

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT**  
**LICKING COUNTY**  
**SINGLE AUDIT**  
**JULY 1, 2005 - JUNE 30, 2006**





Mary Taylor, CPA  
Auditor of State

Board of Education  
Granville Exempted Village School District  
130 North Granger Street  
P.O. Box 417  
Granville, Ohio 43023

We have reviewed the *Independent Auditors' Report* of the Granville Exempted Village School District, Licking County, prepared by Wilson, Shannon & Snow, Inc., for the audit period July 1, 2005 through June 30, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

March 20, 2007

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**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
LICKING COUNTY**

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**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
LICKING COUNTY**

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Board of Education  
Granville Exempted Village School District  
P.O. Box 417  
Granville, Ohio 43023

## INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Granville Exempted Village School District, Licking County, Ohio (the School District) as of and for the fiscal year ended June 30, 2006, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Granville Exempted Village School District, Licking County, Ohio as of June 30, 2006, and the respective changes in financial position thereof and the respective budgetary comparison for the general fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note 3, the School District implemented GASB Statement No. 42 and 47. The implementation of these statements had no impact on the School District's financial position.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2007, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Wilson, Shannon & Snow, Inc.*

**CERTIFIED PUBLIC ACCOUNTANTS**  
Ten West Locust Street  
Newark, Ohio 43055  
(740) 345-6611  
1-800-523-6611  
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Granville Exempted Village School District  
Licking County  
Independent Auditors' Report

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying Schedule of Federal Awards Receipts and Expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States and Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected this information to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Wilson, Shuman & Snow, Inc.*

Newark, Ohio  
January 22, 2007



## **Granville Exempted Village School District, Ohio**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2006  
(Unaudited)*

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The discussion and analysis of the Granville Exempted Village School District's (School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

### **Financial Highlights**

Key financial highlights for the fiscal year 2006 are as follows:

- Net assets of governmental activities increased \$543,257.
- General revenues accounted for \$21,642,759 in revenue or 91 percent of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$2,111,454, 9 percent of total revenues of \$23,754,213.
- Total assets of governmental activities increased \$1,325,880. The major changes are a result of an increase in cash and cash equivalents of \$713,719 which is based on increases in property taxes revenue of \$160,691 and interest earnings of \$220,371. The increase in cash and cash equivalents is offset by a decrease in capital assets based on current year depreciation.
- The School District had \$23,210,956 in expenses related to governmental activities; only \$2,111,454 of these expenses were offset by program specific charges for services and grants and contributions. General revenues of \$21,642,759 were adequate to provide for these programs.
- The School District has three major funds; the general fund, the debt service fund, and the building fund. The general fund had \$18,958,735 in revenues, \$19,307,272 in expenditures, and \$204,368 in the inception of a capital lease. The general fund's balance decreased \$144,169. The debt service fund had \$2,943,699 in revenues and \$2,823,748 in expenditures. The debt service fund's balance increased \$119,951. The building fund had \$4,130 in revenues and \$111,342 in expenditures. The building fund's balance decreased \$107,212.

### **Using this Annual Financial Report**

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

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column.

**Granville Exempted Village School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2006*  
*(Unaudited)*

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***Reporting the School District as a Whole***

**Statement of Net Assets and Statement of Activities**

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2006?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Assets and the Statement of Activities, all of the School District's activities are reported as governmental including instruction, support services, operation of non-instructional services, debt service, and extracurricular activities.

***Reporting the School District's Most Significant Funds***

***Fund Financial Statements***

The analysis of the School District's major funds begins on page 8. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund, the debt service fund and the building fund.

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

**Granville Exempted Village School District, Ohio**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2006  
(Unaudited)

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**The School District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table I provides a summary of the School District's net assets for 2006 compared to 2005.

**Table I**  
**Net Assets**

	<u>Governmental Activities</u>		
	<u>2006</u>	<u>2005</u>	<u>Change</u>
<b>Assets</b>			
Current and Other Assets	\$28,336,276	\$26,735,778	\$1,600,498
Capital Assets	<u>38,743,185</u>	<u>39,017,803</u>	<u>(274,618)</u>
Total Assets	<u>67,079,461</u>	<u>65,753,581</u>	<u>1,325,880</u>
<b>Liabilities</b>			
Other Liabilities	(17,938,236)	(16,014,144)	1,924,092
Long-Term Liabilities	<u>(37,734,815)</u>	<u>(38,876,284)</u>	<u>(1,141,469)</u>
Total Liabilities	<u>(55,673,051)</u>	<u>(54,890,428)</u>	<u>782,623</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Debt	7,451,314	6,703,576	747,738
Restricted	2,354,289	2,604,879	(250,590)
Unrestricted	<u>1,600,807</u>	<u>1,554,698</u>	<u>46,109</u>
<b>Total Net Assets</b>	<u><u>\$11,406,410</u></u>	<u><u>\$10,863,153</u></u>	<u><u>\$543,257</u></u>

Total assets increased \$1,325,880. The majority of this increase was due to an increase in cash and cash equivalents of \$713,719. The increase in cash and cash equivalents is based upon several factors. These factors include an increase in property tax revenue of \$160,691 and interest earnings of \$220,371. The increase in property tax revenue is based on an increase in assessed values from new construction. The increase in interest earnings is due to the School District investing an additional \$708,583 in STAR Ohio during fiscal year 2006.

Total liabilities increased \$782,623. This increase is due to an increase in deferred revenue of \$1,594,856. The increase in deferred revenue is based upon a decrease in the amount available as of June 30 as an advance against the August real estate property settlement in the amount of \$840,000. In addition during fiscal year 2006, property taxes receivable increased \$113,746.

**Granville Exempted Village School District, Ohio**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2006  
(Unaudited)

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2006 and comparisons to fiscal year 2005.

**Table 2**  
**Changes in Net Assets**

	<u>Governmental Activities</u>		
	<u>2006</u>	<u>2005</u>	<u>Change</u>
<b>Revenues</b>			
Program Revenues			
Charges for Services	\$529,404	\$502,929	\$26,475
Operating Grants and Contributions	1,524,684	1,825,858	(301,174)
Capital Grants and Contributions	57,366	27,218	30,148
Total Program Revenues	<u>2,111,454</u>	<u>2,356,005</u>	<u>(244,551)</u>
General Revenue			
Property Taxes	14,636,155	14,475,464	160,691
Grants and Entitlements	6,436,878	6,529,526	(92,648)
Investment Earnings	521,803	301,432	220,371
Miscellaneous	47,923	65,788	(17,865)
Total General Revenues	<u>21,642,759</u>	<u>21,372,210</u>	<u>270,549</u>
Total Revenues	<u>23,754,213</u>	<u>23,728,215</u>	<u>25,998</u>
<b>Program Expenses</b>			
Instruction			
Regular	10,483,251	10,007,877	475,374
Special	1,361,964	1,094,548	267,416
Vocational	157,871	161,994	(4,123)
Support Services			
Pupil	1,348,706	1,188,512	160,194
Instructional Staff	1,178,556	1,198,148	(19,592)
Board of Education	71,297	69,618	1,679
Administration	1,593,691	1,491,165	102,526
Fiscal	623,730	555,454	68,276
Business	2,935	312	2,623
Operation and Maintenance of Plant	2,196,166	2,060,552	135,614
Pupil Transportation	1,511,470	1,219,641	291,829
Central	62,828	182,849	(120,021)
Operation of Non-Instructional Services			
Other	35,142	24,787	10,355
Extracurricular Activities	751,657	740,628	11,029
Intergovernmental	21,288	6,119,702	(6,098,414)
Interest and Fiscal Charges	1,810,404	1,718,643	91,761
Total Program Expenses	<u>23,210,956</u>	<u>27,834,430</u>	<u>(4,623,474)</u>
<i>Change in Net Assets</i>	543,257	(4,106,215)	4,649,472
Net Assets Beginning of Year	<u>10,863,153</u>	<u>14,969,368</u>	<u>(4,106,215)</u>
Net Assets End of Year	<u>\$11,406,410</u>	<u>\$10,863,153</u>	<u>\$543,257</u>

**Granville Exempted Village School District, Ohio**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2006*

*(Unaudited)*

The majority of the decrease in program expenses is due to a decrease in intergovernmental expense in the amount of \$6,098,414. During fiscal year 2005, the School District issued \$5,175,000 in general obligation bonds on behalf of the Granville Public Library for the purpose of expanding and renovating the Library. The School District was responsible for the debt issuance and the Library was responsible for the actual construction and renovation expenditures. The School District distributed the bond proceeds to the Granville Public Library during fiscal year 2005.

In addition, instructional expenses increased \$738,667 during fiscal year 2006 due to a 3 percent salary increase, step increases, and a 5 percent increase in health insurance. The School District continues to rely heavily upon tax revenues and state subsidies.

The Statement of Activities shows the cost of program services and the charges for services and grants and contributions, offsetting those services. Table 3 shows the total cost of services and the net cost of services. In other words, it identifies the cost of those services supported by tax revenue and unrestricted entitlements.

**Table 3  
Governmental Activities**

	2006 <u>Total Cost of Services</u>	2006 <u>Net Cost of Services</u>	2005 <u>Total Cost of Services</u>	2005 <u>Net Cost of Services</u>
Program Expenses				
Instruction:				
Regular	\$10,483,251	\$10,192,793	\$10,007,877	\$9,621,354
Special	1,361,964	904,453	1,094,548	632,403
Vocational	157,871	148,198	161,994	152,757
Support Services:				
Pupil	1,348,706	884,302	1,188,512	841,694
Instructional Staff	1,178,556	1,114,506	1,198,148	1,121,591
Board of Education	71,297	71,297	69,618	69,618
Administration	1,593,691	1,437,401	1,491,165	1,398,171
Fiscal	623,730	297,548	555,454	555,454
Business	2,935	1,924	312	(3)
Operation and Maintenance of Plant	2,196,166	2,130,653	2,060,552	2,026,192
Pupil Transportation	1,511,470	1,496,139	1,219,641	1,207,438
Central	62,828	55,017	182,849	175,025
Operation of Non-Instructional Services				
Other	35,142	26,263	24,787	12,824
Extracurricular Activities	751,657	507,316	740,628	509,082
Intergovernmental	21,288	21,288	6,119,702	5,436,182
Interest and Fiscal Charges	1,810,404	1,810,404	1,718,643	1,718,643
<b>Totals</b>	<u>\$23,210,956</u>	<u>\$21,099,502</u>	<u>\$27,834,430</u>	<u>\$25,478,425</u>

Instructional programs comprise approximately 52 percent of total governmental program expenses. Of the instructional expenses, approximately 87 percent is for regular instruction, 11 percent for special instruction, and 2 percent for vocational instruction.

**Granville Exempted Village School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2006*  
*(Unaudited)*

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**The School District Funds**

The School District's major funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$23,708,470 and expenditures of \$24,233,734.

***General Fund***

The fund balance of the General Fund at June 30, 2006 is \$6,567,530, reflects a decrease of \$144,169. Regular instruction expenditures increased \$933,235 due to salary and step increases. The increase in expenditures is offset by an increase in intergovernmental revenue in the amount of \$318,927 and an increase in interest revenue in the amount of \$186,749.

***Other Governmental Major Funds***

***Debt Service Fund***

The fund balance of the Debt Service Fund at June 30, 2006 is \$2,640,099, an increase of \$119,951 from the prior year primarily due to an increase in property tax revenue in the amount of \$204,040.

***Building Fund***

The fund balance of the Building Fund at June 30, 2006 is \$6,051, a decrease of \$107,212 from the prior year primarily due to the School District issuing \$5,175,000 Library Improvement Bonds during fiscal year 2005 on behalf of the Granville Public Library at a premium of \$182,024.

***General Fund Budgetary Highlights***

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

During the course of fiscal 2006, the School District amended its general fund appropriations; none of the amendments were significant.

Budget basis revenue was \$19,507,519 compared to original estimates of \$18,786,664. Of this \$720,855 difference, the majority was due to the School District's conservative estimate for state subsidies and entitlements.

The School District's ending unobligated general fund balance was \$8,337,133.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2006, the School District had \$38,743,185 invested in land, buildings, furniture and equipment and vehicles. Table 4 shows fiscal year 2006 balances compared to 2005.

**Granville Exempted Village School District, Ohio**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2006  
(Unaudited)

**Table 4**  
**Capital Assets at June 30, 2006**  
**(Net of Depreciation)**

	<u>Government Activities</u>	
	2006	2005
Land and Land Improvements	\$2,704,863	\$2,581,269
Buildings and Improvements	34,185,741	35,069,240
Furniture and Equipment	725,567	690,215
Vehicles	828,789	677,079
Construction in Progress	298,225	0
<b>Totals</b>	<b>\$38,743,185</b>	<b>\$39,017,803</b>

See Note 8 for more detailed information of the School District's capital assets.

***Debt***

At June 30, 2006, the School District had \$37,304,424 in bonds, capital leases, and unamortized premiums outstanding.

**Table 5**  
**Outstanding Debt, at Fiscal Year End**

	Governmental Activities 2006	Governmental Activities 2005
School Improvement Refunding Bond 1994 2.6%-4.65%	\$1,181,838	\$1,856,838
School Improvement Bond 2002 2.5%-5.5%	20,240,000	20,530,000
School Improvement Capital Appreciation Bond 2002 4.65%-5.11%	131,528	95,530
School Improvement Bond 2004 2.0%-5.0%	9,775,000	9,805,000
School Improvement Capital Appreciation Bond 2004 27.67%-31.13%	115,337	87,720
2004 School Improvement Bond Premium	396,020	413,302
Library Improvement Bond 2005 3.0%-5.0%	5,100,000	5,175,000
2005 Library Improvement Bond Premium	174,248	180,990
Capital Leases	190,453	226,109
<b>Totals</b>	<b>\$37,304,424</b>	<b>\$38,370,489</b>

See Note 14 for more detailed information of the School District's debt.

**Granville Exempted Village School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2006*  
*(Unaudited)*

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***Economic Factors***

Granville Exempted Village School District's net assets increased by \$543,257. Based on the current financial information presented, the School District has the ability to maintain current programs and staffing levels. With careful financial planning and prudent fiscal management the School District intends to be able to continue maintaining a positive cash flow. However, the renewal or replacement of the current \$2,444,380 operating levy, which will expire in December 2008, is critical because the School District relies heavily on its property taxpayers.

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information contact Brett Griffith, Treasurer/CFO at Granville Exempted Village School District, 130 North Granger Street, P.O. Box 417, Granville, Ohio 43023. You may also e-mail the treasurer at [bgriffith@laca.org](mailto:bgriffith@laca.org).



**Granville Exempted Village School District, Ohio**

*Statement of Net Assets*

*June 30, 2006*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$11,487,781
Cash and Cash Equivalents in Segregated Accounts	162
Materials and Supplies Inventory	2,634
Prepaid Items	1,050
Intergovernmental Receivable	35,612
Accounts Receivable	20,464
Property Taxes Receivable	16,475,720
Deferred Charges	312,853
Nondepreciable Capital Assets	1,764,194
Depreciable Capital Assets, Net	<u>36,978,991</u>
<i>Total Assets</i>	<u>67,079,461</u>
<b>Liabilities</b>	
Contracts Payable	197,434
Accounts Payable	151,173
Accrued Wages and Benefits Payable	1,774,148
Matured Compensated Absences Payable	70,106
Accrued Interest Payable	173,986
Intergovernmental Payable	489,184
Deferred Revenue	15,082,205
Long-Term Liabilities:	
Due Within One Year	963,960
Due In More Than One Year	<u>36,770,855</u>
<i>Total Liabilities</i>	<u>55,673,051</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	7,451,314
Restricted for:	
Classroom Facilities Maintenance	108,278
District Managed Activities	84,781
Bus Purchase	6,925
Capital Projects	152,733
Debt Service	1,975,927
Other Purposes	25,645
Unrestricted	<u>1,600,807</u>
<i>Total Net Assets</i>	<u><u>\$11,406,410</u></u>

See accompanying notes to the basic financial statements

**Granville Exempted Village School District, Ohio**

*Statement of Activities*

*For the Fiscal Year Ended June 30, 2006*

	Program Revenues				Net (Expense)
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
<b>Governmental Activities</b>					
Instruction:					
Regular	\$10,483,251	\$180,006	\$81,681	\$28,771	(\$10,192,793)
Special	1,361,964	0	457,511	0	(904,453)
Vocational	157,871	0	9,673	0	(148,198)
Support Services:					
Pupil	1,348,706	125,692	338,712	0	(884,302)
Instructional Staff	1,178,556	1,880	62,170	0	(1,114,506)
Board of Education	71,297	0	0	0	(71,297)
Administration	1,593,691	6,237	150,053	0	(1,437,401)
Fiscal	623,730	0	325,304	878	(297,548)
Business	2,935	0	1,011	0	(1,924)
Operation and Maintenance of Plant	2,196,166	21,522	31,605	12,386	(2,130,653)
Pupil Transportation	1,511,470	0	0	15,331	(1,496,139)
Central	62,828	0	7,811	0	(55,017)
Operation of Non-Instructional Services	35,142	2,342	6,537	0	(26,263)
Extracurricular Activities	751,657	191,725	52,616	0	(507,316)
Intergovernmental	21,288	0	0	0	(21,288)
Interest and Fiscal Charges	1,810,404	0	0	0	(1,810,404)
<b>Totals</b>	<b>\$23,210,956</b>	<b>\$529,404</b>	<b>\$1,524,684</b>	<b>\$57,366</b>	<b>(21,099,502)</b>

**General Revenues**

Property Taxes Levied for:	
General Purposes	11,612,185
Debt Service	2,507,053
Capital Outlay	391,498
Classroom Facilities Maintenance	125,419
Grants and Entitlements not Restricted to Specific Programs	6,436,878
Investment Earnings	521,803
Miscellaneous	47,923
<b>Total General Revenues</b>	<b>21,642,759</b>
<i>Change in Net Assets</i>	543,257
<i>Net Assets Beginning of Year</i>	10,863,153
<i>Net Assets End of Year</i>	<b>\$11,406,410</b>

See accompanying notes to the basic financial statements

**Granville Exempted Village School District, Ohio**

*Balance Sheet*

*Governmental Funds*

*June 30, 2006*

	General	Debt Service	Building Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$8,500,408	\$2,515,296	\$22,762	\$442,390	\$11,480,856
Cash and Cash Equivalents in Segregated Accounts	0	0	0	162	162
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	6,925	0	0	0	6,925
Accounts Receivable	20,214	0	0	250	20,464
Interfund Receivable	23,704	0	0	0	23,704
Intergovernmental Receivable	9,072	0	0	26,540	35,612
Prepaid Items	1,050	0	0	0	1,050
Materials and Supplies Inventory	2,634	0	0	0	2,634
Property and Other Local					
Taxes Receivable	13,057,384	2,839,908	0	578,428	16,475,720
<b>Total Assets</b>	<b>\$21,621,391</b>	<b>\$5,355,204</b>	<b>\$22,762</b>	<b>\$1,047,770</b>	<b>\$28,047,127</b>
<b>Liabilities</b>					
Matured Compensated Absences Payable	\$70,106	\$0	\$0	\$0	\$70,106
Accounts Payable	120,150	0	6,140	24,883	151,173
Accrued Wages and Benefits	1,752,621	0	0	21,527	1,774,148
Contracts Payable	186,863	0	10,571	0	197,434
Interfund Payable	0	0	0	23,704	23,704
Deferred Revenue	12,439,215	2,715,105	0	552,205	15,706,525
Intergovernmental Payable	484,906	0	0	4,278	489,184
<b>Total Liabilities</b>	<b>15,053,861</b>	<b>2,715,105</b>	<b>16,711</b>	<b>626,597</b>	<b>18,412,274</b>
<b>Fund Balances</b>					
Reserved for Encumbrances	101,890	0	3,794	43,174	148,858
Reserved for Bus Purchase	6,925	0	0	0	6,925
Reserved for Property Taxes	479,300	108,900	0	21,800	610,000
Unreserved:					
Undesignated, Reported in:					
General Fund	5,979,415	0	0	0	5,979,415
Special Revenue Funds	0	0	0	266,099	266,099
Debt Service Fund	0	2,531,199	0	0	2,531,199
Capital Projects Funds	0	0	2,257	90,100	92,357
<b>Total Fund Balances</b>	<b>6,567,530</b>	<b>2,640,099</b>	<b>6,051</b>	<b>421,173</b>	<b>9,634,853</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$21,621,391</b>	<b>\$5,355,204</b>	<b>\$22,762</b>	<b>\$1,047,770</b>	<b>\$28,047,127</b>

See accompanying notes to the basic financial statements

**Granville Exempted Village School District, Ohio**  
*Reconciliation of the Governmental Funds Balance Sheet to  
the Statement of Net Assets  
June 30, 2006*

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**Total Governmental Fund Balances** \$9,634,853

*Amounts reported for governmental activities in the statement of net assets are different because of the following:*

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 38,743,185

Other long-term assets are not available to pay for current-period expenditures and, therefore, deferred in the funds:

Property Taxes Receivable	618,237	
Student Fees	<u>6,083</u>	624,320

Unamortized issuance costs are reported as deferred charges on the Statement of Net Assets but as an expenditure on the fund financial statements which do not provide current financial resources and, therefore, are not reported in the funds. 312,853

Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:

Bonds Payable	(36,391,620)	
Bond Premium	(570,268)	
Deep Discount Debt Accretion	(152,083)	
Accrued Interest Payable	(173,986)	
Capital Leases Payable	(190,453)	
Compensated Absences	<u>(430,391)</u>	<u>(37,908,801)</u>

Net Assets of Governmental Activities \$11,406,410

See accompanying notes to the basic financial statements

**Granville Exempted Village School District, Ohio**  
*Statement of Revenues, Expenditures, and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2006*

	General	Debt Service	Building Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property Taxes	\$11,568,279	\$2,507,840	\$0	\$516,412	\$14,592,531
Intergovernmental	6,777,704	325,047	0	824,355	7,927,106
Interest	401,333	110,812	4,130	5,528	521,803
Tuition and Fees	177,831	0	0	0	177,831
Extracurricular Activities	0	0	0	327,932	327,932
Rentals	21,522	0	0	0	21,522
Contributions and Donations	0	0	0	91,822	91,822
Miscellaneous	12,066	0	0	35,857	47,923
<b>Total Revenues</b>	<b>18,958,735</b>	<b>2,943,699</b>	<b>4,130</b>	<b>1,801,906</b>	<b>23,708,470</b>
<b>Expenditures</b>					
Current:					
Instruction:					
Regular	9,732,228	0	0	341,496	10,073,724
Special	1,133,121	0	0	133,563	1,266,684
Vocational	145,181	0	0	0	145,181
Support Services:					
Pupils	816,544	0	0	477,587	1,294,131
Instructional Staff	1,003,016	0	0	65,301	1,068,317
Board of Education	71,297	0	0	0	71,297
Administration	1,393,451	0	0	157,531	1,550,982
Fiscal	550,468	40,096	0	8,273	598,837
Business	0	0	0	2,935	2,935
Operation and Maintenance of Plant	2,060,683	0	0	229,973	2,290,656
Pupil Transportation	1,602,960	0	0	60,000	1,662,960
Central	55,017	0	0	7,811	62,828
Other Non-Instructional Services	21,037	0	0	9,438	30,475
Extracurricular Activities	403,391	0	0	219,814	623,205
Capital Outlay	205,585	0	111,342	256,362	573,289
Intergovernmental	0	0	0	21,288	21,288
Debt Service:					
Principal Retirement	104,573	1,070,000	0	0	1,174,573
Interest and Fiscal Charges	8,720	1,713,652	0	0	1,722,372
<b>Total Expenditures</b>	<b>19,307,272</b>	<b>2,823,748</b>	<b>111,342</b>	<b>1,991,372</b>	<b>24,233,734</b>
Excess of Revenues Over (Under) Expenditures:	(348,537)	119,951	(107,212)	(189,466)	(525,264)
<b>Other Financing Source</b>					
Inception of a Capital Lease	204,368	0	0	0	204,368
Net Change in Fund Balances	(144,169)	119,951	(107,212)	(189,466)	(320,896)
Fund Balances Beginning of Year	6,711,699	2,520,148	113,263	610,639	9,955,749
Fund Balances End of Year	<u>\$6,567,530</u>	<u>\$2,640,099</u>	<u>\$6,051</u>	<u>\$421,173</u>	<u>\$9,634,853</u>

See accompanying notes to the basic financial statements

**Granville Exempted Village School District, Ohio**  
*Reconciliation of the Statement of Revenues, Expenditures, and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2006*

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**Net Change in Fund Balances - Total Governmental Funds** (\$320,896)

*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 capital outlays exceeded depreciation in the current period

Capital Asset Additions	1,156,769	
Depreciation Expense	(1,281,451)	(124,682)

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the forgiven lease and the loss on disposal of capital assets.

Loss on Disposal of Capital Assets	(149,936)	
Forgiven Lease	135,451	(14,485)

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

Student Fees	2,119	
Delinquent Taxes	43,624	45,743

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

1,174,573

In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest is expended when due.

(35,396)

Some capital assets were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net assets the lease obligation is reported as a liability.

(204,368)

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

Compensated Absences Payable		75,404
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The amortization of premiums and issuance costs are reported on the statement of activities:

Premium Amortization	24,024	
Issuance Costs Amortization	(13,045)	10,979

Accretion on capital appreciation bonds is an expenditure in the governmental funds but is allocated as an expense over the life of the bonds.

(63,615)

*Change in Net Assets of Governmental Activities*

\$543,257

See accompanying notes to the basic financial statements

**Granville Exempted Village School District, Ohio**

*Statement of Revenues, Expenditures, and Changes  
in Fund Balance - Budget and Actual (Budget Basis)  
General Fund*

*For the Fiscal Year Ended June 30, 2006*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Property Taxes	\$13,560,665	\$12,111,777	\$12,146,877	\$35,100
Intergovernmental	4,669,929	6,757,058	6,783,095	26,037
Interest	355,000	369,960	369,960	0
Tuition and Fees	183,125	174,006	174,006	0
Rent	15,100	21,522	21,522	0
Miscellaneous	2,845	12,407	12,059	(348)
<i>Total Revenues</i>	<u>18,786,664</u>	<u>19,446,730</u>	<u>19,507,519</u>	<u>60,789</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	10,056,801	10,309,819	9,414,817	895,002
Special	1,157,089	1,186,302	1,083,210	103,092
Vocational	157,345	161,076	147,295	13,781
Other	228,924	234,624	214,303	20,321
Support Services:				
Pupils	898,323	918,602	840,029	78,573
Instructional Staff	1,129,812	1,157,147	1,055,309	101,838
Board of Education	70,070	71,842	65,505	6,337
Administration	1,479,725	1,516,554	1,384,033	132,521
Fiscal	572,509	586,926	534,617	52,309
Operation and Maintenance of Plant	2,251,725	2,305,232	2,107,904	197,328
Pupil Transportation	1,647,628	1,689,490	1,542,473	147,017
Central	59,381	60,585	55,562	5,023
Other Non-Instructional Services	23,007	23,544	21,537	2,007
Extracurricular Activities	430,160	440,770	399,345	41,425
Capital Outlay	18,156	18,142	17,000	1,142
<i>Total Expenditures</i>	<u>20,180,655</u>	<u>20,680,655</u>	<u>18,882,939</u>	<u>1,797,716</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,393,991)</u>	<u>(1,233,925)</u>	<u>624,580</u>	<u>1,858,505</u>
<b>Other Financing Use</b>				
Advances Out	<u>(22,454)</u>	<u>(22,454)</u>	<u>(22,454)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(1,416,445)</u>	<u>(1,256,379)</u>	<u>602,126</u>	<u>1,858,505</u>
<i>Fund Balance Beginning of Year</i>	<u>7,531,898</u>	<u>7,531,898</u>	<u>7,531,898</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>203,109</u>	<u>203,109</u>	<u>203,109</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$6,318,562</u></u>	<u><u>\$6,478,628</u></u>	<u><u>\$8,337,133</u></u>	<u><u>\$1,858,505</u></u>

See accompanying notes to the basic financial statements

**Granville Exempted Village School District, Ohio**

*Statement of Fiduciary Assets and Liabilities*

*Agency Fund*

*June 30, 2006*

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<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$302,481
	<hr/>
<i>Total Assets</i>	<i>\$302,481</i>
	<hr/> <hr/>
<b>Liabilities</b>	
Due to Students	\$73,914
Due to Others	228,567
	<hr/>
<i>Total Liabilities</i>	<i>\$302,481</i>
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See accompanying notes to the basic financial statements



**Granville Exempted Village School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2006*

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**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

Granville Exempted Village School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by State statute and federal guidelines.

The School District was established in the late 1800's. The School District serves an area of approximately 48 square miles. It is located in Licking County, and includes all of the Village of Granville and Granville Township as well as portions of the Cities of Newark and Heath and portions of Newark, Newton, McKean, St. Albans and Union Townships. It is staffed by 64 non-certificated employees, 162 certificated full-time personnel and 10 administrative employees who provide services to 2,244 full-time equivalent students. The School District currently operates four instructional buildings, one administrative building, and one garage.

**Reporting Entity:**

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Granville Exempted Village School District, this includes general operations and student related activities of the School District.

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

The following activities are included within the reporting entity:

**Private Schools** - Welsh Hills and Grace Haven Academy, private schools, operate within the School District boundaries. Current State legislation provides funding to these private schools. These monies are received and disbursed on behalf of the private schools by the Treasurer of the School District, as directed by the private schools in accordance with State rules and regulations. This activity is reflected in a special revenue fund for financial reporting purposes.

The School District is associated with nine organizations, six of which are defined as jointly governed organizations, two as insurance purchasing pools, and one as a related organization. These organizations are the Licking Area Computer Association, Career and Technology Education Centers of Licking County, Metropolitan Educational Council, Central Ohio Special Education Regional Resource Center, the School Study Council of Ohio, the Newark-Granville Community Authority, the Ohio School Board Association Workers' Compensation Group Rating Plan, the Metropolitan Educational Council Group Insurance Pool, and the Granville Schools Education Foundation, Incorporated. These organizations are presented in Notes 15, 16, and 17 to the basic financial statements.

**Granville Exempted Village School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2006*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

**A. Basis Of Presentation**

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

**Government-wide Financial Statements** The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements usually distinguish between those activities of the School District that are governmental (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). The School District, however; has no business-type activities.

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

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

**B. Fund Accounting**

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

## Granville Exempted Village School District, Ohio

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2006*

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

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

**Debt Service Fund** The debt service fund is used to account for the accumulation of resources for, and the payment of, bond principal, interest, and related costs.

**Building Fund** The building capital projects fund is used to account for the receipts and expenditures related to the construction and renovations of facilities of the School District. During fiscal year 2005, this fund was used to account for the bond proceeds for the Granville Public Library. During 2006, the only activity in the building fund related to architectural fees for the School District's new middle school building project.

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

**Proprietary Fund Types** Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service; the School District has no proprietary funds.

**Fiduciary Fund Type** 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 trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District does not have any trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds account for the Newark-Granville Community Authority, student activities, Collaborative Language and Literacy Instruction Project activities, and payroll withholdings.

### **C. Measurement Focus**

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

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

**Granville Exempted Village School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2006*

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**D. Basis of Accounting**

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

**Revenues - Exchange and Non-Exchange Transactions** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within 60 days of fiscal year end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

**Deferred Revenue** Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2006, but which were levied to finance fiscal year 2007 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

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

**Granville Exempted Village School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2006*

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**E. Cash and Cash Equivalents**

To improve cash management, all cash received by the School District excluding cash in segregated accounts is pooled in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as “equity in pooled cash and cash equivalents” on the financial statements.

The School District has a segregated bank account for the athletic account monies held separate from the School District’s central bank account. This checking account is presented on the financial statements as “cash and cash equivalents in segregated accounts” since it is not deposited into the School District treasury.

During fiscal year 2006, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio) and federal agency securities.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices.

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 resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2006 amounted to \$401,333, which includes \$20,612 assigned from other School District funds.

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments.

**F. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2006, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense/expenditure is reported in the fiscal year in which services are consumed.

**G. Inventory**

Inventories are presented at cost on a first-in, first-out basis and are expensed/expended when used. Inventories consist of consumable supplies.

**H. Capital Assets**

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

**Granville Exempted Village School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2006*

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

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

Description	Estimated Lives
Land Improvements	15-20 years
Buildings and Improvements	20-50 years
Machinery and Equipment	5-20 years
Furniture and Fixtures	5-20 years
Vehicles	15 years

**I. Interfund Balances**

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

**J. Restricted Assets**

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Restricted assets are unspent revenues restricted for the purchase of buses.

**K. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for the accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for classified employees after 11 years current service with the School District and for certified employees and administrators after 20 years of service.

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

**Granville Exempted Village School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2006*

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On the government fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employees will be paid.

**L. Accrued Liabilities and Long-term Obligations**

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

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

**M. Fund Balance Reserves**

The School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, bus purchase, and property taxes.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

**N. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of 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 the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The government-wide statement of net assets reports \$2,354,289 of restricted net assets, of which none is restricted by enabling legislation.

Net assets restricted for other purposes include resources restricted for music and athletic programs, and state and federal grants restricted to expenditures for specified purposes.

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

**Granville Exempted Village School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2006*

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**O. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. There were no extraordinary or special items reported for fiscal year 2006.

**P. Estimates**

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

**Q. Budgetary Data**

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The treasurer has been authorized to allocate Board appropriations to the function and object level within each fund. Advances in/out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

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

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

**R. Unamortized Issuance Costs/ Bond Premium**

In the government-wide financial statements bond issuance costs and bond premiums are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium. Bond issuance costs are recorded as deferred charges and amortized over the term of the related debt.

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the current period. The face amount of the debt issue is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.



**Granville Exempted Village School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2006*

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**NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLE**

For the fiscal year ended June 30, 2006, the School District has implemented GASB Statement No. 42, “Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries”, and GASB Statement No. 47, “Accounting for Termination Benefits”.

GASB Statement No. 42 provides guidance on the accounting treatment and financial reporting requirements for impairments of capital assets and insurance recoveries. The implementation of this statement had no effect on the financial statements.

GASB Statement No. 47 establishes accounting standards for termination benefits. The implementation of this statement had no effect on the financial statements.

**NOTE 4 – BUDGETARY BASIS OF ACCOUNTING**

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements for the general fund.

Net Change in Fund Balance	
GAAP Basis	(\$144,169)
Net Adjustment for Revenue Accruals	580,157
Net Adjustment for Expenditure Accruals	344,303
Beginning:	
Fair Value Adjustment for Investments	14,594
Prepaid Items	945
Ending:	
Fair Value Adjustment for Investments	(45,967)
Prepaid Items	(1,050)
Advances Out	(22,454)
Adjustment for Encumbrances	(124,233)
Budget Basis	<u>\$602,126</u>

**Granville Exempted Village School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2006*

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**NOTE 5 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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

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

**Granville Exempted Village School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2006*

**Deposits:** Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$476,039 of the School District's bank balance of \$576,201 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledge to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**Investments:** As of June 30, 2006, the School District had the following investments. All investments are in an internal investment pool.

	Fair Value	Maturity
Federal National Mortgage Association- Discount Note	\$499,850	7/5/2006
Federal National Mortgage Association- Discount Note	493,250	10/4/2006
Federal National Mortgage Association- Discount Note	482,900	2/23/2007
Federal National Mortgage Association- Discount Note	498,275	7/24/2006
Federal Home Loan Mortgage Corporation- Discount Note	494,350	9/19/2006
Federal Home Loan Mortgage Corporation- Discount Note	486,950	12/29/2006
Federal Home Loan Mortgage Corporation- Discount Note	495,805	8/11/2006
Federal Home Loan Mortgage Corporation- Discount Note	495,120	9/5/2006
Federal Home Loan Mortgage Corporation- Discount Note	498,205	7/26/2006
STAR Ohio	6,964,603	Average 34.77 Days
<b>Total</b>	<b>\$11,409,308</b>	

Interest Rate Risk

The School District's investment policy addresses interest rate risk to the extent that it allows the Treasurer to invest funds to a maximum maturity of five years. The Treasurer cannot make investments which he/she does not reasonably believe can be held until the maturity date. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

**Granville Exempted Village School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2006*

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Credit Risk

The Federal Home National Mortgage Association Discount Notes and Federal Home Loan Mortgage Corporation Discount Notes carry a rating of AAA by Standard and Poor's. STAR Ohio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that would further limit its investment choices.

Concentration of Credit Risk

The School District places no limit on the amount it may invest in any one issuer. Of the School District's total investments, 22% is invested in Federal Home Loan Mortgage Corporation Discount Notes and 17% is invested in Federal National Mortgage Association Discount Notes.

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility property, and tangible personal property (used in business) located in the School District. Real property tax revenues received in calendar year 2006 represent the collection of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed values as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2006 represent the collection of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2006 became a lien on December 31, 2004, were levied after April 1, 2005, and are collected in 2006 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenue received in calendar 2006 (other than public utility property tax) represents the collection of calendar year 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2005, on the value as of December 31, 2005. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessed percentage for all property including inventory for 2006 is 18.75 percent. This will be reduced to 12.5 percent for 2007, 6.25 percent for 2008 and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30. This year, the June 2006 tangible personal property tax settlement from Licking County was not received until July of 2006.

The School District receives property taxes from Licking County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2006, are available to finance fiscal year 2006 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**Granville Exempted Village School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2006*

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Accrued property taxes receivable includes personal property and public utility taxes, and the late June personal property settlement which are measurable as of June 30, 2006 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 and the late personal property tax settlement were levied to finance current fiscal year operations. The amount available as an advance at June 30, 2006, was \$610,000. \$479,300 was available to the general fund, \$108,900 was available to the bond retirement debt service fund, \$16,500 was available to the permanent improvement capital projects fund, and \$5,300 was available to the classroom facilities maintenance special revenue fund. The amount of the late personal property tax settlement was \$144,952 in the general fund, \$15,903 in the bond retirement debt service fund, \$3,418 in the permanent improvement capital projects fund, and \$1,005 in the classroom facilities maintenance special revenue fund.

On a full accrual basis, collectible delinquent property taxes and the amount available as an advance have been recorded as a receivable and revenue while the rest of the receivable is deferred. On a modified accrual basis, only the amount available as an advance is recognized as revenue.

The assessed values upon which the fiscal year 2006 taxes were collected are:

	2005 Second-		2006 First-	
	Half Collections		Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$325,044,640	94.76%	\$372,265,470	95.61%
Public Utility Personal	8,153,910	2.38%	7,868,510	2.02%
General Business Personal	9,795,530	2.86%	9,228,390	2.37%
<b>Total Assessed Value</b>	<b>\$342,994,080</b>	<b>100.00%</b>	<b>\$389,362,370</b>	<b>100.00%</b>
Tax rate per \$1,000 of assessed valuation	\$82.71		\$82.21	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2006, consisted of property taxes, accounts (rent, student fees and tuition), intergovernmental grants, and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be collected within one year except for the delinquent property taxes in the amount of \$618,237.

**Granville Exempted Village School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2006*

A summary of principal items of intergovernmental receivables follows:

	Amounts
<b>Governmental Activities</b>	
Special Education Grant - Part B IDEA	\$4,087
Improving Teacher Quality Grant	22,453
Career and Technology Education Centers of Licking County Salary Reimbursement	5,917
Miscellaneous Refunds and Reimbursements	3,155
<b>Total</b>	<b>\$35,612</b>

**NOTE 8 – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	Balance June 30, 2005	Additions	Deletions	Balance June 30, 2006
<b>Nondepreciable Capital Assets</b>				
Land	\$1,465,969	\$0	\$0	\$1,465,969
Construction in Progress	0	298,225	0	298,225
Total Capital Assets not being depreciated	1,465,969	298,225	0	1,764,194
<b>Depreciable Capital Assets</b>				
Land Improvements	1,500,284	205,605	0	1,705,889
Buildings and Improvements	43,363,172	70,918	0	43,434,090
Furniture and Equipment	1,431,667	321,746	(304,183)	1,449,230
Vehicles	1,455,346	260,275	(40,386)	1,675,235
Total at Historical Cost	47,750,469	858,544	(344,569)	48,264,444
Less Accumulated Depreciation				
Land Improvements	(384,984)	(82,011)	0	(466,995)
Buildings and Improvements	(8,293,932)	(954,417)	0	(9,248,349)
Furniture and Equipment	(741,452)	(164,730)	182,519	(723,663)
Vehicles	(778,267)	(80,293)	12,114	(846,446)
Total Accumulated Depreciation	(10,198,635)	(1,281,451)	194,633	(11,285,453)
Depreciable Capital Assets, Net of Accumulated Depreciation	37,551,834	(422,907)	(149,936)	36,978,991
Governmental Activities Capital Assets, Net	\$39,017,803	(\$124,682)	(\$149,936)	\$38,743,185

**Granville Exempted Village School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2006*

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- Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$698,960
Special	94,509
Vocational	12,690
Support Services:	
Pupil	53,953
Instructional Staff	106,618
Administration	83,696
Fiscal	2,726
Operation and Maintenance	12,965
Pupil Transportation	82,215
Extracurricular	128,452
Other Non-Instructional Services	4,667
Total Depreciation Expense	<u>\$1,281,451</u>

**NOTE 9 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2006, the School District contracted with Utica National Insurance Group, through Accordia, for property, boiler and machinery, inland marine, crime insurance, general liability insurance, and fleet insurance. Coverage provided is as follows:

Building and Contents-replacement cost (\$5,000 deductible)	\$50,214,250
Inland Marine (\$250 deductible)	
Equipment	388,125
Data/ Media	67,275
Crime Insurance	
Money & Securities	25,000
Employee Dishonesty	100,000
Forgery or Alteration	100,000
General Liability	
Per occurrence	1,000,000
Aggregate Per Year	3,000,000
Damage to Premises Rented to You	100,000
Medical Expense	10,000
Education Umbrella Liability Policy	
For General Liability	
Per occurrence	2,000,000
Aggregate Per Year	2,000,000
Fleet Insurance (\$1,000 deductible)	1,000,000
Uninsured Motorists	100,000
Medical Payments	5,000

Settled claims have not exceeded this commercial coverage in any of the past four years. There have been no significant reductions in insurance coverage from last year.

**Granville Exempted Village School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2006*

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In fiscal year 2006, the School District participated in the Metropolitan Educational Council (MEC), an insurance purchasing pool (Note 16). MEC helps member school districts receive discounted rates on various items such as their life, property, boiler and machinery, inland marine, crime, and freight insurance, services, supplies, and other items. The MEC has over 100 members which include school districts, joint vocational schools, educational service centers, and libraries covering 24 counties in central Ohio. The governing board of MEC is composed of either the superintendent, a designated representative or a member of the board of education for each participating school district in Franklin County (18 school districts) and one representative from each county.

For fiscal year 2006, the School District participated in the Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 16) established under Section 4123.29 of the Ohio Revised Code. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts and libraries that can meet the GRP's selection criteria. The firm of Sheakley Uniservice, Inc. Managed Care Organization provides administration costs and actuarial services to the GRP.

**NOTE 10 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476, by calling (800) 878-5853 or by visiting the SERS website at [ohsers.org](http://ohsers.org).

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 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 School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005, and 2004, were \$177,758, \$179,802, and \$140,392, respectively; 57 percent has been contributed for fiscal year 2006 and 100 percent for the fiscal years 2005 and 2004. \$77,113 represents the unpaid contribution for fiscal year 2006.



**Granville Exempted Village School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2006*

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**B. State Teachers Retirement System**

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple employer public employee retirement system. STRS Ohio provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS Ohio issues a publicly available, stand alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio web site at [www.strsoh.org](http://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 times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. 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 School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2006, 2005, and 2004 were \$1,234,569, \$1,034,075, and \$893,506 respectively; 82 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. Contributions to the DC and Combined Plans for fiscal year 2006 were \$27,892 made by the School District and \$26,564 made by the plan members. \$230,435 represents the unpaid contribution for fiscal year 2006.

**Granville Exempted Village School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2006*

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**NOTE 11 - POSTEMPLOYMENT BENEFITS**

The School 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-certificated employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

STRS Ohio retirees who participated in the DB Plan or the Combined Plan 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. Most benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS 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 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District this amount equaled \$97,112 for fiscal year 2006.

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 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 fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their 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 School District, the amount contributed to fund health care benefits, including the surcharge, during the 2006 fiscal year equaled \$86,454.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at 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 approximately 58,123 participants receiving health care benefits.

**NOTE 12 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated vacation time may be carried forward for the Treasurer and upon approval of the Superintendent, for all other classified employees. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

**Granville Exempted Village School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2006*

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Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 210 days for all personnel. Upon retirement, payment is made for one-third of accrued, but unused sick leave credit to a maximum of 50 days for classified and certified employees.

**B. Health Care Benefits**

The School District provides health, drug, and dental insurance for all eligible employees through Anthem Blue Cross and Blue Shield of Ohio. The School District pays medical and drug monthly premiums for staff for family and single coverage. The School District pays the total monthly premium for dental insurance coverage for family and single employees. The School District also provides vision insurance to its employees through Vision Plus America, Incorporated. The School District pays the total premium for vision coverage for family and single coverage.

The School District provides life insurance and accidental death and dismemberment insurance to most employees through the Metropolitan Educational Council Group Life Insurance. Premiums are paid from the same funds that pay the employees' salaries.

**NOTE 13 – CAPITALIZED LEASES**

The School District has entered into capitalized leases for copiers, library automation equipment, and fitness equipment. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

The agreements provide for minimum annual rental payments as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2007	\$46,569	\$4,994
2008	48,097	3,463
2009	45,794	2,614
2010	42,762	1,045
2011	7,231	28
Total	<u>\$190,453</u>	<u>\$12,144</u>

The equipment was originally capitalized in the amount of \$237,868. This amount represents the present value of the minimum lease payments at the time of acquisition. The School District traded-in copiers during the current fiscal year. The outstanding principal amount of \$135,451 for the leased copiers that was traded-in was reflected as a reduction of capital leases payable during the current fiscal year. Principal payments in fiscal year 2006 totaled \$104,573 in the governmental funds.

Property under Capital Lease		\$237,868
Less: Accumulated Depreciation		(55,169)
Total June 30, 2006		<u>\$182,699</u>

**Granville Exempted Village School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2006*

**NOTE 14 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2006 were as follows:

	Principal Outstanding 6/30/2005	Additions	Deductions	Principal Outstanding 6/30/2006	Due in One Year
School Improvement Refunding Bond 1994 2.6% - 4.65%	\$1,856,838	\$0	\$675,000	\$1,181,838	\$183,094
School Improvement Serial Bonds - 2002 2.5% - 4.75%	1,845,000	0	290,000	1,555,000	300,000
Term Bonds - 2002 5.0% - 5.5%	18,685,000	0	0	18,685,000	0
School Improvement Capital Appreciation Bonds 2002 4.65% - 5.11%					
Original Issue	29,782	0	0	29,782	0
Accretion	65,748	35,998	0	101,746	0
School Improvement Serial Bonds - 2004 2.0% - 4.5%	6,855,000	0	30,000	6,825,000	155,000
Term Bonds - 2004 5.0%	2,950,000	0	0	2,950,000	0
School Improvement Capital Appreciation Bonds 2004 27.67% -31.13%					
Original Issue	65,000	0	0	65,000	0
Accretion	22,720	27,617	0	50,337	0
School Improvement 2004 Serial/ Term Bonds Premium	413,302	0	17,282	396,020	0
Library Improvement Serial Bonds - 2005	1,050,000	0	75,000	975,000	150,000
Term Bonds - 2005	4,125,000	0	0	4,125,000	0
2005 Serial/ Term Bonds Premium	180,990	0	6,742	174,248	0
<b>Total Long-Term Bonds</b>	<b>38,144,380</b>	<b>63,615</b>	<b>1,094,024</b>	<b>37,113,971</b>	<b>788,094</b>
Capital Leases	226,109	204,368	240,024	190,453	46,569
Compensated Absences	505,795	62,397	137,801	430,391	129,297
<b>Total General Long-Term Obligations</b>	<b>\$38,876,284</b>	<b>\$330,380</b>	<b>\$1,471,849</b>	<b>\$37,734,815</b>	<b>\$963,960</b>

School Improvement General Obligation Refunding Bonds - On October 15, 1993, Granville Exempted Village School District issued \$7,536,838 in School Improvement General Obligation Refunding Bonds with interest rates varying from 2.6 percent to 4.65 percent to advance refund \$7,540,000 of outstanding 1990 school improvement bonds with an average interest rate of 10 percent. The proceeds of the refunding were deposited in an irrevocable trust with Park National Bank to provide for all future debt service payments. As a result, the 1990 Series bonds are considered to be defeased and the liability for those bonds has been removed from the balance sheet. The 1990 School Improvement Bonds were paid off on December 2, 2002.

**Granville Exempted Village School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2006*

The total principal and interest requirements to retire the School Improvement refunding general obligation bonds are as follows:

Fiscal Year		
Ending June 30,	Principal	Interest
2007	\$183,094	\$503,111
2008	160,684	506,166
2009	141,986	516,836
2010	129,343	530,971
2011	120,060	541,408
2012-2016	446,671	2,481,280
<b>Total</b>	<b>\$1,181,838</b>	<b>\$5,079,772</b>

The School District issued School Improvement bond anticipation notes at 4.87 percent for \$21,220,000 on May 3, 2001, as a result of the School District passing a 7.75 mill levy on November 7, 2000. The purpose of the notes is to build a new intermediate/elementary building for grades 4-6, an expansion of the high school, a new maintenance building, renovation of the elementary school and middle school, and to update building technology. The School Improvement bond anticipation notes matured on December 6, 2001.

On October 4, 2001 the School District issued \$21,209,782 in general obligation School Improvement bonds to pay off the bond anticipation notes. The School District received \$22,053,938 in bond proceeds, which includes a \$835,218 premium and \$8,938 in accrued interest. The bonds were issued for a twenty-seven year period with final maturity at December 1, 2028.

The \$21,209,782 bond issue consists of serial, term, and capital appreciation bonds. The serial bonds were issued with varying interest rates of 2.5-4.75 percent. The term bonds that mature in the year 2024, with an interest rate of 5 percent are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1 in the years 2017 through 2023 (with the remaining \$1,890,000 to be paid at stated maturity on December 1, 2024) at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the redemption date, according to the following schedule:

Year	Principal Amount to be Redeemed
2017	\$515,000
2018	740,000
2019	880,000
2020	1,025,000
2021	1,175,000
2022	1,435,000
2023	1,705,000
	<b>\$7,475,000</b>

**Granville Exempted Village School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2006*

The term bonds maturing on December 1, 2028, with an interest rate of 5.5 percent are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1 in each of the years 2025 through 2027 (with the remaining balance of \$2,080,000 to be paid at maturity on December 1, 2028) at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the redemption date, according to the following schedule:

Year	Principal Amount to be Redeemed
2025	\$2,285,000
2026	2,410,000
2027	2,545,000
	<u>\$7,240,000</u>

The term bonds maturing after December 1, 2011 are subject to optional redemption, in whole or in part on any date in order of maturity as determined by the District and by lot within a maturity, at the option of the Board of Education on or after December 1, 2011.

The capital appreciation bonds will mature December 1, 2012 through 2016. These bonds were purchased at a discount at the time of issuance and, at maturity all compound interest is paid and the bond holder collects the face value. However, since interest is technically earned and compounded semi-annually, the value of the bond increases. The maturity amount of the bonds is \$2,175,000. The fiscal year 2006 accretion amount is \$35,998.

The total principal and interest requirements to retire the 2002 School Improvement general obligation bonds are as follows:

Fiscal Year	Principal	Interest
Ending June 30,		
2007	300,000	1,037,493
2008	310,000	1,026,888
2009	350,000	1,012,995
2010	375,000	997,276
2011	110,000	987,643
2012-2016	134,191	6,342,342
2017-2021	3,165,591	5,339,409
2022-2026	8,490,000	3,181,038
2027-2029	7,035,000	562,239
Total	<u>\$20,269,782</u>	<u>\$20,487,323</u>

On April 15, 2004, the School District issued \$9,870,000 in general obligation School Improvement Bonds to pay off the 2003 bond anticipation notes outstanding. The School District received \$10,318,130 in bond proceeds, which includes \$16,078 in accrued interest and \$432,052 in premium. Issuance costs associated with the bond issue were \$207,507 and are deferred. For fiscal year 2006, issuance costs of \$8,300 were amortized. The bonds were issued for a twenty-four year period with final maturity at December 1, 2028.

The \$9,870,000 bond issue consists of serial, term, and capital appreciation bonds. The serial bonds were issued with a varying interest rate of 2.0-4.5 percent. The term bonds that mature in the year 2028, with an interest rate of 5 percent are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is as follows with the balance of \$1,100,000 to be paid at maturity on December 1, 2028:

**Granville Exempted Village School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2006*

Year	Principal Amount to be Redeemed
2025	\$535,000
2026	615,000
2027	700,000
	<u>\$1,850,000</u>

The serial and term bonds are also subject to optional redemption prior to maturity as set forth on the Certificate of Award.

The capital appreciation bonds will mature December 1, 2011 through 2014. These bonds were purchased at a discount at the time of issuance and, at maturity all compound interest is paid and the bond holder collects the face value. However, since interest is technically earned and compounded semi-annually, the value of the bond increases. Therefore, as the value increases, the accretion is booked as principal. The maturity amount of the bonds is \$735,000. The fiscal year 2006 accretion amount is \$27,617.

The total principal and interest requirements to retire the 2004 School Improvement general obligation bonds are as follows:

Fiscal Year	Principal	Interest
Ending June 30,		
2007	155,000	411,286
2008	290,000	406,546
2009	400,000	398,356
2010	520,000	386,076
2011	150,000	376,471
2012-2016	235,000	2,537,330
2017-2021	2,740,000	1,569,996
2022-2026	2,935,000	936,466
2027-2029	2,415,000	205,375
Total	<u>\$9,840,000</u>	<u>\$7,227,902</u>

On April 6, 2005, the School District issued \$5,175,000 in general obligation Library Improvement Bonds to pay off the 2005 bond anticipation notes outstanding, on behalf of the Granville Public Library. The School District received \$5,357,024 in bond proceeds, which includes \$182,024 in premium. Issuance costs associated with the bond issue were \$128,124 and are deferred. For fiscal year 2006, issuance costs of \$4,745 were amortized. The bonds were issued for a twenty-six year period with final maturity at December 1, 2031.

The \$5,175,000 bond issue consists of serial and term bonds. The serial bonds were issued with a varying interest rate of 3.0-4.0 percent. The term bonds maturing on December 1, 2015 are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

Year	Principal Amount to be Redeemed
2014	\$150,000

The remaining principal amount of \$155,000 will be paid at stated maturity on December 1, 2015.

**Granville Exempted Village School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2006*

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The term bonds maturing on December 1, 2017 are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

Year	Principal Amount to be Redeemed
2016	\$160,000

The remaining principal amount of \$170,000 will be paid at stated maturity on December 1, 2017.

The term bonds maturing on December 1, 2019 are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

Year	Principal Amount to be Redeemed
2018	\$175,000

The remaining principal amount of \$185,000 will be paid at stated maturity on December 1, 2019.

The term bonds maturing on December 1, 2021 are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

Year	Principal Amount to be Redeemed
2020	\$195,000

The remaining principal amount of \$205,000 will be paid at stated maturity on December 1, 2021.

The term bonds maturing on December 1, 2023 are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

Year	Principal Amount to be Redeemed
2022	\$215,000

The remaining principal amount of \$225,000 will be paid at stated maturity on December 1, 2023.



**Granville Exempted Village School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2006*

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The term bonds maturing on December 1, 2025 are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

Year	Principal Amount to be Redeemed
2024	\$245,000

The remaining principal amount of \$255,000 will be paid at stated maturity on December 1, 2025.

The term bonds maturing on December 1, 2031 are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

Year	Principal Amount to be Redeemed
2026	\$265,000
2027	275,000
2028	290,000
2029	305,000
2030	320,000

The remaining principal amounts of \$335,000 will be paid at stated maturity on December 1, 2031.

The bonds maturing after December 1, 2015 are also subject to optional redemption, either in whole or in part, on any date on or after June 1, 2015, at a redemption price equal to 100% of the principal amount redeemed plus, in each case, accrued interest to the date fixed for redemption.

The total principal and interest requirements to retire the 2005 Library Improvement general obligation bonds are as follows:

Fiscal Year	Principal	Interest
Ending June 30,		
2007	150,000	234,362
2008	100,000	230,612
2009	40,000	228,512
2010	135,000	225,719
2011	130,000	221,251
2012-2016	725,000	1,028,638
2017-2021	885,000	848,625
2022-2026	1,145,000	597,125
2027-2031	1,455,000	272,625
2032	335,000	8,375
<b>Total</b>	<b>\$5,100,000</b>	<b>\$3,895,844</b>

Capital leases and compensated absences will be paid from the General Fund.

**Granville Exempted Village School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2006*

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The School District's overall legal debt margin at June 30, 2006, was \$49,646,353, with an unvoted debt margin of \$926,800. The School District was approved as a special needs district by the Ohio Department of Education. This approval was granted based on projected tax valuation growth figures submitted by the School District to the Ohio Department of Education which is used to calculate the legal debt margin.

**NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS**

**A. Licking Area Computer Association**

The School District is a participant in the Licking Area Computer Association (LACA) which is a computer consortium. LACA is an association which services thirteen entities within the boundaries of Licking and Muskingum Counties. These entities consist of public school districts, private schools, and educational service centers. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of LACA consists of the superintendents from all participating districts. The continued existence of LACA is not dependent on the School District's continued participation and the School District has no equity interest in the Association. The LACA constitution states that any school district withdrawing from the Association prior to dissolution forfeits their claim to the Association's fixed assets. The School District's total payments to LACA for computer services during fiscal year 2006 were \$114,029. Financial statements for LACA can be obtained from their fiscal agent the Career and Technology Education Centers of Licking County, 150 Price Road, Newark, OH 43055.

**B. Career and Technology Education Centers of Licking County**

The Career and Technology Education Centers of Licking County is a jointly governed organization providing vocational education to its member school districts. The Career and Technology Education Centers of Licking County is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of three representatives from the Licking County Educational Service Center, two from the Newark City School District, one from the Heath City School District, and one from the Granville Exempted Village School District, which possesses its own budgeting and taxing authority. During 2006, the School District contributed \$56 to the Career and Technology Education Centers of Licking County. To obtain financial information write to the Career and Technology Education Centers of Licking County, Cory Thompson, who serves as Treasurer, at 150 Price Road, Newark, Ohio 43055.

**C. Metropolitan Educational Council**

The School District participates in the Metropolitan Educational Council (MEC), a jointly governed organization. The organization is composed of over 100 members which includes school districts, joint vocational schools, educational service centers, and libraries covering 24 counties in Central Ohio. The MEC helps its members purchase services, insurances, supplies, and other items at a discounted rate. The governing board of MEC is composed of either the superintendent, a designated representative or a member of the board of education for each participating school district in Franklin County (18 school districts) and one representative from each county. Each year, the participating school districts pay a membership fee to MEC to cover the costs of administering the program. The School District's membership payment to MEC for fiscal year 2006 was \$900. Financial information may be obtained from the Metropolitan Educational Council, Denise Music, who serves as fiscal officer, at 6100 Channingway Blvd., Suite 604, Columbus, OH 43232.

**Granville Exempted Village School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2006*

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**D. Central Ohio Special Education Regional Resource Center**

The Central Ohio Educational Resource Center (COSERRC) provides special education services at a regional level and assists school districts in complying with the mandates of P.L. 101-476 and P.L. 99-457 for educating children with disabilities. The governing board is composed of superintendents of member school districts in Central Ohio (which comprise sixty percent of the Board), two parents of children with disabilities, one representative of a chartered nonpublic school, one representative of a county board of Mental Retardation and Developmental Disabilities, and representatives of universities. The Granville School District has a cooperative agency agreement with COSERRC. There is no financial commitment by the School District for its participation in COSERRC. The School District has one representative on the governing board. The School District paid \$25 to COSERRC during fiscal year 2006. Further information may be obtained by contacting the Central Ohio Special Education Regional Resource Center at 470 Glenmont Avenue, Columbus, Ohio 43214.

**E. School Study Council of Ohio**

The School Study Council of Ohio (Council) is a jointly governed organization operated by a Board of Trustees (Board). The Council is comprised of 70 member organizations. The purpose of the Council is to bring about the improvement of education in member school organizations. School districts maintain active membership by paying a yearly membership fee which entitles each school district to attend Council meetings and to vote. School districts that elect to be associate members are entitled to attend meetings and participate in Council discussions but are not entitled to vote. The Board is annually elected from within the Council's active membership. In fiscal year 2006, the Board consisted of sixteen members. In fiscal year 2006, Granville Exempted Village School District obtained active membership privileges and paid for school study services in the amount of \$2,020. Financial information may be obtained by contacting the School Study Council of Ohio at 4807 Evanswood Drive, Suite 300, Columbus, Ohio 43229.

**F. Newark-Granville Community Authority**

The Newark-Granville Community Authority (Authority) is a jointly governed organization created under Section 349.03, Ohio Revised Code. The Authority was created for the purposes of encouraging the orderly development of a well-planned, diversified and economically sound new community in central Licking County. The Authority is operated by a Board of Trustees (Board) that is comprised of three Park Trails community members appointed by the Board of County Commissioners of Licking County, Ohio; one local government representative, appointed by the Board of County Commissioners of Licking County, Ohio; and three representatives of the Granville Exempted Village School District. The revenue source of this organization consists of special assessments imposed by Licking County on Park Trails Community. The special assessment is based on a \$250,000 average home value within the community, which results in a minimum annual community development charge of \$455 per home for 20 consecutive years.

**NOTE 16 - INSURANCE PURCHASING POOL**

**A. Ohio Association of School Business Officials Workers' Compensation Group Rating Plan**

The School District participates in the Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OASBA. The Executive Director of the OASBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**Granville Exempted Village School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2006*

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**B. Metropolitan Educational Council Group Insurance Pool**

The School District participates in the Metropolitan Educational Council (MEC), an insurance purchasing pool. The MEC helps its members purchase services, insurances, supplies, and other items at a discounted rate. The organization is composed of over 100 members which includes school districts, joint vocational schools, educational service centers, and libraries covering 24 counties in Central Ohio. The governing board of MEC is composed of either the superintendent, a designated representative or a member of the board of education for each participating school district in Franklin County (18 school districts) and one representative from each county. Each year, the participating school districts pay a membership fee to MEC to cover the costs of administering the program.

**NOTE 17 - RELATED ORGANIZATION**

**Granville Schools Education Foundation, Incorporated**

The Granville Schools Education Foundation, authorized under Ohio Revised Code Chapter 1702, is an independent nonprofit corporation created in 1994. The Foundation's purpose is to improve education for the students of Granville Schools. The Foundation is governed by a Board of Trustees appointed by the Granville Exempted Village School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the School District for operational subsidies. The School District has no ability to impose its will on the organization nor does a burden/benefit relationship exist. The School District returned \$601 in unspent funds to the Foundation during fiscal year 2006. Financial information can be obtained from the Granville Schools Education Foundation, Monica Graffeo, who serves as Executive Director, at P.O. Box 84, Granville, Ohio 43023.

**NOTE 18 - CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2006.

**B. Litigation**

The School District is currently not a party to any material legal proceedings.

**NOTE 19 - SET-ASIDE CALCULATIONS AND FUND RESERVES**

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction 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.

**Granville Exempted Village School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2006*

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The School District was also required to set aside money for budget stabilization. Senate Bill 345, effective April 10, 2001, eliminated any further budget stabilization set-aside requirement and placed restrictions on the use of existing budget stabilization money relating to the worker's compensation refunds. The School District spent the remaining budget stabilization money in fiscal year 2002.

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

	Textbooks	Capital Acquisition
Set-aside Cash Balance as of June 30, 2005	(\$1,443,891)	(\$30,842,281)
Current Year Set-aside Requirement	327,576	327,576
Current Year Offsets	0	(620,660)
Qualifying Disbursements	(621,762)	(307,941)
<b>Total</b>	<b>(\$1,738,077)</b>	<b>(\$31,443,306)</b>
Balance Carried Forward to FY 2007	(\$1,738,077)	(\$30,937,082)
Cash Balances to Carry Forward to FY 2007	\$0	\$0

The School District had qualifying disbursements and offsets during the fiscal year that further reduced the textbook and capital improvements set-aside amounts below zero. The extra amounts in the textbooks and capital acquisition set asides may be used to reduce the set-aside requirements in future fiscal years.

**NOTE 20 – INTERFUND TRANSFERS AND BALANCES**

During fiscal year 2006, the General Fund made an advance to the Improving Teacher Quality special revenue fund, in the amount of \$22,454 for grant monies not received by June 30, 2006. The advance will be repaid in fiscal year 2007.

In addition, the Principal's Fund owes the General Fund for reimbursement of expenditures made from the General Fund for summer school totaling \$1,250.

**Granville Exempted Village School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2006*

**NOTE 21 – ACCOUNTABILITY AND COMPLIANCE**

**A. Fund Deficit**

The Title VI-B special revenue fund had a deficit fund balance of \$1,795 at June 30, 2006.

The deficit fund balance in the nonmajor special revenue fund is the result of the recognition of payables in accordance with generally accepted accounting principles. The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**B. Legal Compliance**

The following fund had expenditures plus encumbrances in excess of appropriations contrary to section 5705.41(B), Revised Code.

	Excess
<u>Nonmajor Special Revenue Fund:</u>	
Data Communications Support	\$3,509

The following funds had final appropriations in excess of estimated resources plus available balances for the year ended June 30, 2006:

	Resources	Appropriations	Excess
<u>Nonmajor Special Revenue Funds:</u>			
Collaborative Literacy and Language Instruction Project - State	\$70,155	(\$71,448)	(\$1,293)
Collaborative Literacy and Language Instruction Project Federal/ Title VI-B	398,098	(403,888)	(5,790)

The School District had several funds during the fiscal year that had negative fund balances indicating that money from one fund was used to cover the expenses of another fund which is contrary to section 5705.10, R.C.

The School District will more closely monitor budgetary procedures pertaining to violations of this nature in the future.

**NOTE 22 – CONTRACTUAL OBLIGATIONS**

As of June 30, 2006, the School District had contractual purchase commitments with MKC Associates, Inc. and The Quandel Group, Inc. for architect services and construction management services for the new middle school construction project. The amounts of the contracts are as follows:

Contractor	Fund	Purchase Commitments	Amounts Paid as of 6/30/2006	Amounts Remaining on Contracts
MKC Associates, Inc.	General	\$1,650,000	\$148,000	\$1,502,000
The Quandel Group, Inc.	General	303,000	113,625	189,375
		<u>\$1,953,000</u>	<u>\$261,625</u>	<u>\$1,691,375</u>

**Granville Exempted Village School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2006*

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**NOTE 23 – SUBSEQUENT EVENT**

On November 7, 2006, a 5.7 mills bond issue for the purpose of constructing school facilities, renovating and constructing additions to existing school facilities, and acquiring land, failed.

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
LICKING COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Federal Grantor/ Pass thru Grantor/ Program Title	Pass-Through Entity Number	Federal CFDA Number	Cash Receipts	Non-Cash Receipts	Cash Disbursements	Non-Cash Disbursements
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
<i>Passed through Ohio Department of Education:</i>						
Special Education-Grants to States						
IDEA Part B	6BSF	84.027	\$ 397,231	\$ -	\$ 392,313	\$ -
Collaborative Language and Literacy Instruction Project	6BII	84.027	19,051	-	493	-
Total Special Education-Grants to States			<u>416,282</u>	<u>-</u>	<u>392,806</u>	<u>-</u>
Title I Grants to Local Educational Agencies	C1S1	84.010	70,564	-	70,564	-
Safe and Drug Free Schools and Communities-State Grants	DRS1	84.186	7,036	-	7,036	-
State Grants for Innovative Programs	C2S1	84.298	6,903	-	6,903	-
Education Technology State Grants	TJS1	84.318	1,284	-	1,284	-
Improving Teacher Quality State Grants	TRS1	84.367	17,657	-	40,110	-
<b>Total U.S. Department of Education</b>			<u>519,726</u>	<u>-</u>	<u>518,703</u>	<u>-</u>
<b><u>U.S. DEPARTMENT OF HOMELAND SECURITY</u></b>						
<i>Passed through Ohio Department of Public Safety:</i>						
Disaster Grants-Public Assistance (Presidentially Declared Disasters)	DR089	97.036	14,463	-	14,463	-
<b>Total U.S. Department of Homeland Security</b>			<u>14,463</u>	<u>-</u>	<u>14,463</u>	<u>-</u>
<b>TOTAL FEDERAL ASSISTANCE</b>			<u>\$ 534,189</u>	<u>-</u>	<u>533,166</u>	<u>-</u>

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



**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
LICKING COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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



**Report on Internal Control over Financial Reporting and on Compliance and Other Matters**  
**Based on an Audit of Financial Statements Performed in Accordance with**  
**Government Auditing Standards**

Board of Education  
Granville Exempted Village School District  
P.O. Box 417  
Granville, Ohio 43023

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Granville Exempted Village School District, Licking County, Ohio (the School District) as of and for the fiscal year ended June 30, 2006 and have issued our report thereon dated January 22, 2007 wherein we noted that the School District implemented GASB Statement No. 42 and 47 as disclosed in Note 3. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion 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 that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted other matters related to noncompliance we deemed immaterial which we have communicated in a separate letter dated January 22, 2007.

*Wilson, Shannon & Snow, Inc.*

**CERTIFIED PUBLIC ACCOUNTANTS**  
Ten West Locust Street  
Newark, Ohio 43055  
(740) 345-6611  
1-800-523-6611  
FAX (740) 345-5635

Granville Exempted Village School District  
Licking County  
Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in Accordance  
with *Government Auditing Standards*  
Page 2

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

*Wilson, Sherman & Sons, Inc.*

Newark, Ohio  
January 22, 2007



**Report on Compliance with Requirements Applicable to Its Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133**

Board of Education  
Granville Exempted Village School District  
P.O. Box 417  
Granville, Ohio 43023

**Compliance**

We have audited the compliance of the Granville Exempted Village School District, Licking County, Ohio, (the School District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the fiscal year ended June 30, 2006. The School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended June 30, 2006.

**Internal Control over Compliance**

The management of the School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

*Wilson, Shannon & Snow, Inc.*

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Granville Exempted Village School District  
Licking County  
Report on Compliance with Requirements Applicable to  
Its Major Program and on Internal Control over Compliance  
in Accordance with OMB Circular A-133  
Page 2

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a 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 noncompliance with applicable requirements of laws regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

*Wilson, Sherman & Sons, Inc.*

Newark, Ohio  
January 22, 2007

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
LICKING COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 §.505**

**JUNE 30, 2006**

**1. SUMMARY OF AUDITOR'S RESULTS**

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

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
LICKING COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 §.505**

**JUNE 30, 2006**

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

None.

**3. FINDINGS FOR FEDERAL AWARDS**

None.

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
LICKING COUNTY**

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
OMB CIRCULAR A-133 §.505**

**JUNE 30, 2006**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; <u>Explain:</u>
2005-001	Finding for Recovery – Improper use of Public Funds.	Yes	N/A
2005-002	Ohio Revised Code Section 5705.39 states that appropriations shall not exceed estimated resources.	Partially Corrected	Re-issued in the management letter.
2005-003	Noncompliance finding – Questioned costs.	Yes	N/A





**Mary Taylor, CPA**  
Auditor of State

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT**

**LICKING 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  
APRIL 3, 2007**