at June 30, 2005.

The following is a schedule of future minimum lease payments required under the capital lease and present value of the minimum lease payments as of June 30, 2005:

	<u>Year Ending June 30</u>
FY 2006	\$ 67,699
FY 2007	14,967
Total Principal and Interest Payments	82,666
Less Interest Payments	(5,820)
Present Value of Minimum Lease Payments	\$ 76,846

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

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

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

7. LONG-TERM LIABILITIES (Continued)

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

The annual maturities of the general obligation bonds as of June 30, 2005, and related interest payments are as follows:

NOVEMBER 1, 2001 BONDS ISSUED TO ADVANCE-REFUND:

<u>Fiscal Year Ended:</u>	<u>Principal</u>	<u>Interest</u>	Total <u>Payment Due</u> <u>During Year</u>
June 30, 2006	\$ 575,000	\$ 261,872	\$ 836,872
June 30, 2007	640,000	242,848	882,848
June 30, 2008	635,000	221,652	856,652
June 30, 2009	625,000	199,608	824,608
June 30, 2010	620,000	176,887	796,887
June 30, 2011-2015	1,409,989	2,153,089	3,563,078
June 30, 2016-2020	2,485,000	292,719	2,777,719
Sub-totals	\$ 6,989,989	\$ 3,548,675	\$ 10,538,664

JANUARY 1, 1996 RENOVATION AND CONSTRUCTION BONDS:

<u>Fiscal Year Ended:</u>	<u>Principal</u>	<u>Interest</u>	Total <u>Payment Due</u> <u>During Year</u>
June 30, 2006	\$ 100,000	\$ 131,060	\$ 231,060
June 30, 2007	105,000	125,846	230,846
June 30, 2008	110,000	119,880	229,880
June 30, 2009	120,000	113,498	233,498
June 30, 2010	130,000	106,560	236,560
June 30, 2011-2015	775,000	412,782	1,187,782
June 30, 2016-2020	1,080,000	157,620	1,237,620
Sub-totals	\$ 2,420,000	\$ 1,167,246	\$ 3,587,246

The ORC 133.06 provides that the net debt of a school district, whether or not approved by the people, shall not exceed 9% of the total value of all property in the school district as listed and assessed for taxation. In addition, the unvoted net debt of a school district cannot exceed 0.1% of the total assessed value of property. However, school districts are permitted to incur unvoted debt up to 0.9% of the total assessed value of property for energy conservation measures in accordance with ORC 3313.372. This creates a new situation whereby the unvoted debt limitation is 1.0% of the total assessed value of property in the school district. The total valuation of the Grandview Heights School District on June 30, 2005 was \$230,933,006 according to the Franklin County Auditor's Office. There was no unvoted net debt at June 30, 2005. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At June 30, 2005, the District's total net debt and unvoted net debt were approximately 4.1% of the total assessed value of all property within the school district. The aggregate amount of the District's unvoted debt is also subject to overlapping debt restrictions with Franklin County. As of June 30, 2005, this entity has complied with the requirement that debt service payments on unvoted overlapping debt must not exceed in the aggregate 1% (10 mills) of the assessed property value.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

8. DEFINED BENEFIT PENSION PLANS

(a) State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2005, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2005, 2004, and 2003 were \$1,000,824, \$977,892 and \$932,412 respectively; 83.74 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

8. DEFINED BENEFIT PENSION PLANS (Continued)

(b) School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476 or by calling (614) 222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004 and 2003 were \$205,440, \$202,800 and \$203,724 respectively; 50 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003.

9. OTHER POST EMPLOYMENT BENEFITS

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

STRS retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2005, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$72,362 for fiscal year 2005.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2004, (the latest information available) the balance in the Fund was \$3.1 billion. For the fiscal year ended June 30, 2004, net health care costs paid by STRS were \$268,739,000 and STRS had 111,853 eligible benefit recipients.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

9. OTHER POST EMPLOYMENT BENEFITS (Continued)

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2005, employer contributions to fund health care benefits were 3.43 percent of covered payroll, a decrease of 1.48 percent from fiscal year 2004. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay was established at \$27,400. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2005 fiscal year, School District paid \$72,461 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2004 (the latest information available), were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

10. PROPERTY TAXES

Property Taxes include amounts levied against all real, public utility and tangible (used in business) property located in the school district. All property taxes are collected on behalf of the District by Franklin County. Due and collection dates for real property taxes, as established by Franklin County, were January 20, 2004 and June 20, 2004 for those taxes due during 2005. Tangible personal property taxes are due April 30 if paid annually; if paid semi-annually, the first payment is due April 30 with the remainder payable by September 20.

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

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

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

10. PROPERTY TAXES (Continued)

Real estate:	
Residential	\$ 156,048,030
Commercial	33,158,580
Industrial	14,425,420
Public utility:	
Real	19,710
Personal	8,318,690
Tangible personal	18,962,576
Total	\$ 230,933,006

Ohio law prohibits taxation of property from all taxing authorities in excess of 1% of assessed value without a vote of the people. Under current procedures, the District's share is .5% (5.0 mills) of assessed value. Increases in the property tax rate are restricted only by voter willingness to approve such increases. The total tax rate for the District, including voted increases, was 93.02 mills in 2005 with an effective rate of 41.24 for residential property and 63.15 for commercial property.

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

11. FEDERAL AND STATE GRANTS

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

12. BUDGET BASIS OF ACCOUNTING

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

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

	<u>General</u>
GAAP basis	\$ 989,911
Increase (decrease):	
Due to revenues:	
Received in cash during	
fiscal year 2005 but	
accrued June 30, 2004	112,494

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

12. BUDGET BASIS OF ACCOUNTING (Continued)

Accrued at June 30 2005, but no yet received in cash	(34,207)
Due to expenditures:	
Paid in cash during fiscal year 2005, accrued June 30, 2004	(1,699,489)
Accrued June 30, 2005, not yet paid in cash	<u>1,569,379</u>
Budget basis	938,088
Encumbrances outstanding on June 30, 2005	<u>(343,693)</u>
Budget basis unencumbered	<u><u>\$ 594,395</u></u>

(b) Fund balances at end of year:

GAAP basis	\$ 3,546,535
Increase (decrease):	
Due to revenues:	
Received in cash during fiscal year 2005 but accrued at June 30, 2004	-
Accrued at June 30, 2005, not yet received in cash	(34,207)
Due to expenditures:	
Paid in cash during fiscal year 2005, accrued at June 30, 2004	-
Accrued at June 30, 2005, not yet paid in cash	<u>1,569,379</u>

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

12. BUDGET BASIS OF ACCOUNTING (Continued)

Budget basis	5,081,707
Encumbrances outstanding on June 30, 2005	(343,693)
Fund balance at end of year, unencumbered, budget basis	\$ 4,738,014

13. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft or damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2005, the District contracted with the Ohio School Plan for general liability insurance with a \$2,000,000 single occurrence limit and a \$4,000,000 aggregate limit with a \$10,000 deductible. The District also contracted with the Indiana Insurance Company to provide property and fleet insurance requiring deductibles ranging from \$100 to \$1,000 depending on the type of property. Additionally, the District participates in the State Workers' Compensation system which provides coverage for accidents and injuries to employees while on the job. The premium is based on a rate per \$100 of salaries and is calculated as part of a state-wide group rating plan for workers' compensation insurance coverage sponsored by the Ohio School Board's Association. Finally, the District offers employee group health insurance from United Health Care, dental insurance from Delta Dental Plan, and life insurance from the 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.

14. JOINTLY GOVERNED ORGANIZATION AND JOINT VENTURE

The Metropolitan Educational Council is a not for profit educational council whose primary purpose and objective is to contribute to the educational services available to school districts in Franklin County and surrounding areas by cooperative action membership. The governing board consists of a representative from each of the Franklin County districts. MEC is its own fiscal agent. The District does not have an ongoing financial interest in or ongoing financial responsibility for MEC. MEC provides computer services to the District including payroll, budgetary and student management information. The District submitted \$161,423 to MEC during the fiscal year 2005.

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

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

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

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

15. LITIGATION

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

16. SET ASIDE CALCULATIONS AND FUND RESERVES

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

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

	<u>Textbooks</u>	<u>Capital Acquisitions</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set Aside Cash Balance as of June 30, 2004	\$ -	\$ -	\$ 68,902	\$ 68,902
Current Year Set Aside Requirement	165,632	165,632	-	331,264
Current Year Offsets	-	-	-	-
Qualifying Disbursements	277,376	478,406	-	755,782
Total	\$ (111,744)	\$ (312,774)	\$ -	\$(424,518)
Set Aside Cash Balance as of June 30, 2005	\$ -	\$ -	\$ 68,902	\$ 68,902

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

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

17. FUND DEFICITS / ACCOUNTABILITY

The following funds had fund deficit fund balances as of June 30, 2005:

	<u>Fund Balance</u>
Other Governmental Funds -	
Student Intervention Grant Fund	\$ 446
Improving Teacher Quality	<u>\$ 990</u>
 Total	 <u>\$ 1,436</u>

The deficit fund balances are the result of the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit fund balances, however, this is done when cash is needed rather than when accruals occur.

18. SUBSEQUENT EVENT

In November 2005, the taxpayers of the District passed a 7.85% operating levy and a 1.65% permanent improvement levy.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' 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 the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Grandview Heights City School District, Franklin County, Ohio (the District) as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 23, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated December 23, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the 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, providing an opinion 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*. In a separate letter to the District's management dated December 23, 2005, we reported other matters related to noncompliance we deemed immaterial.

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Grandview Heights City School District
Franklin County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of the audit committee, management, and the Board of Education. It is not intended for anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

December 23, 2005



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 21, 2006**