GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2006

Mary Taylor, CPA
Auditor of State

GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY

TABLE OF CONTENTS

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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, 2006, 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, 2006, and the respective changes in financial position and where applicable, cash flows, 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 January 12, 2007, 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.

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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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 12, 2007

Financial Highlights

The District's net assets are $9,350,118 as of June 30, 2006 according to the Statement of Net Assets. This represents an increase of $1,673,856 over last year. The increase in net assets is due primarily to the increase in cash and investments associated with the passage of a 7.85 mill continuing operating tax levy and a 1.65 mill five-year permanent improvement tax levy in November, 2005 that started collection in January, 2006. The District's Governmental cash and investments have increased $2,481,903.

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 began collection in January 2006. On January 10, 2006 the Board of Education approved a House Bill 264 Energy Conservation Project that was subsequently approved by the Ohio School Facilities Commission Energy Conservation and Funding Authority on January 26 for up to $710,627 in energy and cost savings projects. The project will include the following:

- Two steam boilers and associated systems at Grandview Heights High School
- Total roof replacement of the 1926 section at Stevenson Elementary School
- Total roof replacement at the John Glenn Community Center
- HVAC controls and monitoring system at Grandview Heights High School
- HVAC controls and monitoring system at Grandview Middle School
- HVAC controls and monitoring system at Edison Elementary School
- HVAC controls and monitoring system at Stevenson Elementary School

On April 25, 2006 the Board of Education adopted a new Settlement Agreement with the Grandview Heights Education Association (teaching staff) including base salary increases of 3% for school years 2006-07, 2007-08 and 2008-09 and the addition of a new salary schedule step at #16. The agreement included a retirement incentive plan whereby the Board of Education would pay up to $30,000 to retirees under certain circumstances during the life of the contract.

On June 19, 2006 the Board of Education approved a new Settlement Agreement with the Grandview Heights Education Support Staff Association (non-teaching staff) including hourly wage increases of 3% for the school years 2006-07, 2007-08 and 2008-09 and the addition of a new salary schedule step at #16. The agreement also included a retirement incentive plan whereby the Board of Education would pay up to $500 per year of completed service with the District to retirees under certain circumstances during the life of the contract. Additional increases were included for teacher assistants and cooks.

The General Fund reported a positive fund balance of $5,401,729 according to the Balance Sheet for Governmental Funds. The General Fund cash and investments and restricted cash and cash equivalents have increased $1,568,764 since last year. The increase in cash is due primarily to the passage of the tax levy in 2005.

Reporting the District as a Whole

The Statement of Net Assets and Statement of Activities

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements
Our analysis of the District's major funds 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 has one agency fund for student activities. The agency fund's assets are equal to its liabilities since agency funds do not reflect revenues and expenses and all of its assets are held for others. The District's agency fund is reported in the Statement of Fiduciary Assets and Liabilities, Agency Fund. We exclude these assets and liabilities 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 $9,350,118 according to the Statement of Net Assets at the close of the most recent fiscal year.

The largest portions of the District's net assets (50%) 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 2006 to 2005 follows from the Statements of Net Assets:

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current Assets	$19,275,202	$15,999,641	$73,883	$59,505	$19,349,085	$16,059,146
Capital Assets	12,094,565	12,200,223	33,214	33,120	12,127,779	12,233,343
Total Assets	31,369,767	28,199,864	107,097	92,625	31,476,864	28,292,489
Current Liabilities	11,142,289	9,917,100	74,563	54,409	11,216,852	9,971,509
Long Term Liabilities	10,902,248	10,637,535	7,646	7,183	10,909,894	10,644,718
Total Liabilities	22,044,537	20,554,635	82,209	61,592	22,126,746	20,616,227
Net Assets:						
Invested in Capital Assets, Net of Debt	2,379,033	2,713,388	33,214	33,120	2,412,247	2,746,508
Restricted	2,253,474	1,276,951	0	0	2,253,474	1,276,951
Unrestricted	4,692,723	3,654,890	(8,326)	(2,087)	4,684,397	3,652,803
Total Net Assets	$9,325,230	$7,645,229	$24,888	$31,033	$9,350,118	$7,676,262

A portion of the District's net assets (24%) represents resources subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets may be used to meet the District's ongoing activities.

Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues						
Program Revenues						
Charges for Services	$376,433	$361,160	$426,276	$379,883	$802,709	$741,043
Operating Grants and Contributions	628,714	570,150	52,593	80,176	681,307	650,326
General Revenues						
Property Taxes	12,404,194	11,130,760	0	0	12,404,194	11,130,760
Intergovernmental - State	2,954,367	2,990,731	0	0	2,954,367	2,990,731
Other	316,227	159,634	25,419	0	341,646	159,634
Total Revenues	16,679,935	15,212,435	504,288	460,059	17,184,223	15,672,494
Expenses						
Instruction	8,999,483	8,424,308	0	0	8,999,483	8,424,308
Support Services	4,471,490	4,402,992	0	0	4,471,490	4,402,992
Extracurricular Activities	642,261	623,200	0	0	642,261	623,200
Facilities Services	479,940	246,456	0	0	479,940	246,456
Interest & Fiscal Charges	406,760	412,283	0	0	406,760	412,283
Food Service	0	0	289,213	267,812	289,213	267,812
Child Care	0	0	221,220	194,531	221,220	194,531
Total Expenses	14,999,934	14,109,239	510,433	462,343	15,510,367	14,571,582
Change in Net Assets	$1,680,001	$1,103,196	($6,145)	($2,284)	$1,673,856	$1,100,912

Governmental Activities

Net assets of the District's governmental activities increased by $1,680,001 and unrestricted net assets reflect a positive balance of $4,692,723. The increase in net assets is due primarily to the increase in cash and investments associated with the passage of a 7.85 mill continuing operating tax levy and a 1.65 mill five-year permanent improvement tax levy in November, 2005 that started collection in January, 2006.

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 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 began collection in January 2006. On January 10, 2006 the Board of education approved a House Bill 264 Energy Conservation Project that was subsequently approved by the Ohio School Facilities Commission Energy Conservation and Funding Authority on January 26 for up to $710,627 in energy and cost savings projects. The project will include various boiler, HVAC and roof projects throughout the District.

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.

Program Expenses	Total Cost of Services 2006	Net Cost of Services 2006
Instruction		
Regular	$6,556,853	$6,352,647
Special	2,343,738	2,032,889
Vocational	98,892	88,959
Support Services		
Pupils	1,149,392	952,486
Instructional Staff	518,062	495,152
Board of	19,430	19,430
Administration	1,085,414	1,051,415
Fiscal	415,511	415,511
Business	49,720	5,939
Operation &	1,169,969	1,169,969
Pupil	9,716	9,716
Central	54,276	49,471
Extracurricular	642,261	464,503
Facilities Services	479,940	479,940
Interest & Fiscal	406,760	406,760
Total Expenses	$14,999,934	$13,994,787

74% of total revenues for governmental activities come from local taxes. The net services column reflecting the need for $13,994,787 of support indicates the reliance on general revenues to support governmental activities.

Business-Type Activities
Business-type activities include food service and child care. These programs had a decrease in net assets of $6,145 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 $7,723,587 which is above last years total of $4,900,842 according to the Balance Sheet, Governmental Funds. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2006 and 2005.

	Fund Balance June 30, 2006	Fund Balance June 30, 2005	Increase (Decrease)
General	$5,401,729	$3,546,535	$1,855,194
Bond Retirement	1,380,349	1,248,509	131,840
Other Governmental	941,509	105,798	835,711
Total	$7,723,587	$4,900,842	$2,822,745

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

Revenues	2006 Amount	2005 Amount	Percent Change
Taxes	$11,812,998	$10,242,299	15.3%
Interest Earnings	228,325	109,071	109.3%
Intergovernmental - State	3,031,104	3,021,577	0.3%
Other Revenue	279,747	233,136	20.0%
Total	$15,352,174	$13,606,083	12.8%

The property tax revenue is up $1,570,699 due to the passage of a local property tax levy on November 8, 2005 including 7.85 mills for a continuing period of time for general operating purposes. Interest earnings are up $119,254 as the interest rate environment continued to increase. State revenue is up $9,527 due to the beginning of collection of the personal property tax "hold harmless" reimbursement from the state because of the gradual elimination of the personal property tax as a source of revenue for schools in Ohio.

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

Expenditures by Function	2006 Amount	2005 Amount	Percent Change
Instruction	$8,379,269	$7,888,755	6.2%
Support Services	4,327,172	4,025,356	7.5%
Extracurricular	510,582	491,519	3.9%
Facilities Services	51,908	53,006	-2.1%
Capital Outlay	141,941	0	100.0%
Debt Service	103,049	60,536	70.2%
Total	$13,513,921	$12,519,172	7.9%

Expenditures are up $994,749 or 7.9% from the prior year mostly due to increases in tuition for special education programs outside the District, natural gas prices, technology equipment and leases and wages.

Bond Retirement Fund
The District's Bond Retirement Fund balance increased by $131,840 due to a small increase in tax collections and slightly smaller interest payments associated with the aging renovation and construction bonds issued on January 1, 1996 and those bonds that were refinanced on November 1, 2001. Permanent Improvement Notes were issued on February 16, 2006 in the amount of $875,000 to be repaid over a five-year period. That debt is being repaid through the District's Bond Retirement Fund by transferring the amount of the debt payments from the District's Capital Projects Fund. The primary revenues of the District's Bond Retirement 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 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 increase in fund balance of $835,711 is primarily due to the issuance of Permanent Improvement Notes for $875,000 on February 16, 2006 as noted in the paragraph above.

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, 2006 real property tax settlement and to commence the collection of the local property tax levy approved by voters on November 8, 2005 including 7.85 mills for a continuing period of time for general operating purposes. General Fund state revenue estimates were decreased due to smaller school foundation support than was originally expected and due to smaller rollback and homestead exemption reimbursements. 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 $355,636—about 2.6% difference from the original estimate. The increase was due to increases in tuition for special education programs outside the District and natural gas prices.

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 $12,127,779 invested in capital assets net of depreciation, with $12,094,565 attributed to governmental activities. Detailed information regarding capital asset activity is included in the notes to the basic financial statements.

Debt

On June 30, 2006, the District had $9,609,989 in outstanding bonds and permanent improvement notes. The District issued $875,000 in Permanent Improvement Notes. The District paid $675,000 in principal on bonds outstanding and $404,687 in interest on bonds and permanent improvement notes during the 2006 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, 2006, the District's general obligation debt was below the legal limit.

Restrictions and Other Limitations

The Board of Education has committed to reducing the number of District employees commensurate with the smaller enrollment and to reducing expenditures in response to the annual loss of over $800,000 in personal property tax revenues primarily from the departed Big Bear Stores.

Contributing to the challenge is the funding received by the District from the State of Ohio. School foundation support from the State has been flat since the most recent reduction that occurred after the 2003-04 fiscal year. The slight increase reflected in the school foundation program for the current 2005-06 fiscal year is due to a change in accounting procedures for memo expenditures withheld by the State for open enrollment, community schools and county educational service centers. The District's five-year financial forecast anticipates a reduction of over three hundred thousand dollars annually from the State for its school foundation program after June, 2007 because the transitional guarantee that the District receives is only contained in temporary law that is set to expire. Additionally, the financial forecast anticipates the loss of more than four hundred thousand dollars each year after August, 2007 when the State may discontinue its reimbursement for public utility taxes whose collection has been discontinued since 2001. Since the transitional guarantee and the public utility tax reimbursement are contained in temporary laws that may or may not permit their continued existence, the reliability of the District's financial forecast may be compromised.

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan reaffirming earlier decisions that the funding plan is unconstitutional. However, the Supreme Court relinquished jurisdiction over the case and directed "…the Ohio General Assembly to enact a school funding scheme that is thorough and efficient…" An appeal to the United States Supreme Court was denied in October, 2003, effectively confirming the continued use of the State's existing school funding plan that shifts an ever increasing burden of paying for public school districts to local property taxpayers.

The State of Ohio adds to the challenge facing the 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. 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 established a replacement mechanism for lost tax revenues to school districts until tax year 2009 when it will be phased out entirely over time by tax year 2018. During the temporary life of this replacement mechanism, it will give the appearance that the State revenue share is increasing while the local revenue share (personal property taxes) is smaller.

Finally, the challenges of the local economy continue to affect the District. The District's largest taxpayer, Big Bear Stores, closed and left the 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 District resulting in savings of approximately $855,000. The dedicated voters in the 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. 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 2009-10 school year. However, since the bargaining agreements only extend through the 2008-09 school year, it is expected that the District will remain off the ballot until at least 2008.

GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY

STATEMENT OF NET ASSETS
JUNE 30, 2006

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and Investments	$8,952,800	$56,523	$9,009,323
Materials and Supplies Inventory	0	3,052	3,052
Accrued Interest Receivable	20,423	0	20,423
Accounts Receivable	942	14,038	14,980
Due From Other Governments	43,775	270	44,045
Prepaid Expenses	31,243	0	31,243
Taxes Receivable	10,226,019	0	10,226,019
Capital Assets, Net of Depreciation	12,094,565	33,214	12,127,779
Total Assets	31,369,767	107,097	31,476,864
Liabilities			
Accounts Payable	270,222	9,453	279,675
Accrued Salaries and Benefits Payable	1,498,241	50,746	1,548,987
Due to Other Governments	17,436	0	17,436
Deferred Tax Revenue	9,292,231	0	9,292,231
Deferred Intergovernmental Revenue	43,736	0	43,736
Deferred Other Revenue	20,423	14,364	34,787
Long-Term Liabilities:			
Due Within One Year	1,093,351	1,057	1,094,408
Due In More Than One Year	9,808,897	6,589	9,815,486
Total Liabilities	22,044,537	82,209	22,126,746
Net Assets			
Invested in Capital Assets, Net of Depreciation and Related Debt	2,379,033	33,214	2,412,247
Restricted for:			
Capital Projects	864,685	0	864,685
Debt Service	1,380,349	0	1,380,349
Other Purposes	8,440	0	8,440
Unrestricted (Deficit)	4,692,723	(8,326)	4,684,397
Total Net Assets	$9,325,230	$24,888	$9,350,118

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, 2006

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities	Business-Type Activities	Total
Governmental Activities						
Instruction:						
Regular	$6,556,853	$154,894	$49,312	($6,352,647)	$0	($6,352,647)
Special	2,343,738		310,849	(2,032,889)	0	(2,032,889)
Vocational	98,892		9,933	(88,959)	0	(88,959)
Support Services:						
Pupils	1,149,392		196,906	(952,486)	0	(952,486)
Instructional Staff	518,062		22,910	(495,152)	0	(495,152)
Board of Education	19,430			(19,430)	0	(19,430)
Administration	1,085,414		33,999	(1,051,415)	0	(1,051,415)
Fiscal	415,511			(415,511)	0	(415,511)
Business	49,720	43,781		(5,939)	0	(5,939)
Operation and Maintenance	1,169,969			(1,169,969)	0	(1,169,969)
Pupil Transportation	9,716			(9,716)	0	(9,716)
Central	54,276		4,805	(49,471)	0	(49,471)
Extracurricular Student Activities	642,261	177,758		(464,503)	0	(464,503)
Facilities Services	479,940			(479,940)	0	(479,940)
Debt Service Interest and Fiscal Charges	406,760			(406,760)	0	(406,760)
Total Governmental Activities	14,999,934	376,433	628,714	(13,994,787)	0	(13,994,787)
Business-Type Activities						
Food Service	289,213	202,205	50,148	0	(36,860)	(36,860)
Child Care	221,220	224,071	2,445	0	5,296	5,296
Total Business-Type Activities	510,433	426,276	52,593	0	(31,564)	(31,564)
Totals	$15,510,367	$802,709	$681,307	(13,994,787)	(31,564)	(14,026,351)

	Governmental Activities	Business-Type Activities	Total
General Revenues			
Property Taxes Levied for:			
General Purposes	11,099,195	0	11,099,195
Debt Service	1,016,222	0	1,016,222
Capital Outlay	288,777	0	288,777
Intergovernmental - State	2,954,367	0	2,954,367
Interest Income	240,745	13,718	254,463
Miscellaneous	75,482	11,701	87,183
Total General Revenues	15,674,788	25,419	15,700,207
Change in Net Assets	1,680,001	(6,145)	1,673,856
Net Assets Beginning of Year	7,645,229	31,033	7,676,262
Net Assets End of Year	$9,325,230	$24,888	$9,350,118

See accompanying notes to the basic financial statements

GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

	General	Bond Retirement Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and Investments	$6,580,933	$1,345,163	$957,802	$8,883,898
Accrued Interest Receivable	20,423	0	0	20,423
Accounts Receivable	942	0	0	942
Due From Other Governments	39	0	43,736	43,775
Prepaid Expenditures	31,243	0	0	31,243
Restricted Cash and Cash Equivalents	68,902	0	0	68,902
Taxes Receivable	9,119,341	823,994	282,684	10,226,019
Total Assets	$15,821,823	$2,169,157	$1,284,222	$19,275,202
Liabilities				
Accounts Payable	$252,189	$0	$18,033	$270,222
Accrued Wages	1,488,010	0	10,231	1,498,241
Due to Other Governments	17,436	0	0	17,436
Deferred Tax Revenue	8,642,036	788,808	270,713	9,701,557
Deferred Intergovernmental Revenue	0	0	43,736	43,736
Deferred Other Revenue	20,423	0	0	20,423
Total Liabilities	10,420,094	788,808	342,713	11,551,615
Fund Balances				
Reserved for Encumbrances	376,070	0	463,962	840,032
Reserved for HB-412 Set Asides	68,902	0	0	68,902
Reserved for Prepaids	31,243	0	0	31,243
Unreserved:				
General Fund	4,925,514	0	0	4,925,514
Special Revenue Funds	0	0	58,903	58,903
Debt Service Fund	0	1,380,349	0	1,380,349
Capital Projects Funds	0	0	418,644	418,644
Total Fund Balances (Deficits)	5,401,729	1,380,349	941,509	7,723,587
Total Liabilities and Fund Balances	$15,821,823	$2,169,157	$1,284,222	$19,275,202

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, 2006

Total Governmental Fund Balances	$7,723,587
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	12,094,565
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds	409,326
Long-term liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and therefore are not reported in the funds	(10,902,248)
Net Assets of Governmental Activities	$9,325,230

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, 2006

	General	Bond Retirement Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	$11,812,998	$1,093,185	$275,436	$13,181,619
Intergovernmental - State	3,031,104	114,763	47,841	3,193,708
Intergovernmental - Federal	0	0	389,373	389,373
Interest Income	228,325	0	12,420	240,745
Tuition and Fees	204,029	0	0	204,029
Miscellaneous Revenue	75,718	0	172,168	247,886
Total Revenues	15,352,174	1,207,948	897,238	17,457,360
Expenditures				
Current:				
Instruction:				
Regular	6,189,082	0	51,316	6,240,398
Special	2,091,650	0	107,382	2,199,032
Vocational	98,537	0	0	98,537
Support Services:				
Pupil	1,077,479	0	207,286	1,284,765
Instructional Staff	484,082	0	22,405	506,487
Board of Education	19,430	0	0	19,430
Administration	1,041,403	0	31,287	1,072,690
Fiscal	407,844	8,175	958	416,977
Business	0	0	48,901	48,901
Operation and Maintenance of Plant	1,242,744	0	0	1,242,744
Pupil Transportation	9,716	0	0	9,716
Central	44,474	0	5,000	49,474
Extracurricular Activities	510,582	0	132,239	642,821
Facilities Services	51,908	0	428,032	479,940
Capital Outlay	141,941	0	0	141,941
Debt Service:				
Principal Retirement	100,300	675,000	12,944	788,244
Interest and Fiscal Charges	2,749	404,687	2,023	409,459
Total Expenditures	13,513,921	1,087,862	1,049,773	15,651,556
Excess of Revenues Over (Under) Expenditures	1,838,253	120,086	(152,535)	1,805,804
Other Financing Sources (Uses)				
Proceeds From Capital Lease Obligations	141,941	0	0	141,941
Proceeds From Tax Anticipation Notes	0	0	875,000	875,000
Operating Transfers In	0	11,754	125,000	136,754
Operating Transfers Out	(125,000)	0	(11,754)	(136,754)
Total Other Financing Sources (Uses)	16,941	11,754	988,246	1,016,941
Net Change in Fund Balances	1,855,194	131,840	835,711	2,822,745
Fund Balances Beginning of Year	3,546,535	1,248,509	105,798	4,900,842
Fund Balances End of Year	$5,401,729	$1,380,349	$941,509	$7,723,587

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, 2006

Net Change in Fund Balances - Total Governmental Funds	$2,822,745
Amounts reported for governmental activities in the statement of activities are different because	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(104,842)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(777,425)
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.	788,244
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	2,699
Proceeds from the issuance of tax anticipation notes and capital leases are reported as revenues in the governmental funds. In the Statement of Net Assets it increases liabilities.	(1,016,941)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(34,479)
Change in Net Assets of Governmental Activities	$1,680,001

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 - FOR THE FISCAL YEAR ENDED JUNE 30, 2006
GENERAL FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
PROPERTY TAXES	$7,397,986	$11,369,408	$11,369,408	$0
INTERGOVERNMENTAL - STATE	3,090,556	3,031,104	3,031,104	0
INTEREST INCOME	100,000	195,000	227,689	32,689
TUITION AND FEES (TUIT./S.A./DRIVER ED/USS)	187,394	204,286	204,351	65
MISCELLANEOUS REVENUES	40,000	74,470	75,543	1,073
TOTAL REVENUES	10,815,936	14,874,268	14,908,095	33,827
EXPENDITURES:				
INSTRUCTION, REGULAR				
Salaries and Wages	4,672,672	4,718,579	4,678,890	39,689
Fringe Benefits	1,197,060	1,242,329	1,194,566	47,763
Purchased Services	62,675	31,388	30,888	500
Supplies	237,402	256,375	224,673	31,702
Miscellaneous Expenses	27,389	34,675	31,277	3,398
TOTAL INSTRUCTION, REGULAR	6,197,198	6,283,346	6,160,294	123,052
INSTRUCTION, SPECIAL				
Salaries and Wages	982,195	991,067	982,478	8,589
Fringe Benefits	274,635	277,635	270,111	7,524
Purchased Services	777,143	942,921	932,684	10,237
Supplies	8,524	7,276	5,219	2,057
TOTAL INSTRUCTION, SPECIAL	2,042,497	2,218,899	2,190,492	28,407
INSTRUCTION, VOCATIONAL				
Salaries and Wages	79,450	79,502	79,001	501
Fringe Benefits	18,908	18,899	18,577	322
TOTAL INSTRUCTION, VOCATIONAL	98,358	98,401	97,578	823
TOTAL INSTRUCTIONAL SERVICES	$8,338,053	$8,600,646	$8,448,364	$152,282

GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGET BASIS - FOR THE FISCAL YEAR ENDED JUNE 30, 2006
GENERAL FUND
(CONTINUED)

SUPPORT SERVICE, PUPILS				
Salaries and Wages	$734,229	$748,670	$740,215	$8,455
Fringe Benefits	197,664	198,421	193,067	5,354
Purchased Services	285,366	283,185	277,756	5,429
Supplies	73,346	72,906	71,747	1,159
Miscellaneous Expenses	19,918	16,720	16,347	373
TOTAL SUPPORT SERVICE, PUPILS	1,310,523	1,319,902	1,299,132	20,770
SUPPORT SERVICE, INSTRUCTIONAL STAFF				
Salaries and Wages	177,237	182,326	180,996	1,330
Fringe Benefits	152,202	171,526	166,286	5,240
Purchased Services	86,314	99,798	83,813	15,985
Supplies	34,085	30,982	24,599	6,383
Miscellaneous Expenses	14,249	17,459	15,522	1,937
TOTAL SUPPORT SERVICE, INSTRUCTIONAL STAFF	464,087	502,091	471,216	30,875
SUPPORT SERVICE, BOARD OF EDUCATION				
Salaries and Wages	7,350	8,075	8,075	0
Fringe Benefits	1,103	1,103	945	158
Purchased Services	3,100	3,100	915	2,185
Miscellaneous Expenses	10,725	12,056	11,131	925
TOTAL SUPPORT SERVICE, BOARD OF EDUCATION	22,278	24,334	21,066	3,268
SUPPORT SERVICE, ADMINISTRATION				
Salaries and Wages	716,735	713,988	707,230	6,758
Fringe Benefits	213,729	216,700	209,660	7,040
Purchased Services	78,186	87,466	81,823	5,643
Supplies	35,525	34,306	33,195	1,111
Miscellaneous Expenses	3,500	3,500	1,697	1,803
TOTAL SUPPORT SERVICE, ADMINISTRATION	1,047,675	1,055,960	1,033,605	22,355
SUPPORT SERVICE, FISCAL				
Salaries and Wages	181,776	179,183	178,971	212
Fringe Benefits	63,573	63,574	61,856	1,718
Purchased Services	9,240	9,240	8,633	607
Supplies	4,501	4,501	4,222	279
Miscellaneous Expenses	188,878	161,950	155,930	6,020
TOTAL SUPPORT SERVICE, FISCAL	447,968	418,448	409,612	8,836
SUPPORT SERVICE, OPERATION & MAINTENANCE				
Salaries and Wages	496,150	512,372	500,670	11,702
Fringe Benefits	155,829	156,307	153,814	2,493
Purchased Services	499,493	610,891	587,479	23,412
Supplies	71,299	61,211	60,294	917
Miscellaneous Expenses	39,795	37,724	30,218	7,506
TOTAL SUPPORT SERVICE, OPERATION & MAINTENANCE	$1,262,566	$1,378,505	$1,332,475	$46,030

GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGET BASIS - FOR THE FISCAL YEAR ENDED JUNE 30, 2006
GENERAL FUND
(CONTINUED)

SUPPORT SERVICE, PUPIL TRANSPORTATION				
Purchased Services	$16,196	$16,324	$13,202	$3,122
TOTAL SUPPORT SERVICE, PUPIL TRANSPORTATION	16,196	16,324	13,202	3,122
SUPPORT SERVICE, CENTRAL				
Salaries and Wages	23,950	23,950	18,421	5,529
Fringe Benefits	3,593	3,593	2,672	921
Purchased Services	30,105	30,105	21,716	8,389
Supplies	2,011	2,811	2,804	7
TOTAL SUPPORT SERVICE, CENTRAL	59,659	60,459	45,613	14,846
TOTAL SUPPORT SERVICES	4,630,952	4,776,023	4,625,921	150,102
EXTRACURRICULAR STUDENT ACTIVITIES				
Salaries and Wages	366,677	320,582	320,406	176
Fringe Benefits	74,786	66,947	65,740	1,207
Purchased Services	106,560	116,585	115,204	1,381
Supplies	4,793	3,874	3,873	1
TOTAL EXTRACURRICULAR STUDENT ACTIVITIES	552,816	507,988	505,223	2,765
FACILITIES SERVICES				
Purchased Services	45,000	45,000	41,638	3,362
Miscellaneous Expenses	19,300	12,100	12,040	60
TOTAL FACILITIES SERVICES	64,300	57,100	53,678	3,422
TOTAL EXPENDITURES	13,586,121	13,941,757	13,633,186	308,571
REVENUE OVER (UNDER) EXPENDITURES	(2,770,185)	932,511	1,274,909	342,398
OTHER FINANCING SOURCES (USES):				
TRANSFERS OUT	(125,000)	(125,000)	(125,000)	0
OTHER FINANCING USES	(57,583)	0	0	0
TOTAL OTHER FINANCING SOURCES (USES)	(182,583)	(125,000)	(125,000)	0
EXCESS REVENUE AND OTHER FINANCING SOURCES (USES) OVER (UNDER) EXPENDITURES AND OTHER USES	(2,952,768)	807,511	1,149,909	342,398
FUND BALANCE AT BEGINNING OF YEAR (UNENCUMBERED)	4,738,014	4,738,014	4,738,014	0
PRIOR YEAR ENCUMBRANCES APPROPRIATED	343,693	343,693	343,693	0
FUND BALANCE AT BEGINNING OF YEAR	5,081,707	5,081,707	5,081,707	0
FUND BALANCE AT END OF YEAR	$2,128,939	$5,889,218	$6,231,616	$342,398

See accompanying notes to the basic financial statements

GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY

STATEMENT OF FUND NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2006

	Enterprise Funds		
	Food Service	Child Care Fund	Total
Assets			
Current Assets:			
Cash and Investments	$8,763	$47,760	$56,523
Accounts Receivable	0	14,038	14,038
Due From Other Governments	0	270	270
Materials and Supplies Inventory	3,052	0	3,052
Total Current Assets	11,815	62,068	73,883
Noncurrent Assets:			
Capital Assets, Net of Depreciation	31,582	1,632	33,214
Total Assets	43,397	63,700	107,097
Liabilities			
Current Liabilities:			
Accounts Payable	5,950	3,503	9,453
Accrued Salaries and Benefits Payable	29,465	22,338	51,803
Deferred Other Revenue	0	14,364	14,364
Total Current Liabilities	35,415	40,205	75,620
Long-Term Liabilities:			
Long-Term Accrued Salaries and Benefits Payable	6,589	0	6,589
Total Liabilities	42,004	40,205	82,209
Net Assets			
Invested in Capital Assets, Net of Related Debt	31,582	1,632	33,214
Unrestricted	(30,189)	21,863	(8,326)
Total Net Assets	$1,393	$23,495	$24,888

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, 2006

	Enterprise Funds		
	Food Service	Child Care Fund	Total
Operating Revenues			
Charges for Services	$202,205	$224,071	$426,276
Total Operating Revenues	202,205	224,071	426,276
Operating Expenses			
Salaries	107,871	152,013	259,884
Fringe Benefits	54,768	40,873	95,641
Purchased Services	5,000	9,145	14,145
Materials and Supplies	114,275	18,884	133,159
Depreciation	6,527	305	6,832
Other	772	0	772
Total Operating Expenses	289,213	221,220	510,433
Operating Income (Loss)	(87,008)	2,851	(84,157)
Non-Operating Revenues (Expenses)			
State Sources	1,163	0	1,163
Federal Sources	48,985	2,445	51,430
Interest Income	13,718	0	13,718
Other Non-Operating Revenue	11,701	0	11,701
Total Non-Operating Revenues (Expenses)	75,567	2,445	78,012
Change in Net Assets	(11,441)	5,296	(6,145)
Net Assets Beginning of Year	12,834	18,199	31,033
Net Assets End of Year	$1,393	$23,495	$24,888

See accompanying notes to the basic financial statements

GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Enterprise Funds		
	Food Service	Child Care Fund	Total
Increase (Decrease) in Cash and Cash Equivalents			
Cash Flows from Operating Activities			
Cash received from tuition and fees	$0	$227,552	$227,552
Cash received from sales	202,205	0	202,205
Cash payments for personal services	(159,986)	(187,900)	(347,886)
Cash payments for contract services	(4,552)	(8,793)	(13,345)
Cash payments for supplies and materials	(102,582)	(17,470)	(120,052)
Cash payments for other expenses	(772)	0	(772)
Net Cash Provided by (Used in) Operating Activities	(65,687)	13,389	(52,298)
Cash Flows from Noncapital Financing Activities			
State sources	1,163	0	1,163
Federal sources	38,136	2,602	40,738
Other revenues	11,701	0	11,701
Net Cash Provided by Noncapital Financing Activities	51,000	2,602	53,602
Cash Flows from Capital and Related Financing Activities			
Purchases of capital assets	(6,926)	0	(6,926)
Cash Flows from Investing Activities			
Investment Income	13,718	0	13,718
Net Increase (Decrease) in Cash and Cash Equivalents	(7,895)	15,991	8,096
Cash and Cash Equivalents Beginning of Year	16,658	31,769	48,427
Cash and Cash Equivalents End of Year	$8,763	$47,760	$56,523
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities			
Operating Income (Loss)	($87,008)	$2,851	($84,157)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	6,527	305	6,832
Commodities expense related to noncash grant	9,734	0	9,734
Purchase of Inventory	104,541	0	104,541
Consumption of Inventory	(102,582)	0	(102,582)
(Increase) in accounts receivable	0	(7,283)	(7,283)
(Decrease) in due to other governments	0	(150)	(150)
Increase in accounts payable	674	2,051	2,725
Increase in accrued liabilities	2,427	4,851	7,278
Increase in deferred revenue	0	10,764	10,764
Net Cash Provided by (Used in) Operating Activities	($65,687)	$13,389	($52,298)

See accompanying notes to the basic financial statements

GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
JUNE 30, 2006

	Agency
Assets	
Cash and Investments	$71,339
Liabilities	
Due to Other Governments	$70,480
Accounts Payable	859
Total Liabilities	$71,339

See accompanying notes to the basic financial statements

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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 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) <u>Fund Accounting</u>

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:

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Fund Accounting (Continued)

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.

Bond Retirement Fund - The Bond Retirement 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.

Proprietary Funds - Proprietary funds focus on the determination of operating income, changes in net assets, financial position, and cash flows. The District's proprietary funds are enterprise funds.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the District's major enterprise funds:

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 fund 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 reconciliations with brief explanations to better identify the relationship.

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 is 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 Fund Net Assets. Proprietary fund's operating statements present increases (e.g., revenues) and decreases (expenses) in net total assets. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations.

(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.

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 2006. 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, 2006.

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 $254,463 with $228,325 credited to the General Fund, $12,420 credited to the Permanent Improvement Fund, and $13,718 credited to the Food Service Fund during fiscal year 2006.

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.

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 are reported in the government-wide financial statements as well as the proprietary fund financial statements. For governmental fund financial statements, the accrued liabilities are generally reported as a governmental fund liability if due for payment as of the balance sheet date regardless of whether they will be liquidated with current financial resources. However, claims for judgments and compensated absences paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources.

(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 first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

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, other then agency funds, 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.

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 certified 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.

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 (STAR Ohio), which is managed by the Treasurer of the State of 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 and Permanent Improvement 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 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 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.

3. CASH AND INVESTMENTS (Continued)

At June 30, 2006 the carrying amount of the District's deposits was $1,146,939 and the bank balance was $1,340,934. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures,* as of June 30, 2006, $1,135,996 of the District's bank balance of $1,340,934 was exposed to custodial risk as discussed below, while $204,938 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.

The District has no deposit policy for custodial risk beyond the requirements of State statute discussed in the preceding paragraph.

As of June 30, 2006, the District had the following investments:

Investment	Maturities	Credit Risk	Fair Value
Repurchase Agreements	Daily	AAA	$ 662,000
STAR Ohio	Not Applicable	AAAm	7,271,723
Total			$ 7,933,723

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.

The District's investment policy follows the above statute for addressing interest rate risk.

Credit Risk: As of June 30, 2006, 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 8.34% and 91.66%, respectively, of the District's total investments.

4. DUE FROM OTHER GOVERNMENTS

Intergovernmental receivables at June 30, 2006, consist of the following:

	Governmental Activities		
		Due From	
	Federal Government	State Government	Total
General Fund	$0	$39	$39
Other Governmental Funds	43,736	0	43,736
Total	$43,736	$39	$43,775

	Business-Type Activities	
	Due From	
	State Government	Total
Child Care Fund	$270	$270

5. INTERFUND RECEIVABLES AND PAYABLES

There were no interfund receivables and payables as of June 30, 2006.

6. CAPITAL ASSETS

Summaries of changes in capital assets for the fiscal year ended June 30, 2006, follows:

Activity	Balance July 1, 2005	Additions	Disposals	Balance June 30, 2006
Governmental Activities:				
Land	$137,400	$0	$0	$137,400
Buildings & Improvements	16,682,431	96,781	0	16,779,212
Furniture & Equipment	3,460,865	210,811	57,014	3,614,662
Vehicles	71,566	0	0	71,566
Totals at Cost	$20,352,262	$307,592	$57,014	$20,602,840

6. CAPITAL ASSETS (Continued)

Activity	Balance July 1, 2005	Additions	Disposals	Balance June 30, 2006
Less Accumulated Depreciation				
Buildings & Improvements	$5,357,783	$276,187	$0	$5,633,970
Furniture & Equipment	2,759,715	105,034	30,776	2,833,973
Vehicles	34,541	5,791	0	40,332
Total Accumulated Depreciation	$8,152,039	$387,012	$30,776	$8,508,275
Capital Assets, Net	$12,200,223	($79,420)	$26,238	$12,094,565
Business-Type Activities:				
Furniture & Equipment	$179,712	$6,926	$0	$186,638
Totals at Cost	$179,712	$6,926	$0	$186,638
Less Accumulated Depreciation				
Furniture & Equipment	$146,592	$6,832	$0	$153,424
Total Accumulated Depreciation	146,592	6,832	0	153,424
Capital Assets, Net	$33,120	$94	$0	$33,214

*Depreciation Expense was charged to governmental functions as follows:

Instruction:	
Regular	$310,583
Special	3,773
Support Service:	
Pupils	15,269
Instructional Staff	10,946
Administration	3,773
Fiscal	228
Business	819
Operation & Maintenance	23,887
Central	4,733
Extracurricular	13,001
Total Depreciation Expense	$387,012

7. LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2006, follows:

	Balance July 1 2005	Addition	Deletion	Balance June 30 2006	Amounts Due In One Year
Governmental Activities					
Long-term Obligations:					
Accrued Interest	$33,655	$35,192	$33,655	$35,192	$35,192
Capital Lease	76,846	141,941	113,244	105,543	58,292
Accrued Vacation and Vested Pers./Sick Leave	1,117,045	34,479	0	1,151,524	89,867
G.O. Bonds	9,409,989	0	675,000	8,734,989	745,000
Permanent Improvement Notes	0	875,000	0	875,000	165,000
Total	$10,637,535	$1,086,612	$821,899	$10,902,248	$1,093,351
Business-Type Activities					
Long-term Obligations:					
Accrued Vacation and Vested Pers./Sick Leave	$7,183	$7,646	$7,183	$7,646	$1,057

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, 2006, 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 $41,830 and $141,941. This obligation provides for interest at rates of 7.53% and 6.49% respectively, with an outstanding balance of $105,543 at June 30, 2006.

The following is a schedule of future minimum lease payments required under the capital leases and present value of the minimum lease payments as of June 30, 2006:

	Year Ending June 30
FY 2007	$65,283
FY 2008	50,316
Total Principal and Interest Payments	115,599
Less Interest Payments	(10,056)
Present Value of Minimum Lease Payments	$105,543

7. LONG-TERM LIABILITIES (Continued)

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.

Permanent improvement notes in the amount of $875,000 were issued in accordance with Chapter 5705.217 of the Ohio Revised Code on February 16, 2006 with an average annual interest rate of 4.46%. The purpose of the debt issue was to facilitate various capital improvements and repairs in anticipation of the collection of the proceeds of the 1.65 mill permanent improvement levy approved by voters at the election held November 8, 2005. The debt is scheduled to be repaid from the tax levy proceeds over a 5 year period with the final payment due on December 1, 2010.

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, 2006, and related interest payments are as follows:

NOVEMBER 1, 2001 BONDS ISSUED TO ADVANCE-REFUND MARCH 1, 1995 RENOVATION AND CONSTRUCTION BONDS:

Fiscal Year Ended:	Principal	Interest	Total Payment Due During Year
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	610,000	153,827	763,827
June 30, 2012-2016	1,309,989	2,105,186	3,415,175
June 30, 2017-2020	1,975,000	186,794	2,161,794
Sub-totals	$6,414,989	$3,286,802	$9,701,791

7. LONG-TERM LIABILITIES (Continued)

JANUARY 1, 1996 RENOVATION AND CONSTRUCTION BONDS:

Fiscal Year Ended:	Principal	Interest	Total Payment Due During Year
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	135,000	99,206	234,206
June 30, 2012-2016	830,000	368,242	1,198,242
June 30, 2017-2020	890,000	102,953	992,953
Sub-totals	$2,320,000	$1,036,185	$3,356,185

FEBRUARY 16, 2006 PERMANENT IMPROVEMENT NOTES:

Fiscal Year Ended:	Principal	Interest	Total Payment Due During Year
June 30, 2007	$165,000	$36,588	$201,588
June 30, 2008	165,000	29,162	194,162
June 30, 2009	175,000	21,513	196,513
June 30, 2010	180,000	13,300	193,300
June 30, 2011	190,000	4,512	194,512
Sub-totals	$875,000	$105,075	$980,075

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 District on June 30, 2006 was $273,765,486 according to the Franklin County Auditor's Office. There was no unvoted net debt at June 30, 2006. 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, 2006, the District's total net debt and unvoted net debt were approximately 3.5% of the total assessed value of all property within the District. The aggregate amount of the District's unvoted debt is also subject to overlapping debt restrictions with Franklin County. As of June 30, 2006, 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.

8. DEFINED BENEFIT PENSION PLANS

(a) School Employees Retirement System

The 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 43215-3746, by calling (800) 878-5853 or by visiting the SERS website at ohsers.org.

Plan members are required to contribute 10 percent of their annual covered salary and the 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 District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 10.58 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 a statutory maximum amount, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005, and 2004 were $217,152, $205,440, and $202,800, respectively; 50 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004.

(b) State Teachers Retirement System of Ohio

The 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, by calling (614) 227-4090, or by visiting the STRS Ohio web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary 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 divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The 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.

8. DEFINED BENEFIT PENSION PLANS (Continued)

(b) State Teachers Retirement System of Ohio (Continued)

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 of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member 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, 2006, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2005, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations 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 District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2006, 2005, and 2004, were $1,044,168, $1,000,824, and $977,892, respectively; 82.8 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004.

9. OTHER POST EMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and partial 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 on a pay-as-you-go basis.

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the District, this amount equaled $73,372 for fiscal year 2006.

9. OTHER POST EMPLOYMENT BENEFITS (Continued)

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005, (the latest information available) the balance in the Fund was $3.3 billion. For the fiscal year ended June 30, 2005, net health care costs paid by STRS Ohio were $254,780,000 and STRS Ohio had 115,395 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

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, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, compared to 3.43 percent of covered payroll for fiscal year 2005. 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 2006, the minimum pay was established at $35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the District, the amount contributed to fund health care benefits, including the surcharge, during the 2006 fiscal year equaled $82,190.

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 the projected claims less premium contributions for the next fiscal year. Expenses for health care for the fiscal year ended June 30, 2005 (the latest information available) were $178,221,113. At June 30, 2005, SERS had net assets available for payment of health care benefits of $267.5 million. SERS has 58,123 participants eligible to receive 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 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, 2005 and June 20, 2005 for those taxes due during 2006. 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.

10. PROPERTY TAXES (Continued)

Assessed values are established by State law at 35% of appraised market value for Real Estate and Public Utility and at 25% for Tangible Personal. A revaluation of all property is required to be completed no less than every six years. The last revaluation was completed in August, 2005. 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 2006 upon which the 2005 levies were based, was as follows:

Real estate:	
Residential	$196,475,530
Commercial	39,971,720
Industrial	15,104,640
Public utility:	
Real	19,710
Personal	8,803,900
Tangible personal	13,389,986
Total	$273,765,486

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 101.28 mills in 2006 with an effective rate of 41.86 for residential property and 64.87 for commercial property.

The Franklin County Treasurer collects property taxes on behalf of all taxing districts in the county, including the 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:

	General
GAAP basis	$1,855,194
Increase (decrease):	
Due to revenues:	
Received in cash during fiscal year 2006 but accrued June 30, 2005	34,207
Accrued at June 30 2006, but no yet received in cash	(478,286)
Due to expenditures:	
Paid in cash during fiscal year 2006, accrued June 30, 2005	(1,569,379)
Accrued June 30, 2006, not yet paid in cash	1,726,392
Budget basis	1,568,128
Encumbrances outstanding on June 30, 2006	(418,219)
Budget basis unencumbered	$1,149,909

12. BUDGET BASIS OF ACCOUNTING (Continued)

(b) Fund balances at end of year:

GAAP basis	$5,401,729
Increase (decrease):	
Due to revenues:	
Received in cash during fiscal year 2006 but accrued at June 30, 2005	0
Accrued at June 30, 2006, not yet received in cash	(478,286)
Due to expenditures:	
Paid in cash during fiscal year 2006, accrued at June 30, 2005	0
Accrued at June 30, 2006, not yet paid in cash	1,726,392
Budget basis	6,649,835
Encumbrances outstanding on June 30, 2006	(418,219)
Fund balance at end of year, unencumbered, budget basis	$6,231,616

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 2006, 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.

13. RISK MANAGEMENT (Continued)

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 $214,627 to MEC during the fiscal year 2006.

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.

Further detailed financial information may be obtained by contacting the Upper Arlington City School District at (614) 487-5007.

15. LITIGATION

The 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.

16. SET ASIDE CALCULATIONS AND FUND RESERVES (Continued)

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.

	Textbooks	Capital Acquisitions	Budget Stabilization	Totals
Set Aside Cash Balance as of June 30, 2005	$0	$0	$68,902	$68,902
Current Year Set Aside Requirement	172,777	172,777	0	345,554
Current Year Offsets	0	125,000	0	125,000
Qualifying Disbursements	305,421	390,368	0	695,789
Total	($132,644)	($342,591)	$0	($475,235)
Set Aside Cash Balance as of June 30, 2006	$0	$0	$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 set aside amounts to below zero, the District has elected not to use these amounts to reduce the set aside requirements in future years.

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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, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 12, 2007. 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 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 January 12, 2007, 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 January 12, 2007, we reported other matters related to noncompliance we deemed immaterial.

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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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 12, 2007

Mary Taylor, CPA
Auditor of State

GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 20, 2007

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