



**Auditor of State
Betty Montgomery**

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
LICKING COUNTY**

TABLE OF CONTENTS

Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Statement of Net Assets	11
Statement of Activities.....	12
Balance Sheet – Governmental Funds	13
Reconciliation of the Governmental Funds Balance Sheet to the Statement Of Net Assets	14
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds.....	15
Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budget Basis) General Fund.....	17
Statement of Fiduciary Assets and Liabilities – Agency Funds	18
Notes to the Basic Financial Statements	19
Independent Accountants' Report On Compliance and On Internal Control Required By <i>Government Auditing Standards</i>	47
Schedule of Prior Audit Findings.....	49

THIS PAGE INTENTIONALLY LEFT BLANK



**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Granville Exempted Village School District
Licking County
P.O. Box 417
Granville, Ohio 43023-0417

To the Board of Education:

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Granville Exempted Village School District, Licking County, Ohio, as of June 30, 2003, and the respective changes in financial position and the budgetary comparison for the General Fund, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2003, the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2004, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We 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.

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

Betty Montgomery
Auditor of State

February 27, 2004

Granville Exempted Village School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2002
Unaudited

The discussion and analysis of the Granville Exempted Village School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2003. 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 2003 are as follows:

- Net assets of governmental activities increased \$1,185,401.
- General revenues accounted for \$17,559,934 in revenue or 89 percent of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$2,063,117, 11 percent of total revenues of \$19,623,051.
- Total assets of governmental activities increased \$135,308 as the major changes are a result of an increase in capital assets because the School District finished the majority of their construction phases and renovations.
- The School District had \$18,437,650 in expenses related to governmental activities; only \$2,063,117 of these expenses were offset by program specific charges for services, grants, contributions, and interest. General revenues of \$17,559,934 provided for these activities.
- The School District only has three major funds; the general fund, the debt service fund, and the building fund. The general fund had \$15,201,180 in revenues and \$14,563,140 in expenditures. The general fund's balance increased \$1,174,525. The debt service fund had \$1,878,193 in revenues and \$2,019,286 in expenditures. The debt service fund's balance decreased \$141,093. The building fund had \$544,289 in revenues and \$13,653,886 in expenditures. The building fund's balance decreased \$13,109,597.

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 Local 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, 2002
Unaudited

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 2003?" 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 9. 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, 2002
Unaudited

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 2003 compared to 2002.

Table I
Net Assets

	<u>Governmental Activities</u>	
	<u>2003</u>	<u>2002</u>
Assets		
Current and Other Assets	\$22,348,455	\$34,775,957
Capital Assets	<u>38,474,521</u>	<u>25,911,711</u>
Total Assets	<u>60,822,976</u>	<u>60,687,668</u>
Liabilities		
Long-Term Liabilities	(25,308,881)	(25,724,355)
Other Liabilities	<u>(23,330,474)</u>	<u>(23,965,093)</u>
Total Liabilities	<u>(48,639,355)</u>	<u>(49,689,448)</u>
Net Assets		
Invested in Capital Assets, Net of Debt	6,416,214	6,512,728
Restricted	2,247,629	8,574,435
Unrestricted	<u>3,519,778</u>	<u>(4,088,943)</u>
Total Net Assets	<u><u>\$12,183,621</u></u>	<u><u>\$10,998,220</u></u>

Total assets increased \$135,308. The majority of the increase was due to an increase in capital assets which was offset by a decrease in cash and cash equivalents and investments.

Total liabilities decreased \$1,050,093. Contracts payable decreased \$978,648 because the School District finished the construction on their new intermediate building plus renovations on the high school and middle school buildings. Notes payable decreased \$130,000 because the School District retired the 2002, \$10,000,000 note issue in May of 2003, and renewed the issue with \$9,870,000 in notes which will mature in May of 2004. Long-term liabilities decreased \$415,474 because the School District made \$805,000 in principal payments during fiscal year 2003 towards their Energy Conservation Bonds, School Improvement Bonds, and School Improvement Capital Appreciation Bonds. Principal payments were offset by a new capital lease for \$523,085 for copiers and fitness equipment.

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2003. Since this is the first year Granville Exempted Village School District has prepared financial statements following GASB Statement 34, revenue and expense comparisons to fiscal year 2002 are not available. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

Granville Exempted Village School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2002
Unaudited

Table 2
Changes in Net Assets

	Governmental Activities
Revenues	2003
Program Revenues	
Charges for Services	\$344,492
Operating Grants, Contributions and Interest	1,533,226
Capital Grants, Contributions and Interest	185,399
	2,063,117
General Revenue	
Property Taxes	12,034,495
Gain on Sale of Capital Asset	7,119
Grants and Entitlements	5,360,755
Investment Earnings	104,652
Miscellaneous	52,913
	17,559,934
Total Revenues	19,623,051
 Program Expenses	
Instruction	
Regular	7,944,029
Special	828,064
Vocational	141,619
Support Services	
Pupil	1,214,550
Instructional Staff	940,633
Board of Education	81,896
Administration	1,359,167
Fiscal	476,271
Business	2,057
Operation and Maintenance of Plant	2,112,098
Pupil Transportation	1,055,247
Central	60,149
Operation of Non-Instructional Services	
Other	2,211
Extracurricular Activities	752,089
Interest and Fiscal Charges	1,467,570
Total Expenses	18,437,650
 Increase in Net Assets	\$1,185,401

The School District has maintained a stable financial position which will continue due to the passage of a five year operating levy on May 6, 2003. This levy will need to be renewed during calendar year 2008.

Granville Exempted Village School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2002

Unaudited

The dependence upon tax revenues and state subsidies for governmental activities is apparent. 70 percent of instruction activities are supported through taxes and other general revenues.

In November of 2000, the residents of the District passed a \$31,000,000 bond levy. The District had five phases of construction that lasted for three years. Phase one consisted of constructing an Intermediate School for grades four, five and six. Phase two consisted of adding 13 classrooms onto the existing High School. Phase three consisted of renovations to the Middle School. Phase four consisted of renovations to the Elementary Building. Phase five consisted of building a performing arts center between the High School and Middle School in which both complexes are connected to the center. All phases were completed by December 2003.

The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and interest earnings 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. Comparisons to 2002 have not been made since they are not available.

Table 3
Governmental Activities

	2003 <u>Total Cost of Services</u>	2003 <u>Net Cost of Services</u>
Program Expenses		
Instruction:		
Regular	\$7,944,029	\$7,565,586
Special	828,064	620,857
Vocational	141,619	131,057
Support Services:		
Pupil	1,214,550	839,219
Instructional Staff	940,633	794,978
Board of Education	81,896	81,896
Administration	1,359,167	1,219,400
Fiscal	476,271	427,927
Business	2,057	2,057
Operation and Maintenance of Plant	2,112,098	1,961,673
Pupil Transportation	1,055,247	646,965
Central	60,149	51,955
Operation of Non-Instructional Services		
Other	2,211	782
Extracurricular Activities	752,089	562,611
Interest and Fiscal Charges	1,467,570	1,467,570
Totals	<u>\$18,437,650</u>	<u>\$16,374,533</u>

Instructional programs comprise approximately 48 percent of total governmental program expenses. Of the instructional expenses, approximately 89 percent is for regular instruction, 9 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, 2002
Unaudited

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 \$19,406,003 and expenditures of \$31,921,363. Of this \$12,515,360 difference, the majority was due to capital outlay expenditures in excess of revenues in the building fund.

General Fund Budgeting 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 2003, the School District amended its general fund appropriations, none significant.

Budget basis revenue was \$14,748,843 compared to original estimates of \$12,496,472. Of this \$2,252,371 difference, most was due to conservative tax estimates, based on the County Auditor's Certification, and state subsidies.

The School District's ending unobligated general fund balance was \$3,798,736.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2003, the School District had \$38,474,521 invested in land, buildings, furniture and equipment and vehicles. Table 4 shows fiscal year 2003 balances compared to 2002.

Table 4
Capital Assets at June 30, 2003
(Net of Depreciation)

	<u>Government Activities</u>	
	<u>2003</u>	<u>2002</u>
Land and Land Improvements	\$2,355,578	\$1,920,546
Buildings and Improvements	34,712,684	10,340,736
Furniture and Equipment	864,800	427,148
Vehicles	541,459	609,095
Construction in Progress	<u>0</u>	<u>12,614,186</u>
Totals	<u><u>\$38,474,521</u></u>	<u><u>\$25,911,711</u></u>

Granville Exempted Village School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2002
Unaudited

During fiscal year 2003, the School District completed the construction of the new intermediate building and renovations in the high school and middle school. See Note 8 for more detailed information of the School District's capital assets.

Debt

At June 30, 2003, the School District had \$34,716,143 in bonds, notes, and capital leases outstanding.

Table 5
Outstanding Debt, at Fiscal Year End

	Governmental Activities 2003	Governmental Activities 2002
	2003	2002
2002 School Improvement Note - 2.70%	\$0	\$10,000,000
2003 School Improvement Note - 1.67%	9,870,000	0
School Improvement Refunding Bond		
1994 2.6%-4.65%	3,186,838	3,811,838
School Improvement Bond		
2002 2.5%-5.5%	21,045,000	21,180,000
School Improvement Capital Appreciation Bond		
2002 34.7%	50,354	36,573
Energy Conservation Bond		
1994 5.75%-5.9%	97,000	142,000
Capital Leases	466,951	99,903
Totals	\$34,716,143	\$35,270,314

See Note 16 for more detailed information of the School District's debt.

Set-asides

For fiscal year 2003, Ohio law required school districts to set aside three percent of certain revenues for capital improvements and an additional three percent for textbooks. For fiscal year 2003, this amounted to \$264,699 for each set aside. For fiscal year 2003, the School District had qualifying disbursements or offsets exceeding the \$264,699 requirement for textbooks and capital maintenance. See Note 21 for more detailed information of the School District's set-asides.

Economic Factors

Granville Exempted Village School District's net assets increased by \$1,185,401, however, as the preceding information shows, the School District relies heavily on its property taxpayers. Based on the current financial situation, and the ability to maintain current program and staffing levels, the School District should be able to maintain financial stability with careful financial planning and prudent fiscal management. However, the renewal or replacement of the current operating levy, which will expire in December 2008, is critical to this stability. The loss of this revenue would mean the district would be unable to maintain its current level of operations and may necessitate a cut in staffing or programs.

Granville Exempted Village School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2002
Unaudited

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.

Granville Exempted Village School District, Ohio

Statement of Net Assets

June 30, 2003

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$9,737,505
Cash and Cash Equivalents in Segregated Accounts	380
Cash and Cash Equivalents with Escrow Agents	270,010
Materials and Supplies Inventory	1,344
Accrued Interest Receivable	318
Prepaid Items	6,816
Intergovernmental Receivable	3,929
Accounts Receivable	99,410
Property Taxes Receivable	12,228,743
Nondepreciable Capital Assets	1,465,969
Depreciable Capital Assets, Net	<u>37,008,552</u>
<i>Total Assets</i>	<u>60,822,976</u>
Liabilities	
Accounts Payable	156,372
Accrued Wages and Benefits Payable	1,369,601
Contracts Payable	370,256
Retainage Payable	472,115
Matured Interest Payable	41
Matured Capital Leases Payable	219
Accrued Interest Payable	122,578
Notes Payable	9,870,000
Intergovernmental Payable	346,805
Deferred Revenue	10,622,487
Long-Term Liabilities:	
Due Within One Year	1,121,817
Due In More Than One Year	<u>24,187,064</u>
<i>Total Liabilities</i>	<u>48,639,355</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	6,416,214
Restricted for:	
Debt Service	1,802,668
Bus Purchase	17,114
Other Purposes	427,847
Unrestricted	<u>3,519,778</u>
<i>Total Net Assets</i>	<u><u>\$12,183,621</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, 2003

	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants, Contributions and Interest		
Governmental Activities					
Instruction:					
Regular	\$7,944,029	\$148,708	\$195,092	\$34,643	(\$7,565,586)
Special	828,064	0	207,207	0	(620,857)
Vocational	141,619	0	10,562	0	(131,057)
Support Services:					
Pupil	1,214,550	89,028	286,303	0	(839,219)
Instructional Staff	940,633	0	145,655	0	(794,978)
Board of Education	81,896	0	0	0	(81,896)
Administration	1,359,167	0	139,767	0	(1,219,400)
Fiscal	476,271	0	48,344	0	(427,927)
Business	2,057	0	0	0	(2,057)
Operation and Maintenance of Plant	2,112,098	15,121	1,662	133,642	(1,961,673)
Pupil Transportation	1,055,247	0	391,168	17,114	(646,965)
Central	60,149	0	8,194	0	(51,955)
Operation of Non-Instructional Services	2,211	0	1,429	0	(782)
Extracurricular Activities	752,089	91,635	97,843	0	(562,611)
Interest and Fiscal Charges	1,467,570	0	0	0	(1,467,570)
Totals	\$18,437,650	\$344,492	\$1,533,226	\$185,399	(\$16,374,533)

General Revenues

Property Taxes Levied for	
General Purposes	9,488,253
Debt Service	1,617,989
Capital Outlay	800,000
Classroom Facilities Maintenance	128,253
Gain on Sale of Capital Asset	7,119
Grants and Entitlements not Restricted to Specific Programs	5,360,755
Investment Earnings	104,652
Miscellaneous	52,913
Total General Revenues	17,559,934
Change in Net Assets	1,185,401
<i>Net Assets Beginning of Year - See Note 3</i>	<u>10,998,220</u>
<i>Net Assets End of Year</i>	<u><u>\$12,183,621</u></u>

See accompanying notes to the basic financial statements

Granville Exempted Village School District, Ohio

Balance Sheet

Governmental Funds

June 30, 2003

	General	Debt Service	Building Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$3,909,853	\$1,711,608	\$3,235,197	\$863,733	\$9,720,391
Cash and Cash Equivalents in Segregated Accounts	0	0	0	380	380
Cash and Cash Equivalents with Escrow Agent	0	0	270,010	0	270,010
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	17,114	0	0	0	17,114
Accounts Receivable	99,160	0	0	250	99,410
Interfund Receivable	0	0	0	1,381	1,381
Intergovernmental Receivable	0	0	0	3,929	3,929
Prepaid Items	6,794	0	22	0	6,816
Accrued Interest Receivable	318	0	0	0	318
Materials and Supplies Inventory	1,344	0	0	0	1,344
Property and Other Local Taxes Receivable	9,402,055	2,313,799	0	512,889	12,228,743
Total Assets	\$13,436,638	\$4,025,407	\$3,505,229	\$1,382,562	\$22,349,836
Liabilities					
Matured Interest Payable	\$41	\$0	\$0	\$0	\$41
Matured Capital Leases Payable	219	0	0	0	219
Accounts Payable	98,455	0	25,572	32,345	156,372
Accrued Wages and Benefits	1,361,534	0	0	8,067	1,369,601
Contracts Payable	0	0	370,256	0	370,256
Retainage Payable	0	0	472,115	0	472,115
Interfund Payable	0	0	0	1,381	1,381
Notes Payable	0	0	9,870,000	0	9,870,000
Accrued Interest Payable	0	0	27,095	0	27,095
Deferred Revenue	8,482,404	2,202,281	0	465,988	11,150,673
Intergovernmental Payable	243,035	0	0	120	243,155
Total Liabilities	10,185,688	2,202,281	10,765,038	507,901	23,660,908
Fund Balances					
Reserved for Encumbrances	103,634	0	2,422,497	211,363	2,737,494
Reserved for Bus Purchase	17,114	0	0	0	17,114
Reserved for Property Taxes	835,000	101,100	0	43,900	980,000
Unreserved:					
Undesignated, Reported in:					
General Fund	2,295,202	0	0	0	2,295,202
Special Revenue Funds	0	0	0	258,867	258,867
Debt Service Fund	0	1,722,026	0	0	1,722,026
Capital Projects Funds (Deficit)	0	0	(9,682,306)	360,531	(9,321,775)
Total Fund Balances	3,250,950	1,823,126	(7,259,809)	874,661	(1,311,072)
Total Liabilities and Fund Balances	\$13,436,638	\$4,025,407	\$3,505,229	\$1,382,562	\$22,349,836

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, 2003*

Total Governmental Fund Balances (\$1,311,072)

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. 38,474,521

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

Property Taxes Receivable	526,001	
Accrued Interest Receivable	318	
Student Fees	<u>1,867</u>	528,186

Intergovernmental payable includes contractually required pension contributions not expected to be paid with available expendable resources and, therefore, not reported in the funds. (103,650)

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

Bonds Payable	(24,379,192)	
Accrued Interest Payable	(95,483)	
Capital Leases Payable	(466,951)	
Compensated Absences	<u>(462,738)</u>	<u>(25,404,364)</u>

Net Assets of Governmental Activities \$12,183,621

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, 2003

	General	Debt Service	Building Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Property and Other Local Taxes	\$9,292,294	\$1,598,435	\$399,250	\$524,944	\$11,814,923
Intergovernmental	5,629,437	247,226	0	860,988	6,737,651
Interest	98,083	32,532	140,289	7,534	278,438
Tuition and Fees	144,632	0	0	0	144,632
Extracurricular Activities	0	0	0	184,739	184,739
Rentals	15,121	0	0	0	15,121
Contributions and Donations	600	0	0	176,986	177,586
Miscellaneous	21,013	0	4,750	27,150	52,913
Total Revenues	15,201,180	1,878,193	544,289	1,782,341	19,406,003
Expenditures					
Current:					
Instruction:					
Regular	7,615,326	0	0	173,663	7,788,989
Special	724,515	0	0	44,404	768,919
Vocational	135,012	0	0	0	135,012
Other	118,121	0	0	32,647	150,768
Support Services:					
Pupils	723,698	0	0	424,111	1,147,809
Instructional Staff	754,329	0	0	138,228	892,557
Board of Education	81,880	0	0	0	81,880
Administration	1,177,651	0	0	146,756	1,324,407
Fiscal	419,070	30,989	0	25,061	475,120
Business	2,007	0	0	50	2,057
Operation and Maintenance of Plant	1,216,699	0	0	95,599	1,312,298
Pupil Transportation	976,543	0	0	0	976,543
Central	33,770	0	0	26,379	60,149
Other Non-Instructional Services	0	0	0	834	834
Extracurricular Activities	495,526	0	0	179,195	674,721
Capital Outlay	0	0	13,401,185	398,124	13,799,309
Debt Service:					
Principal Retirement	69,013	805,000	0	0	874,013
Interest and Fiscal Charges	19,980	1,183,297	252,701	0	1,455,978
Total Expenditures	14,563,140	2,019,286	13,653,886	1,685,051	31,921,363
Excess of Revenues Over (Under) Expenditures:	638,040	(141,093)	(13,109,597)	97,290	(12,515,360)
Other Financing Sources					
Proceeds from Sale of Fixed Assets	13,400	0	0	0	13,400
Inception of a Capital Lease	523,085	0	0	0	523,085
Total Other Financing Sources	536,485	0	0	0	536,485
Net Change in Fund Balances	1,174,525	(141,093)	(13,109,597)	97,290	(11,978,875)
Fund Balances Beginning of Year					
Restated (Note 3)	2,076,425	1,964,219	5,849,788	777,371	10,667,803
Fund Balances End of Year (deficit)	\$3,250,950	\$1,823,126	(\$7,259,809)	\$874,661	(\$1,311,072)

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, 2003*

Net Change in Fund Balances - Total Governmental Funds (\$11,978,875)

*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 outlays exceeded depreciation in the current period.

Capital Asset Additions	13,506,671	
Depreciation Expense	(854,843)	12,651,828

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 proceeds, the gain on the sale of capital assets, and the loss on disposal of capital assets.

Loss on Disposal of Capital Assets	(82,737)	
Gain on the Sale of Capital Assets	7,119	
Proceeds from the Sale of Capital Assets	(13,400)	(89,018)

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

Interest	(242)	
Grants	(9,401)	
Delinquent Taxes	219,572	209,929

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 961,037

In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest is expended when due. 2,189

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. (523,085)

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.

Intergovernmental Payable	(26,126)	
Compensated Absences Payable	(8,697)	(34,823)

Accretion on capital appreciation bonds is an expenditure in the governmental funds but is allocated as an expense over the life of the bonds. (13,781)

Change in Net Assets of Governmental Activities \$1,185,401

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, 2003

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues				
Property Taxes	\$8,509,872	\$9,040,063	\$8,839,048	(\$201,015)
Intergovernmental	3,858,178	5,425,698	5,629,437	203,739
Interest	64,424	126,763	98,808	(27,955)
Tuition and Fees	62,412	132,963	143,790	10,827
Rent	269	10,800	15,121	4,321
Contributions and Donations	0	0	600	600
Miscellaneous	1,317	2,453	22,039	19,586
<i>Total Revenues</i>	<u>12,496,472</u>	<u>14,738,740</u>	<u>14,748,843</u>	<u>10,103</u>
Expenditures				
Current:				
Instruction:				
Regular	7,672,085	7,673,245	7,368,970	304,275
Special	667,407	691,832	691,436	396
Vocational	142,267	136,758	136,758	0
Other	234,286	276,899	124,769	152,130
Support Services:				
Pupils	989,905	894,946	742,804	152,142
Instructional Staff	670,445	901,345	749,191	152,154
Board of Education	151,767	82,465	82,464	1
Administration	1,304,016	1,187,417	1,187,404	13
Fiscal	581,182	436,767	436,762	5
Business	11,014	2,007	2,007	0
Operation and Maintenance of Plant	1,751,963	1,475,050	1,322,899	152,151
Pupil Transportation	804,571	931,002	930,999	3
Central	27,729	31,507	31,507	0
Extracurricular Activities	0	446,009	445,146	863
Capital Outlay	28,815	0	0	0
<i>Total Expenditures</i>	<u>15,037,452</u>	<u>15,167,249</u>	<u>14,253,116</u>	<u>914,133</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(2,540,980)</u>	<u>(428,509)</u>	<u>495,727</u>	<u>924,236</u>
Other Financing Sources				
Proceeds from Sale of Fixed Assets	13,400	13,400	13,400	0
<i>Net Change in Fund Balance</i>	<u>(2,527,580)</u>	<u>(415,109)</u>	<u>509,127</u>	<u>924,236</u>
<i>Fund Balance Beginning of Year</i>	<u>3,133,679</u>	<u>3,133,679</u>	<u>3,133,679</u>	<u>0</u>
Prior Year Encumbrances Appropriated	155,930	155,930	155,930	0
<i>Fund Balance End of Year</i>	<u>\$762,029</u>	<u>\$2,874,500</u>	<u>\$3,798,736</u>	<u>\$924,236</u>

See accompanying notes to the basic financial statements

Granville Exempted Village School District, Ohio

Statement of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2003

Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$100,020</u>
Liabilities	
Due to Students	\$66,894
Due to Others	31,806
Due to Other Governments	<u>1,320</u>
<i>Total Liabilities</i>	<u>\$100,020</u>

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, 2003

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 65 non-certificated employees, 151 certificated full-time personnel and 8 administrative employees who provide services to 2,039 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, Licking County Joint Vocational School, 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 Charitable Foundation Incorporated. These organizations are presented in Notes 17, 18, and 19 to the general purpose financial statements.

Granville Exempted Village School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003*

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 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 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.

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:

Granville Exempted Village School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003*

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 District being financed through bonds and notes.

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 activity, student 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.

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.

Granville Exempted Village School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

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, 2003, but which were levied to finance fiscal year 2004 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.

E. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds, except for some construction monies, 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.

Granville Exempted Village School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003*

The School District has segregated bank accounts for the athletic and the retainage escrow monies held separate from the School District's central bank account. These checking accounts are presented on the combined balance sheet as "cash and cash equivalents in segregated accounts" since they are not required to be deposited into the School District treasury.

During fiscal year 2003, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), repurchase agreements, and federal agency securities.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts, such as repurchase agreements, are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2003.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2003 amounted to \$98,083, which includes \$71,356 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, 2003, 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.

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.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal 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.

Granville Exempted Village School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003*

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:

<u>Description</u>	<u>Estimated Lives</u>
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 imposed by creditors, contributors, grantors, or laws of other government or imposed by 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 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.

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.

Granville Exempted Village School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003*

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, property taxes, and bus purchase.

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. Net assets restricted for other purposes include activities 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.

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.

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 set 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.

Granville Exempted Village School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

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 revenues. 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.

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF FUND BALANCE

Changes in Accounting Principles For fiscal year 2003, the School District has implemented GASB Statement No. 34, “Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments”, GASB Statement No. 37, “Basic Financial Statements for State and Local Governments: Omnibus”, GASB Statement No. 38, “Certain Financial Statement Note Disclosures”, GASB Statement No. 41, “Budgetary Comparison Schedules – Perspective Differences”, and GASB Interpretation No. 6, “Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.”

GASB Statement No. 34 creates new basic financial statements for reporting on the School District’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the MD&A, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38 modifies, establishes and rescinds certain financial statement note disclosures. At June 30, 2003, there was no effect on fund balances as a result of implementing GASB Statements 37 and 38.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

GASB Statement No. 41 allows presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the governmental uses for its legally adopted budget when significant budgetary perspective differences result in the School District not being able to present budgetary comparisons for the general and each major special revenue fund. This statement had no effect on the presentation of the budgetary statements of the School District for fiscal year 2003.

The School District implemented a new fixed asset policy which increased the capitalization threshold of capital assets from five hundred dollars to five thousand dollars.

The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at June 30, 2002, reclassification of funds based on the guidance provided in Statement No. 34, and the conversion to the accrual basis of accounting.

Granville Exempted Village School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003*

Restatement of Fund Balance The implementation of GASB 34 and Interpretation No. 6 had the following effects on fund balance of the major and nonmajor funds of the School District as they were previously reported. The transition from governmental fund balance to net assets of the governmental activities is also presented.

	General	Debt Service Fund	Building Fund	Nonmajor	Total
Fund Balances, June 30, 2002	\$2,069,591	\$1,964,219	\$5,849,788	\$776,400	\$10,659,998
Intergovernmental Payable	(971)	0	0	971	0
Interpretation 6:					
Compensated Absences Payable	7,805	0	0	0	7,805
Adjusted Fund Balance, June 30, 2002	<u>\$2,076,425</u>	<u>\$1,964,219</u>	<u>\$5,849,788</u>	<u>\$777,371</u>	<u>\$10,667,803</u>
GASB 34 Adjustments:					
Capital Assets					25,911,711
Intergovernmental Payable					(77,524)
Accrued Interest Payable					(97,672)
Long-Term Liabilities					(25,724,355)
Long-Term (Deferred) Assets					318,257
Governmental Activities Net Assets, June 30, 2002					<u>\$10,998,220</u>

As a result of increasing the threshold for capital assets and implementing a new reappraisal of capital assets, the amount reported as of June 30, 2002 was decreased to \$25,911,711 from \$29,174,050.

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 for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis).

Granville Exempted Village School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003*

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	\$1,174,525
Net Adjustment for Revenue Accruals	(453,062)
Net Adjustment for Expenditure Accruals	(93,569)
Beginning:	
Fair Value Adjustment for Investments	5,051
Prepaid Items	11,207
Ending:	
Fair Value Adjustment for Investments	(4,326)
Prepaid Items	(6,794)
Adjustment for Encumbrances	<u>(123,905)</u>
Budget Basis	<u><u>\$509,127</u></u>

NOTE 5 - DEPOSITS AND INVESTMENTS

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the 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.

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

Interim monies to 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;

Granville Exempted Village School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003*

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that the investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty five percent of the interim moneys available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classification by at least two nationally recognized rating agencies.

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 prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payments for investments may be made upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by certificate, upon receipt of confirmation of transfer from the custodian.

Deposits: At fiscal year end, the carrying amount of the School District's deposits was (\$378,079) and the bank balance was \$555,228. Of the bank balance, \$298,698 was covered by federal depository insurance and \$256,530 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

Investments: The School District's investments are categorized below to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

Granville Exempted Village School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003*

	Category <u>2</u>	Category <u>3</u>	Carrying and Fair Value
STAR Ohio	\$0	\$0	\$8,482,203
Repurchase Agreements	0	1,506,307	1,506,307
Federal Home Loan Bank Notes	<u>497,484</u>	<u>0</u>	<u>497,484</u>
Total	<u><u>\$497,484</u></u>	<u><u>\$1,506,307</u></u>	<u><u>\$10,485,994</u></u>

The federal agency security matures in December 2003.

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classification of deposits and investments presented above per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/ Deposits</u>	<u>Investments</u>
GASB Statement 9	\$10,107,915	\$0
Investments of the Cash Management Pool:		
STAR Ohio	(8,482,203)	8,482,203
Repurchase Agreements	(1,506,307)	1,506,307
Federal Home Loan Bank Notes	<u>(497,484)</u>	<u>497,484</u>
GASB Statement 3	<u><u>(\$378,079)</u></u>	<u><u>\$10,485,994</u></u>

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 property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2003 represent the collection of calendar year 2002 taxes. Real property taxes received in calendar year 2003 were levied after April 1, 2002, on the assessed values as of January 1, 2002, the lien date. Assessed values for real property taxes are established by State statute 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.

Granville Exempted Village School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

Public utility property tax revenues received in calendar year 2003 represent the collection of calendar year 2002 taxes. Public utility real and tangible personal property taxes received in calendar year 2003 became a lien on December 31, 2002, were levied after April 1, 2002, and are collected 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 revenues received in calendar 2003 (other than public utility property) represent the collection of calendar year 2003 taxes. Tangible personal property taxes received in calendar year 2003 were levied after April 1, 2002, on the value as of December 31, 2002. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent for inventory. Amounts paid 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 2003 tangible personal property tax settlement from Licking County was not received until July of 2003.

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, 2003, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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, 2003 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 were levied to finance current fiscal year operations. The amount available as an advance at June 30, 2003, was \$980,000. \$835,000 was available to the general fund, \$101,100 was available to the bond retirement debt service fund, \$33,200 was available to the permanent improvement capital projects fund, and \$10,700 was available to the classroom facilities maintenance special revenue fund. Also intended to finance current fiscal year operations is the June 30 personal property tax settlement that was not received until July, 2003 in the amount of \$86,836 in the general fund, \$10,418 in the bond retirement debt service fund, \$2,319 in the permanent improvement capital projects fund, and \$682 in the classroom facilities maintenance special revenue fund. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. The amount available as an advance is recognized as revenue.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

Granville Exempted Village School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003*

The assessed values upon which the fiscal year 2003 taxes were collected are:

	2002 Second- Half Collections		2003 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/ Residential and Other Real Estate	\$250,892,720	92.94%	\$297,837,920	93.82%
Public Utility	7,820,370	2.90%	7,879,440	2.48%
Tangible Personal Property	11,240,640	4.16%	11,734,790	3.70%
Total Assessed Value	<u>\$269,953,730</u>	<u>100.00%</u>	<u>\$317,452,150</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$73.49		\$73.49	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2003, 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.

A summary of principal items of intergovernmental receivables follows:

	<u>Amounts</u>
Governmental Activities	
Drug Free Schools Grant	\$2,275
OHSAA State Reimbursement	<u>1,654</u>
Total	<u><u>\$3,929</u></u>

Granville Exempted Village School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

NOTE 8 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2003, was as follows:

	Balance <u>June 30, 2002</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2003</u>
Nondepreciable Capital Assets				
Land	\$1,465,969	\$0	\$0	\$1,465,969
Construction in Progress	12,614,186	0	(12,614,186)	0
Total Capital Assets not being depreciated	<u>14,080,155</u>	<u>0</u>	<u>(12,614,186)</u>	<u>1,465,969</u>
Depreciable Capital Assets				
Land Improvements	661,661	472,049	0	1,133,710
Buildings and Improvements	16,145,639	25,012,318	(25,126)	41,132,831
Furniture and Equipment	781,880	636,490	(137,895)	1,280,475
Vehicles	1,197,388	0	0	1,197,388
Total at Historical Cost	<u>18,786,568</u>	<u>26,120,857</u>	<u>(163,021)</u>	<u>44,744,404</u>
Less Accumulated Depreciation				
Land Improvements	(207,084)	(37,018)	0	(244,102)
Buildings and Improvements	(5,804,903)	(634,088)	18,845	(6,420,146)
Furniture and Equipment	(354,732)	(116,101)	55,158	(415,675)
Vehicles	(588,293)	(67,636)	0	(655,929)
Total Accumulated Depreciation	<u>(6,955,012)</u>	<u>(854,843)</u>	<u>74,003</u>	<u>(7,735,852)</u>
Depreciable Capital Assets, Net of Accumulated Depreciation	<u>11,831,556</u>	<u>25,266,014</u>	<u>(89,018)</u>	<u>37,008,552</u>
Governmental Activities Capital Assets, Net	<u>\$25,911,711</u>	<u>\$25,266,014</u>	<u>(\$12,703,204)</u>	<u>\$38,474,521</u>

- Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	475,061
Special	59,145
Vocational	6,607
Support Services:	
Pupil	37,358
Instructional Staff	74,908
Administration	52,517
Fiscal	1,239
Operation and Maintenance	7,542
Pupil Transportation	69,536
Central	0
Extracurricular	69,553
Other Non-Instructional Services	<u>1,377</u>
Total Depreciation Expense	<u>\$854,843</u>

Granville Exempted Village School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

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 2003, the School District contracted with Utica National Insurance Group, through Accordia, for property, boiler and machinery, inland marine, and crime insurance. The School District contracted with Indiana Insurance Company, through Accordia, for general liability insurance and fleet insurance. The School District contracted with Atlantic Mutual Companies for their builders risk insurance. Coverage provided is as follows:

Building and Contents-replacement cost (\$5,000 deductible)	\$26,414,400
Boiler and Machinery (\$5,000 deductible)	26,414,400
Inland Marine (\$250 deductible)	
Musical Instruments	500,000
Audio Visual Equipment	50,000
Miscellaneous School Equipment	500,000
Equipment	375,000
Data/ Media	65,000
Extra Expense	50,000
Valuable Papers and Records	100,000
Accounts Receivable (no deductible)	50,000
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	2,000,000
Fire Damage	100,000
Medical Expense	15,000
Education Umbrella Liability Policy	
For General Liability	
Per occurrence	2,000,000
Aggregate Per Year	2,000,000
Fleet Insurance (\$500 deductible)	1,000,000
Uninsured Motorists	1,000,000
Medical Payments	5,000
Builders Risk (\$2,500 deductible)	250,000

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

In fiscal year 2003, the School District participated in the Metropolitan Educational Council (MEC), an insurance purchasing pool (Note 18). MEC helps member school districts receive discounted rates on various items such as their life, property, boiler and machinery, inland marine, crime, and freight insurances, 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.

Granville Exempted Village School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

For fiscal year 2003, the School District participated in the Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 18) 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 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 43215-3746.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current 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 2003, 8.17 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, 2003, 2002, and 2001, were \$133,108, \$76,530, and \$61,532, respectively; 50 percent has been contributed for fiscal year 2003 and 100 percent for the fiscal years 2002 and 2001. \$66,377 represents the unpaid contribution for fiscal year 2003. The balance outstanding is reflected as an intergovernmental payable.

B. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS 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 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.

Granville Exempted Village School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003*

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% 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, 2003, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2003, 2002, and 2001 were \$1,026,232, \$706,830, and \$619,365 respectively; 86 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. Contributions to the DC and Combined Plans for fiscal year 2003 were \$398 made by the School District and \$380 made by the plan members. \$139,384 represents the unpaid contribution for fiscal year 2003. The balance outstanding is reflected as an intergovernmental payable.

NOTE 11 - POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System, (STRS), and to retired non-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.

Granville Exempted Village School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003*

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. 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 funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2003, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District this amount equaled \$78,972 for fiscal year 2003.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2002, (the latest information available) the balance in the Fund was \$3.011 billion. For the year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000 and STRS had 105,300 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. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

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, 2003, employer contributions to fund health care benefits were 5.83 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay has been established as \$14,500. For the School District, the amount to fund health care benefits, including surcharge, during the 2003 fiscal year equaled \$119,044.

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, 2002, (the latest information available), were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 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 at a maximum of five days 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.

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 199 days for all personnel. Upon retirement, payment is made for one-third of accrued, but unused sick leave credit to a maximum of 43 days for classified and certified employees.

Granville Exempted Village School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003*

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. Capital lease payments are reflected as debt service expenditures in the fund financial statements. The capital leases payable have been recorded on the government-wide statements.

The agreements provide for minimum annual rental payments as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2004	\$152,587
2005	152,544
2006	124,261
2007	73,143
2008	18,285
Total	<u>520,820</u>
Less: Amount Representing Interest	<u>(53,869)</u>
Present Value of Net Minimum Lease Payments	<u><u>\$466,951</u></u>

The equipment was originally capitalized in the amount of \$535,893. This amount represents the present value of the minimum lease payments at the time of acquisition. The School District traded-in several copiers during the fiscal year which had been capitalized leases. The principal amount of \$87,024 was forgiven by the leasing company since the School District entered into new capital leases. Principal payments in fiscal year 2003 totaled \$69,013 in the governmental funds.

Property under Capital Lease	\$535,893
Less: Accumulated Depreciation	<u>(69,337)</u>
Total June 30, 2003	<u><u>\$466,556</u></u>

Granville Exempted Village School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003*

NOTE 14 - CONTRACTUAL OBLIGATIONS

As of June 30, 2003, the School District had contractual purchase commitments for several projects. The amount for each contractor is as follows:

<u>Contractor</u>	<u>Fund</u>	<u>Purchase Commitments</u>	<u>Amounts Paid as of 06/30/03</u>	<u>Amounts Remaining on Contracts</u>
Simplex Grinnell	Building	191,630	172,274	19,356
Howard's Sheet Metal	Building	1,256,137	1,241,898	14,239
Synergy Mechanical	Building	721,387	687,070	34,317
INCA Enterprises	Building	713,280	661,967	51,313
ADC Technologies	Building	41,017	33,422	7,595
Ricker Remodeling Services Inc.	Building	261,596	251,102	10,494
Wenger Corporation	Building	82,316	0	82,316
DH Kaiser Co.	Building	31,950	0	31,950
Scott, Scriven & Wahoff LLP	Building	15,000	0	15,000
Farnham Equipment Co.	Building	226,891	215,175	11,716
Gutridge Plumbing, Inc.	Building	10,082	447	9,635
Layton Excavating	Building	302,310	3,815	298,495
Louis R. Polster Co.	Building	126,033	68,459	57,574
Consortium Communications	Building	173,917	145,090	28,827
Accurate Electric	Building	1,375,340	1,153,942	221,398
Houston Plumbing	Building	1,504,658	1,348,076	156,582
The Kenny Houston Co.	Building	1,754,749	1,743,908	10,841
Williamson Builders, Inc.	Building	4,079,370	3,196,214	883,156
Mark Knapp Crawfis Assoc.	Building	598,339	501,528	96,811
Quandel	Building	1,450,000	1,400,000	50,000
Total		<u>\$14,916,002</u>	<u>\$12,824,387</u>	<u>\$2,091,615</u>

NOTE 15 - NOTES PAYABLE

A summary of the note transactions for the year ended June 30, 2003 follows:

	<u>Outstanding 6/30/2002</u>	<u>Additions</u>	<u>Retired</u>	<u>Outstanding 6/30/2003</u>
Building Fund:				
2.70% School Improvement Note	\$10,000,000	\$0	\$10,000,000	\$0
1.67% School Improvement Note	<u>0</u>	<u>9,870,000</u>	<u>0</u>	<u>9,870,000</u>
Total Notes Outstanding	<u>\$10,000,000</u>	<u>\$9,870,000</u>	<u>\$10,000,000</u>	<u>\$9,870,000</u>

The notes are bond anticipation notes, backed by the full faith and credit of Granville Exempted Village School District. The remaining note matures on May 1, 2004.

Granville Exempted Village School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

NOTE 16 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2003 were as follows:

	Principal Outstanding 6/30/2002	Additions	Deductions	Principal Outstanding 6/30/2003	Due in One Year
School Improvement Refunding Bond					
1994 2.6% - 4.65%	\$3,811,838	\$0	\$625,000	\$3,186,838	\$655,000
School Improvement Bond					
2002 2.5% - 5.5%	21,180,000	0	135,000	21,045,000	230,000
School Improvement Capital Appreciation Bond					
2002 34.7%	36,573	13,781	0	50,354	0
Energy Conservation Bond					
1994 5.75% - 5.9%	142,000	0	45,000	97,000	50,000
Total Long-Term Bonds	25,170,411	13,781	805,000	24,379,192	935,000
Capital Leases	99,903	523,085	156,037	466,951	129,385
Compensated Absences	454,041	145,267	136,570	462,738	57,432
Total General Long-Term Obligations	\$25,724,355	\$682,133	\$1,097,607	\$25,308,881	\$1,121,817

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 an interest rate 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 School Improvement General Obligation Refunding Bonds were paid off on December 2, 2002.

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.

Granville Exempted Village School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003*

The \$21,209,782 bond issue consists of serial, term, and capital appreciation bonds. The serial bonds were issued with a varying interest rate 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, 2017, and on each December 1 thereafter at 100 percent of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
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

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, 2025, and on each December 1 thereafter at 100 percent of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

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

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. Therefore, as the value increases, the accretion is booked as principal. The maturity amount of the bonds is \$2,175,000. The fiscal year 2003 accretion amount is \$13,781. Of the bond proceeds, \$2,637,264 remained unexpended as of June 30, 2003.

Granville Exempted Village School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

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

Fiscal Year Ending June 30,	School Improvement Bonds				Total
	Issued in Fiscal Year 1994		Issued in Fiscal Year 2002		
	Principal	Interest	Principal	Interest	
2004	\$655,000	\$76,510	\$230,000	\$1,066,100	\$2,027,610
2005	675,000	46,744	285,000	1,057,353	2,064,097
2006	675,000	266,647	290,000	1,047,085	2,278,732
2007	183,094	503,111	300,000	1,037,493	2,023,698
2008	160,684	506,165	310,000	1,026,888	2,003,737
2009-2013	599,881	2,701,930	951,050	5,170,846	9,423,707
2014-2018	238,179	1,368,562	538,732	6,827,643	8,973,116
2019-2023	0	0	5,255,000	4,202,875	9,457,875
2024-2028	0	0	10,835,000	2,164,375	12,999,375
2029-2033			2,080,000	57,200	2,137,200
Total	<u>\$3,186,838</u>	<u>\$5,469,669</u>	<u>\$21,074,782</u>	<u>\$23,657,858</u>	<u>\$53,389,147</u>

Energy Conservation Bond - On October 4, 1994, Granville Exempted Village School District issued \$402,100 in unvoted general obligation bonds for the purpose of providing energy conservation measures for the School District, under the authority of Ohio Revised Code Sections 133.06(G) and 3313.372. The bonds were issued for a ten year period with final maturity during fiscal year 2005. The bonds will be retired from the debt service fund. The total principal and interest requirements to retire the general obligation bonds are as follows:

Fiscal Year Ending June 30	Energy Conservation Bonds	
	Principal	Interest
2004	\$50,000	\$5,673
2005	47,000	2,773
Total	<u>\$97,000</u>	<u>\$8,446</u>

The Bonds maturing on and after March 1, 2000 are subject to prior redemption, by and at the sole option of the Board of Education of the District, either in whole or in part (as selected by that Board) on any date on or after March 1, 2000, in integral multiples of \$1,000, at the following redemption prices (expressed as percentages of the principal amount redeemed), plus accrued interest to the redemption date:

Redemption Dates (inclusive)	Redemption Prices
March 1, 2000 through February 28, 2001	101%
March 1, 2001 and thereafter	100%

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

The School District's overall legal debt margin was \$6,132,200 with an unvoted debt margin of \$317,452 at June 30, 2003.

Granville Exempted Village School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

NOTE 17 - 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 no equity interest exists. The School District's total payments to LACA for fiscal year 2003 were \$112,017. Financial statements for LACA can be obtained from their fiscal agent the Licking County Joint Vocational School District, 150 Price Road, Newark, OH 43055.

B. Licking County Joint Vocational School

The Licking County Joint Vocational School 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. To obtain financial information write to the Licking County Joint Vocational School, 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 2003 was \$751. 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.

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 Granville School District has a cooperative agency agreement with COSERRC. There is no financial commitment by the School District for its participation in the projects. The School District has one representative on the governing board. Nothing was paid to COSERRC during fiscal year 2003. Further information may be obtained by contacting the Central Ohio Special Education Regional Resource Center at 470 Glenmont Avenue, Columbus, Ohio 43214.

Granville Exempted Village School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

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) that is comprised of numerous Ohio school districts. 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 2003, the Board consisted of fourteen members. In fiscal year 2003, Granville Exempted Village School District obtained active membership privileges and paid a membership fee of \$462. 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 is a jointly governed organization created under Section 349.03, Ohio Revised Code. The Newark-Granville Community 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 for 20 consecutive years.

NOTE 18 - INSURANCE PURCHASING POOL

A. Ohio School Board Association Workers' Compensation Group Rating Plan

The School District participates in the Ohio School Boards Association 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 OSBA. The Executive Director of the OSBA, 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.

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.

Granville Exempted Village School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 19 - RELATED ORGANIZATION

Granville Schools Charitable Foundation, Incorporated

The Granville Schools Charitable 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 made no contributions to the Foundation during fiscal year 2003. Financial information can be obtained from the Granville Schools Charitable Foundation, Norman Kennedy, who serves as Treasurer, at P.O. Box 417, Granville, Ohio 43023.

NOTE 20 - 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 is 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, 2003.

B. Litigation

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

NOTE 21 - 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.

The School District was also required to set aside money for budget stabilization. Senate Bill 345, effective April 10, 2001, eliminated the budget stabilization requirement and placed restrictions on the use of budget stabilization money relating to the worker's compensation refunds.

Granville Exempted Village School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

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.

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-aside Cash Balance as of June 30, 2002	(\$754,985)	(\$13,801,031)
Current Year Set-aside Requirement	264,699	264,699
Current Year Offsets	0	(734,906)
Qualifying Disbursements	<u>(524,028)</u>	<u>(14,258,289)</u>
Total	<u>(\$1,014,314)</u>	<u>(\$28,529,527)</u>
Balance Carried Forward to FY 2003	<u>(\$1,014,314)</u>	<u>(\$27,985,553)</u>
Cash Balances to Carry Forward to FY 2003	<u>\$0</u>	<u>\$0</u>

The School District had qualifying disbursements and offsets during the fiscal year that 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 22 - STATE SCHOOL FUNDING DECISION

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

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...". The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.



**Auditor of State
Betty Montgomery**

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

Granville Exempted Village School District
Licking County
P.O. Box 417
Granville, Ohio 43023-0417

To the Board of Education:

We have audited the financial statements of Granville Exempted Village School District, Licking County, Ohio, (the District) as of and for the year ended June 30, 2003, and have issued our report thereon dated February 27, 2004, in which we noted the District adopted Governmental Accounting Standards Board Statement No. 34. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated February 27, 2004.

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

Granville Exempted Village School District
Licking County
Independent Accountants' Report on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

This report is intended for the information and use of management and the Board of Education, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

February 27, 2004

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
LICKING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDING
JUNE 30, 2003**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2002-001	Fixed Assets – Fixed assets database not updated on a yearly basis with additions and deletions	Yes	



**Auditor of State
Betty Montgomery**

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

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

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 8, 2004**