



**Auditor of State
Betty Montgomery**

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Grandview Heights City School District, Franklin County, Ohio (the District), as of and for the year ended June 30, 2004, 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, the business-type activities, each major fund, and the aggregate remaining fund information of Grandview Heights City School District, Franklin County, Ohio, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 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.

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

December 20, 2004

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED**

Financial Highlights

The District's net assets are \$6,575,350 as of June 30, 2004 according to the Statement of Net Assets. This represents an increase of \$2,566,711 over last year. The increase in net assets is due primarily to the increase in cash and investments associated with the passage of a 10.7 mill continuing operating tax levy in November, 2002 that started collection in January, 2003. The District's cash and investments have increased \$1,319,462 according to the Statement of Net Assets.

The District, on November 5, 2002 passed a 10.7 mill continuing property tax levy to begin collection in January 2003. On April 29, 2003 the Board of Education adopted a new Settlement Agreement with the Grandview Heights Education Association (teaching staff) including base salary increases of 3.75%, 3.5% and 3.5% for school years 2003-04, 2004-05 and 2005-06 respectively. On August 26, 2003, the Board of Education approved a new Settlement Agreement with the Grandview Heights Education Support Staff Association (non-teaching staff) including base salary increases of 3.75%, 3.5% and 3.25% for school years 2003-04, 2004-05 and 2005-06 respectively. On February 10, 2004 the Board of Education approved a plan for reorganization of the School District and an annual expenditure reduction of \$855,000 effective with the 2004-05 school year. The reorganization was in response to the loss of personal property tax revenues resulting mostly from the departure of the District's largest taxpayer, Big Bear Stores. Based on the District's current five-year forecast, it is expected that the passage of this levy will keep the District solvent through the 2005-06 school year.

The General Fund reported a positive fund balance of \$2,556,624 according to the Balance Sheet. The General Fund cash and investments and restricted cash and cash equivalents have increased \$1,132,167 since last year. The increase in cash is due primarily to the passage of the tax levy in 2002.

Reporting the District as a Whole

The Statement of Net Assets and Statement of Activities

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

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

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED
(Continued)**

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

Proprietary Funds

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

Fiduciary Funds

The District is the trustee, or fiduciary, for a small High School scholarship fund, outdoor education, and CORE team. All of the District's fiduciary activities are reported in the Statement of Net Assets, Fiduciary funds and the Statement of Changes in Fiduciary Net Assets. We exclude these activities from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$6,575,350 according to the Statement of Net Assets at the close of the most recent fiscal year.

The largest portion of the District's net assets (43.7%) are unrestricted. As such, these assets are available for future spending to meet the District's ongoing activities. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. A comparative analysis of fiscal year 2004 to 2003 follows from the Statements of Net Assets:

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED
(Continued)**

Net Assets

	Governmental Activities		Business-Type Activities		Total	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Current Assets	\$15,744,681	\$14,663,323	\$71,621	\$75,283	\$15,816,302	\$14,738,606
Capital Assets	<u>12,585,520</u>	<u>12,804,940</u>	<u>26,885</u>	<u>33,280</u>	<u>12,612,405</u>	<u>12,838,220</u>
Total Assets	28,330,201	27,468,263	98,506	108,563	28,428,707	27,576,826
Current Liabilities	10,499,043	11,596,164	58,665	54,279	10,557,708	11,650,443
Long Term Liabilities	<u>11,289,125</u>	<u>11,907,063</u>	<u>6,524</u>	<u>10,681</u>	<u>11,295,649</u>	<u>11,917,744</u>
Total Liabilities	21,788,168	23,503,227	65,189	64,960	21,853,357	23,568,187
Net Assets:						
Invested in Capital						
Assets, net of debt	2,417,262	2,063,439	26,885	33,280	2,444,147	2,096,719
Restricted	1,256,043	1,071,992	0	0	1,256,043	1,071,992
Unrestricted	<u>2,868,728</u>	<u>829,605</u>	<u>6,432</u>	<u>10,323</u>	<u>2,875,160</u>	<u>839,928</u>
Total Net Assets	<u>\$6,542,033</u>	<u>\$3,965,036</u>	<u>\$33,317</u>	<u>\$43,603</u>	<u>\$6,575,350</u>	<u>\$4,008,639</u>

A portion of the District's net assets (19%) represents resources subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets may be used to meet the District's ongoing activities.

Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Revenues						
Program Revenues						
Charges for Services and Sales	\$330,622	\$229,385	\$391,710	\$426,158	\$722,332	\$655,543
Operating Grants and Contributions	509,026	566,505	38,893	39,518	547,919	606,023
General Revenues						
Property Taxes	12,489,029	9,830,360	0	0	12,489,029	9,830,360
Intergovernmental – State	3,178,906	2,932,452	0	0	3,178,906	2,932,452
Other	<u>293,895</u>	<u>159,050</u>	<u>0</u>	<u>0</u>	<u>293,395</u>	<u>159,050</u>
Total Revenues	<u>16,801,478</u>	<u>13,717,752</u>	<u>430,603</u>	<u>465,676</u>	<u>17,232,081</u>	<u>14,183,428</u>
Expenses						
Instruction	8,446,951	8,169,769	0	0	8,446,951	8,169,769
Support Services	4,519,824	4,055,018	0	0	4,519,824	4,055,018
Extracurricular Activities	612,545	560,932	0	0	612,545	560,932
Facilities Services	211,037	194,972	0	0	211,037	194,972
Interest & Fiscal Charges	434,124	456,250	0	0	434,124	456,250
Food Service	0	0	259,126	258,268	259,126	258,268
Child Care	<u>0</u>	<u>0</u>	<u>181,763</u>	<u>252,059</u>	<u>181,763</u>	<u>252,059</u>
Total Expenses	<u>14,224,481</u>	<u>13,436,941</u>	<u>440,889</u>	<u>510,327</u>	<u>14,665,370</u>	<u>13,947,268</u>
Change in Net Assets	<u>\$2,576,997</u>	<u>\$280,811</u>	<u>(\$10,286)</u>	<u>(\$44,651)</u>	<u>\$2,566,711</u>	<u>\$236,160</u>

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED
(Continued)**

Governmental Activities

Net assets of the District's governmental activities increased by \$2,576,997 and unrestricted net assets reflect a positive balance of \$2,868,728. The increase in net assets is due primarily to the increase in cash and investments associated with the passage of a 10.7 mill continuing operating tax levy in November, 2002 that started collection in January, 2003.

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

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

Program Expenses	<u>Total Cost of Services 2004</u>	<u>Net Cost of Services 2004</u>
Instruction		
Regular	\$6,513,080	\$6,396,135
Special	1,843,850	1,561,619
Vocational	90,021	82,562
Support Services		
Pupils	1,167,648	1,005,664
Instructional Staff	02,376	780,436
Board of Education	8,018	18,018
Administration	90,890	966,623
Fiscal	98,759	98,759
Business	26,739	4,907
Operation & Maintenance	1,039,860	1,039,860
Pupil Transportation	12,207	12,207
Central	63,327	42,051
Extracurricular	612,545	430,831
Facilities Services	211,037	211,037
Interest & Fiscal Charges	<u>434,124</u>	<u>434,124</u>
Total Expenses	<u>\$14,224,481</u>	<u>\$13,384,833</u>

74.3% of total revenues for governmental activities come from local taxes. The reliance on general revenues to support governmental activities is indicated by the net services column reflecting the need for \$13,384,833 of support.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED
(Continued)**

Business-Type Activities

Business-type activities include food service and child care. These programs had a decrease in net assets of \$10,286 for the fiscal year. The decrease was primarily due to the food service operations.

The District's Funds

The District's governmental funds reported a combined fund balance of \$3,892,601 which is above last years total of \$2,676,398 according to the Balance Sheet, Governmental Funds. The schedule below indicates the fund balance and the total change in fund balance by fund as of June 30, 2004 and 2003.

	<u>Fund Balance June 30, 2004</u>	<u>Fund Balance June 30, 2003</u>	<u>Increase</u>
General	\$2,556,624	\$1,529,758	\$1,026,866
Debt Service	1,138,607	1,010,862	127,745
Other Governmental	<u>197,370</u>	<u>135,778</u>	<u>61,592</u>
Total	<u>\$3,892,601</u>	<u>\$2,676,398</u>	<u>\$1,216,203</u>

General Fund

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

	<u>2004 Amount</u>	<u>2003 Amount</u>	<u>Percent Change</u>
Revenues			
Taxes	\$10,466,030	\$8,990,149	+16.4%
Interest Earnings	50,068	112,184	-55.4%
Intergovernmental – State	3,238,237	3,016,525	+7.3%
Other Revenue	<u>253,145</u>	<u>122,014</u>	+107.5%
Total	<u>\$14,007,480</u>	<u>\$12,240,872</u>	+14.4%

The property tax revenue is up \$1,475,881 due to the passage of a 10.7 mill continuing property tax levy on November 5, 2002 that began collection in January 2003. Interest earnings are down \$62,116 as the declining interest rate environment continued to hamper interest earnings. State revenue is up \$221,712 due to property tax reimbursements commensurate with the increased property taxes from the 2002 levy.

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

	<u>2004 Amount</u>	<u>2003 Amount</u>	<u>Percent Change</u>
Expenditures by Function			
Instruction	\$8,012,498	\$7,534,624	+6.3%
Support Services	4,240,904	3,702,137	+14.6%
Extracurricular	482,542	447,964	+7.7%
Facilities Services	52,264	46,635	+12.1%
Capital Outlay	150,093	22,672	+562.0%
Debt Service	<u>117,406</u>	<u>64,614</u>	+81.7%
Total	<u>\$13,055,707</u>	<u>\$11,818,646</u>	+10.5%

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED
(Continued)**

Expenditures are up \$1,237,061 or 10.5% over the prior year mostly due to salary and benefit increases, including increased health insurance premiums, associated with existing staff. \$111,671 was paid to the State Teachers Retirement System on a one-time basis for a portion of the retirement incentive program that was approved during collective bargaining. With the passage of the 10.7 mill continuing property tax levy on November 5, 2002 several items were restored during the 2003-04 school year that had been cut during the 2002-03 school year following the defeat of the operating tax levy in the spring of 2002. Those items include:

- Restore a high school business teaching position
- Restore an elementary school administrator position
- Implement a tuition-based all-day kindergarten program (offset by tuition revenues)
- Restore elementary guidance services

Revenues exceeded expenditures during the fiscal year resulting in an increase to fund balance and contributing to the fiscal stability of the District.

Other Funds

The District's debt service fund balance increased by \$127,745 due to smaller interest payments associated with the refinancing of the 1995 renovation and construction bonds on November 1, 2001. The primary revenues of the fund are property taxes, calculated by the county auditor, state rollback and homestead reimbursements, and personal property tax state reimbursements. The expenses of the fund include debt principal and interest payments as well as county auditor and treasurer fees. The increased fund balance will be used to make upcoming debt payments.

Other governmental funds consist of special revenue and capital projects funds. The increase in fund balance of \$61,592 is primarily due to the one-time receipt of money from the installation of a cellular telephone tower on the District's athletic field that was deposited into the Permanent Improvement Fund.

General Fund Budget Information

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

The District increased its General Fund property tax revenue estimates to reflect the receipt of advances from the August, 2004 real property tax settlement and the collection of a portion of delinquent personal property taxes. General Fund state revenue estimates were increased to reflect the receipt of additional school foundation revenues. The District increased its total General Fund expenditure estimate by \$188,498—slightly more than one percent difference from the original estimate. The increase was mostly due to retirement incentive program payments to the State Teachers Retirement System.

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

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED
(Continued)**

Capital Assets

The District has \$12,612,405 invested in capital assets net of depreciation, with \$12,585,520 attributed to governmental activities. Detailed information regarding capital asset activity is included in the notes to the basic financial statements.

Debt

On June 30, 2004, the District had \$10,054,989 in outstanding bonds. The District paid \$615,000 in principal on bonds outstanding and \$434,465 in interest payments during the 2004 fiscal year. Detailed information regarding long term debt is included in the notes to the basic financial statements.

Under current state statutes, the District's general obligation bonded debt issues are subject to a legal limitation based on 9% of the total taxable valuation of real and personal property. As of June 30, 2004, the District's general obligation debt was below the legal limit.

Restrictions and Other Limitations

The most significant challenge to the School District is to improve its high level of student performance in an economical fashion with a small student enrollment. The District consistently achieves top rankings on the Ohio School District Report Cards most recently achieving an "excellent" rating on the 2002-03 state performance standards. Student enrollment has declined from its recent high of 1,332 in October, 1997 to 1,158 in October, 2003. It is anticipated that enrollment will increase slightly during the foreseeable future. The Board of Education has committed to reducing the number of School District employees commensurate with the smaller enrollment and to reducing expenditures in response to the annual loss of over \$800,000 in personal property tax revenues primarily from the departed Big Bear Stores.

Contributing to the challenge is the funding received by the District from the State of Ohio. Although some increase in state funding has been experienced recently by the District, the increases are temporary. The District's five-year financial forecast anticipates a reduction of over four hundred thousand dollars annually from the State for its school foundation program after June, 2005. Additionally, the financial forecast anticipates the loss of more than four hundred thousand dollars each year after August, 2006 when the state discontinues its reimbursement for public utility taxes whose collection has been discontinued since 2001. On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan reaffirming earlier decisions that the funding plan is unconstitutional. However, the Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient..." An appeal to the United States Supreme Court was denied in October 2003, effectively confirming the continued use of the State's existing school funding plan that shifts an ever increasing burden of paying for public school districts to local property taxpayers.

The State of Ohio adds to the challenge facing the School District by further limiting its ability to receive local property taxes. House Bill 283, passed in 1999, reduced the inventory portion of the personal property tax valuation by 1% per year beginning with collection year 2001 from 25% of market value to 0% in 2027. In 2003, the State exacerbated the loss when it passed the 2003-05 fiscal year state budget bill that doubled the rate of decrease to 2% per year beginning in 2005. The rate will be zero by 2015.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED
(Continued)**

Finally, the continuing deterioration of the local economy also contributes to the challenge facing the School District. Many businesses have left the School District or otherwise greatly reduced their equipment and inventories that generate local personal property taxes. The District's largest taxpayer, Big Bear Stores, closed and left the School District in January, 2004. Already anticipating their departure, the Board of Education on February 10, 2004 approved a reorganization of the School District resulting in savings of \$855,000 to offset the losses caused by the departure of Big Bear and other taxpayers. Although the District's current five-year cash financial forecast reflects that the District will remain solvent through the 2005-06 school year, further deterioration of the local economy could result in a quicker financial deficit despite strong leadership from the Board of Education and the commitment of a dedicated staff.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**STATEMENT OF NET ASSETS
JUNE 30, 2004**

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
ASSETS			
Cash and Investments	\$5,480,827	\$66,782	\$5,547,609
Receivables:			
Accrued Interest	10,318	0	10,318
Taxes	10,207,727	0	10,207,727
Due From Other Governments	13,135	0	13,135
Accounts	438	3,039	3,477
Materials and Supplies Inventory	0	1,800	1,800
Prepaid Expenditures/Expenses	32,236	0	32,236
Capital Assets, Net of Depreciation	12,585,520	26,885	12,612,405
TOTAL ASSETS	\$28,330,201	\$98,506	\$28,428,707
LIABILITIES			
Due to Other Governments	\$125,473	\$0	\$125,473
Accounts Payable	300,958	8,356	309,314
Accrued Salaries and Benefits Payable	1,317,359	47,005	1,364,364
Deferred Tax Revenue	8,731,813	0	8,731,813
Deferred Intergovernmental Revenue	13,122	0	13,122
Deferred Other Revenue	10,318	3,304	13,622
Long-Term Liabilities:			
Due Within One Year	875,392	300	875,692
Due in More Than One Year	10,413,733	6,224	10,419,957
TOTAL LIABILITIES	21,788,168	65,189	21,853,357
NET ASSETS			
Invested in Capital Assets, Net of Depreciation and Related Debt	2,417,262	26,885	2,444,147
Restricted For:			
Debt Service	1,138,607	0	1,138,607
Capital Projects	98,176	0	98,176
Other Purposes	19,260	0	19,260
Unrestricted	2,868,728	6,432	2,875,160
TOTAL NET ASSETS	\$6,542,033	\$33,317	\$6,575,350

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	Expenses	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES						
Instruction:						
Regular	\$6,513,080	\$80,711	\$36,234	(\$6,396,135)	0	(\$6,396,135)
Special	1,843,850	46,365	235,866	(1,561,619)	0	(1,561,619)
Vocational	90,021		7,459	(82,562)	0	(82,562)
Support Services:						
Pupils	1,167,648		161,984	(1,005,664)	0	(1,005,664)
Instructional Staff	802,376		21,940	(780,436)	0	(780,436)
Board of Education	18,018			(18,018)	0	(18,018)
Administration	990,890		24,267	(966,623)	0	(966,623)
Fiscal	398,759			(398,759)	0	(398,759)
Business	26,739	21,832		(4,907)	0	(4,907)
Operation and Maintenance	1,039,860			(1,039,860)	0	(1,039,860)
Pupil Transportation	12,207			(12,207)	0	(12,207)
Central	63,327		21,276	(42,051)	0	(42,051)
Extracurricular Student Activities	612,545	181,714		(430,831)	0	(430,831)
Facilities Services	211,037			(211,037)	0	(211,037)
Debt Service Interest and Fiscal Charges	434,124			(434,124)	0	(434,124)
TOTAL GOVERNMENTAL ACTIVITIES	14,224,481	330,622	509,026	(13,384,833)	0	(13,384,833)
BUSINESS-TYPE ACTIVITIES						
Food Service	259,126	206,250	38,577	-	(14,299)	(14,299)
Child Care	181,763	185,460	316	-	4,013	4,013
TOTAL BUSINESS-TYPE ACTIVITIES	440,889	391,710	38,893	-	(10,286)	(10,286)
TOTALS	\$14,665,370	\$722,332	\$547,919	(\$13,384,833)	(\$10,286)	(\$13,395,119)

GENERAL REVENUES

Property Taxes Levied for:			
General Purpose	11,321,944	0	11,321,944
Debt Service	1,167,085	0	1,167,085
Intergovernmental - State	3,178,906	0	3,178,906
Interest Income	50,068	0	50,068
Tuition and Fees	63	0	63
Miscellaneous Revenues	243,764	0	243,764
TOTAL GENERAL REVENUES	15,961,830	0	15,961,830

CHANGE IN NET ASSETS

	2,576,997	(10,286)	2,566,711
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NET ASSETS AT BEGINNING OF YEAR

	3,965,036	43,603	4,008,639
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See accompanying notes to the basic financial statements

NET ASSETS AT END OF YEAR

	\$6,542,033	\$33,317	\$6,575,350
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**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004**

	GENERAL FUND	DEBT SERVICE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS:				
Cash and Investments	\$4,073,894	\$1,128,596	\$209,435	\$5,411,925
Accrued Interest Receivable	10,318	0	0	10,318
Taxes Receivable	9,295,936	911,791	0	10,207,727
Due From Other Governments/Others	13	0	13,122	13,135
Accounts Receivable	438	0	0	438
Prepaid Expenditures/Expenses	32,029	0	207	32,236
Restricted Assets:				
Cash and Cash Equivalents	68,902	0	0	68,902
TOTAL ASSETS	\$13,481,530	\$2,040,387	\$222,764	\$15,744,681
LIABILITIES:				
Due to Other Governments	\$125,473	\$0	\$0	\$125,473
Accounts Payable	288,686	0	12,272	300,958
Accrued Salaries and Benefits Payable	1,317,359	0	0	1,317,359
Deferred Tax Revenue	9,183,070	901,780	0	10,084,850
Deferred Intergovernmental Revenue	0	0	13,122	13,122
Deferred Other Revenue	10,318	0	0	10,318
TOTAL LIABILITIES	10,924,906	901,780	25,394	11,852,080
FUND BALANCES:				
Fund Balance Reserved for HB-412 Set Aside	68,902	0	0	68,902
Fund Balance Reserved for Prepays	32,029	0	207	32,236
Fund Balance Reserved for Encumbrances	172,816	0	59,888	232,704
Fund Balance Unreserved				
General Fund	2,282,877	0	0	2,282,877
Debt Service Fund	0	1,138,607	0	1,138,607
Special Revenue Funds	0	0	60,187	60,187
Capital Project Funds	0	0	77,088	77,088
TOTAL FUND BALANCES	2,556,624	1,138,607	197,370	3,892,601
TOTAL LIABILITIES, FUND BALANCES	\$13,481,530	\$2,040,387	\$222,764	\$15,744,681

See accompanying notes to the basic financial statements

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2004**

TOTAL GOVERNMENTAL FUND BALANCES	\$3,892,601
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	12,585,520
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in funds.	1,353,037
Long-Term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Interest payable	(35,384)
Accrued benefits payable	(1,085,483)
Capital lease payable	(113,269)
General obligation bonds payable	(10,054,989)
	<u>(11,289,125)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$6,542,033</u></u>

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	GENERAL FUND	DEBT SERVICE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:				
Property Taxes	\$10,466,030	\$1,068,535	\$0	\$11,534,565
Intergovernmental - State	3,238,237	117,269	32,001	3,387,507
Intergovernmental - Federal	0	0	300,425	300,425
Interest Income	50,068	0	0	50,068
Tuition and Fees	176,981	0	0	176,981
Miscellaneous Revenues	76,164	0	321,304	397,468
TOTAL REVENUES	14,007,480	1,185,804	653,730	15,847,014
EXPENDITURES:				
Current:				
Instruction, Regular	6,146,375	0	38,733	6,185,108
Instruction, Special	1,775,732	0	74,561	1,850,293
Instruction, Vocational	90,391	0	0	90,391
TOTAL INSTRUCTIONAL SERVICES	8,012,498	0	113,294	8,125,792
Support Service, Pupils	997,535	0	171,171	1,168,706
Support Service, Instructional Staff	770,777	0	26,070	796,847
Support Service, Board of Education	18,018	0	0	18,018
Support Service, Administration	956,285	0	25,862	982,147
Support Service, Fiscal	391,786	8,594	0	400,380
Support Service, Business	0	0	27,554	27,554
Support Service, Operation & Maintenance	1,052,805	0	0	1,052,805
Support Service, Pupil Transportation	12,207	0	0	12,207
Support Service, Central	41,491	0	23,550	65,041
TOTAL SUPPORT SERVICES	4,240,904	8,594	274,207	4,523,705
Extracurricular Student Activities	482,542	0	120,864	603,406
Facilities Services	52,264	0	158,773	211,037
Capital Outlay	150,093	0	0	150,093
Debt Service Principal Retirement	116,104	615,000	0	731,104
Debt Service Interest and Fiscal Charges	1,302	434,465	0	435,767
TOTAL EXPENDITURES	13,055,707	1,058,059	667,138	14,780,904
Excess of Revenues Over (Under) Expenditures	951,773	127,745	(13,408)	1,066,110
OTHER FINANCING SOURCES (USES):				
Proceeds From Capital Lease Obligations	150,093	0	0	150,093
Operating Transfers In	0	0	78,400	78,400
Operating Transfers Out	(75,000)	0	(3,400)	(78,400)
TOTAL OTHER FINANCING SOURCES (USES)	75,093	0	75,000	150,093
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	1,026,866	127,745	61,592	1,216,203
FUND BALANCE AT BEGINNING OF YEAR	1,529,758	1,010,862	135,778	2,676,398
FUND BALANCE AT END OF YEAR	\$2,556,624	\$1,138,607	\$197,370	\$3,892,601

See accompanying notes to the basic financial statements

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS **\$1,216,203**

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

Repayment of bond and capital lease principal is an expenditure in the
governmental funds, but the repayment reduces long-term liabilities
in the Statement of Net Assets and does not result in an expense in
the Statement of Activities. 731,104

Some revenues that will not be collected for several months after the District's
fiscal year ends are not considered "available" revenues and are
deferred in the governmental funds. Deferred Revenues decreased by this
amount this year for delinquent taxes receivable. 954,464

Proceeds from the issuance of bonds and capital leases are reported as
revenues in the governmental funds. In the Statement of Net Assets
it increases liabilities. (150,093)

In the Statement of Activities, interest is accrued on outstanding
bonds, whereas in governmental funds, an interest expenditure
is reported when due. 1,643

Some expenses reported in the Statement of Activities, such as
compensated absences payable and other accounts payable, do
not require the use of current financial resources and therefore
are not reported as expenditures in governmental funds. 43,052

Governmental funds report capital outlays as expenditures. However, in
the Statement of Activities, the cost of those assets is allocated over
their estimated useful lives as depreciation expense. This is the amount
by which depreciation exceeded capital outlays in the current period. (219,376)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$2,576,997**

See accompanying notes to the basic financial statements.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGET BASIS - YEAR ENDED JUNE 30, 2004
GENERAL FUND**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
REVENUES:				
PROPERTY TAXES	\$9,430,266	\$10,391,456	\$10,391,456	\$0
INTERGOVERNMENTAL - STATE	3,008,657	3,238,237	3,238,237	0
INTEREST INCOME	110,000	46,300	51,550	5,250
TUITION AND FEES (TUIT./S.A./DRIVER ED/USS)	134,890	174,694	176,918	2,224
MISCELLANEOUS REVENUES	21,000	66,703	76,258	9,555
TOTAL REVENUES	<u>12,704,813</u>	<u>13,917,390</u>	<u>13,934,419</u>	<u>17,029</u>
EXPENDITURES:				
INSTRUCTION, REGULAR				
Salaries and Wages	4,701,145	4,783,693	4,751,433	32,260
Fringe Benefits	1,211,840	1,196,795	1,147,570	49,225
Purchased Services	150,368	44,183	43,701	482
Supplies	274,660	253,421	215,946	37,475
Miscellaneous Expenses	28,720	32,930	30,875	2,055
TOTAL INSTRUCTION, REGULAR	<u>6,366,733</u>	<u>6,311,022</u>	<u>6,189,525</u>	<u>121,497</u>
INSTRUCTION, SPECIAL				
Salaries and Wages	1,025,787	1,035,415	1,005,180	30,235
Fringe Benefits	289,474	288,797	269,992	18,805
Purchased Services	669,391	668,455	590,260	78,195
Supplies	7,787	7,571	5,334	2,237
Miscellaneous Expenses	300	0	0	0
TOTAL INSTRUCTION, SPECIAL	<u>1,992,739</u>	<u>2,000,238</u>	<u>1,870,766</u>	<u>129,472</u>
INSTRUCTION, VOCATIONAL				
Salaries and Wages	72,725	71,968	71,954	14
Fringe Benefits	17,797	17,797	16,893	904
TOTAL INSTRUCTION, VOCATIONAL	<u>90,522</u>	<u>89,765</u>	<u>88,847</u>	<u>918</u>
TOTAL INSTRUCTIONAL SERVICES	<u>\$8,449,994</u>	<u>\$8,401,025</u>	<u>\$8,149,138</u>	<u>\$251,887</u>

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGET BASIS - YEAR ENDED JUNE 30, 2004
GENERAL FUND
(CONTINUED)**

SUPPORT SERVICE, PUPILS				
Salaries and Wages	\$675,032	\$668,592	\$662,379	\$6,213
Fringe Benefits	189,929	183,001	172,595	10,406
Purchased Services	222,630	220,546	206,549	13,997
Supplies	92,087	91,521	90,071	1,450
Miscellaneous Expenses	10,797	31,091	30,615	476
TOTAL SUPPORT SERVICE, PUPILS	<u>1,190,475</u>	<u>1,194,751</u>	<u>1,162,209</u>	<u>32,542</u>
SUPPORT SERVICE, INSTRUCTIONAL STAFF				
Salaries and Wages	269,609	266,554	260,848	5,706
Fringe Benefits	331,456	423,885	410,509	13,376
Purchased Services	80,249	77,187	58,714	18,473
Supplies	30,025	31,906	30,776	1,130
Miscellaneous Expenses	15,375	14,356	12,192	2,164
TOTAL SUPPORT SERVICE, INSTRUCTIONAL STAFF	<u>726,714</u>	<u>813,888</u>	<u>773,039</u>	<u>40,849</u>
SUPPORT SERVICE, BOARD OF EDUCATION				
Salaries and Wages	6,000	6,000	5,360	640
Fringe Benefits	912	912	743	169
Purchased Services	3,050	3,050	910	2,140
Miscellaneous Expenses	12,201	12,201	11,040	1,161
TOTAL SUPPORT SERVICE, BOARD OF EDUCATION	<u>22,163</u>	<u>22,163</u>	<u>18,053</u>	<u>4,110</u>
SUPPORT SERVICE, ADMINISTRATION				
Salaries and Wages	639,513	658,031	656,468	1,563
Fringe Benefits	205,474	208,089	198,077	10,012
Purchased Services	64,221	69,837	65,252	4,585
Supplies	31,459	30,876	30,050	826
Miscellaneous Expenses	4,041	2,609	2,609	0
TOTAL SUPPORT SERVICE, ADMINISTRATION	<u>944,708</u>	<u>969,442</u>	<u>952,456</u>	<u>16,986</u>
SUPPORT SERVICE, FISCAL				
Salaries and Wages	160,842	165,027	163,244	1,783
Fringe Benefits	57,804	59,385	58,278	1,107
Purchased Services	7,350	12,350	10,764	1,586
Supplies	5,150	5,150	5,034	116
Miscellaneous Expenses	171,827	188,883	158,924	29,959
TOTAL SUPPORT SERVICE, FISCAL	<u>402,973</u>	<u>430,795</u>	<u>396,244</u>	<u>34,551</u>
SUPPORT SERVICE, OPERATION & MAINTENANCE				
Salaries and Wages	437,442	468,816	454,508	14,308
Fringe Benefits	166,743	147,659	141,748	5,911
Purchased Services	432,957	478,275	437,050	41,225
Supplies	59,881	62,306	61,382	924
Miscellaneous Expenses	17,283	15,489	14,584	905
TOTAL SUPPORT SERVICE, OPERATION & MAINTENANCE	<u>\$1,114,306</u>	<u>\$1,172,545</u>	<u>\$1,109,272</u>	<u>\$63,273</u>

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGET BASIS - YEAR ENDED JUNE 30, 2004
GENERAL FUND
(CONTINUED)**

SUPPORT SERVICE, PUPIL TRANSPORTATION				
Purchased Services	\$18,638	\$17,463	\$14,443	\$3,020
TOTAL SUPPORT SERVICE, PUPIL TRANSPORTATION	18,638	17,463	14,443	3,020
SUPPORT SERVICE, CENTRAL				
Salaries and Wages	20,100	20,775	19,006	1,769
Fringe Benefits	3,055	3,121	2,624	497
Purchased Services	23,592	24,375	20,851	3,524
Supplies	1,424	1,949	838	1,111
TOTAL SUPPORT SERVICE, CENTRAL	48,171	50,220	43,319	6,901
TOTAL SUPPORT SERVICES	4,468,148	4,671,267	4,469,035	202,232
EXTRACURRICULAR STUDENT ACTIVITIES				
Salaries and Wages	304,404	326,909	311,255	15,654
Fringe Benefits	65,297	67,296	61,784	5,512
Purchased Services	101,182	107,607	106,218	1,389
Supplies	4,073	4,211	3,210	1,001
TOTAL EXTRACURRICULAR STUDENT ACTIVITIES	474,956	506,023	482,467	23,556
FACILITIES SERVICES				
Purchased Services	35,000	40,981	40,981	0
Miscellaneous Expenses	18,004	15,304	14,947	357
TOTAL FACILITIES SERVICES	53,004	56,285	55,928	357
TOTAL EXPENDITURES	13,446,102	13,634,600	13,156,568	478,032
REVENUE OVER (UNDER) EXPENDITURES	(741,289)	282,790	777,851	495,061
OTHER FINANCING SOURCES (USES):				
TRANSFERS OUT	75,000	75,000	75,000	0
OTHER FINANCING USES	58,637	0	0	0
TOTAL OTHER FINANCING SOURCES (USES)	(133,637)	(75,000)	(75,000)	0
EXCESS REVENUE AND OTHER FINANCING SOURCES (USES) OVER (UNDER) EXPENDITURES AND OTHER USES				
	(874,926)	207,790	702,851	495,061
FUND BALANCE AT BEGINNING OF YEAR (UNENCUMBERED)	2,644,379	2,644,379	2,644,379	0
PRIOR YEAR ENCUMBRANCES APPROPRIATED	365,591	365,591	365,591	0
FUND BALANCE AT BEGINNING OF YEAR	3,009,970	3,009,970	3,009,970	0
FUND BALANCE AT END OF YEAR	\$2,135,044	\$3,217,760	\$3,712,821	\$495,061

See accompanying notes to the basic financial statements

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2004**

	<u>ENTERPRISE FUNDS</u>		<u>TOTALS</u>
	<u>FOOD SERVICE FUND</u>	<u>CHILD CARE FUND</u>	
ASSETS:			
Current Assets:			
Cash and Investments	\$31,580	\$35,202	\$66,782
Accounts Receivable	0	3,039	3,039
Material & Supplies Inventory	1,800	0	1,800
Total Current Assets	<u>33,380</u>	<u>38,241</u>	<u>71,621</u>
Non-current Assets:			
Capital Assets, Net	<u>24,643</u>	<u>2,242</u>	<u>26,885</u>
TOTAL ASSETS	<u><u>58,023</u></u>	<u><u>40,483</u></u>	<u><u>98,506</u></u>
LIABILITIES:			
Current Liabilities:			
Accounts Payable	6,255	2,101	8,356
Accrued Salaries and Benefits Payable	29,262	17,743	47,005
Deferred Other Revenue	0	3,304	3,304
Total Current Liabilities	<u>35,517</u>	<u>23,148</u>	<u>58,665</u>
Long-Term Liabilities:			
Accrued Salaries and Benefits Payable	<u>5,623</u>	<u>901</u>	<u>6,524</u>
TOTAL LIABILITIES	<u><u>41,140</u></u>	<u><u>24,049</u></u>	<u><u>65,189</u></u>
NET ASSETS:			
Invested in Capital Assets	24,643	2,242	26,885
Unrestricted	(7,760)	14,192	6,432
TOTAL NET ASSETS	<u><u>\$16,883</u></u>	<u><u>\$16,434</u></u>	<u><u>\$33,317</u></u>

See accompanying notes to the basic financial statements

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<u>ENTERPRISE FUNDS</u>		<u>TOTALS</u>
	<u>FOOD SERVICE FUND</u>	<u>CHILD CARE FUND</u>	
OPERATING REVENUES:			
Charge for Services	\$184,175	\$185,450	\$369,625
Other Revenues	22,058	10	22,068
TOTAL OPERATING REVENUES	<u>206,233</u>	<u>185,460</u>	<u>391,693</u>
OPERATING EXPENSES:			
Employee Salaries & Wages	93,856	131,445	225,301
Employee Frings Benefits	52,465	35,306	87,771
Purchased Services	5,433	2,683	8,116
Materials & Supplies	100,990	11,658	112,648
Other Expenses	290	368	658
Depreciation Expense	6,092	303	6,395
TOTAL OPERATING EXPENSES	<u>259,126</u>	<u>181,763</u>	<u>440,889</u>
OPERATING INCOME (LOSS)	(52,893)	3,697	(49,196)
NON-OPERATING REVENUES:			
State Sources	1,237	0	1,237
Federal Sources	37,340	316	37,656
Interest Income	17	0	17
TOTAL NON-OPERATING REVENUES	<u>38,594</u>	<u>316</u>	<u>38,910</u>
CHANGE IN NET ASSETS	(14,299)	4,013	(10,286)
NET ASSETS BEGINNING OF YEAR	<u>31,182</u>	<u>12,421</u>	<u>43,603</u>
NET ASSETS END OF YEAR	<u><u>\$16,883</u></u>	<u><u>\$16,434</u></u>	<u><u>\$33,317</u></u>

See accompanying notes to the basic financial statements

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	ENTERPRISE FUNDS		<u>TOTALS</u>
	<u>FOOD SERVICE FUND</u>	<u>CHILD CARE FUND</u>	
Cash flows from operating activities:			
Cash received from tuition and fees	\$0	\$179,037	\$179,037
Cash received from sales	184,175	0	184,175
Other cash receipts	22,058	10	22,068
Cash payments for personal services	(141,868)	(167,038)	(308,906)
Cash payments for contract services	(5,433)	(3,253)	(8,686)
Cash payments for supplies and materials	(95,588)	(11,239)	(106,827)
Cash payments for other expenses	(290)	(368)	(658)
Net cash (used) by operating activities	<u>(36,946)</u>	<u>(2,851)</u>	<u>(39,797)</u>
Cash flows from noncapital financing activities:			
Cash from operating grants			
State sources	1,237	0	1,237
Federal sources	39,802	316	40,118
Interest income	17	0	17
Net cash from noncapital financing activities	<u>41,056</u>	<u>316</u>	<u>41,372</u>
Net (decrease) in cash and cash equivalents	4,110	(2,535)	1,575
Cash and cash equivalents at beginning of year	27,470	37,737	65,207
Cash and cash equivalents at end of year	<u>\$31,580</u>	<u>\$35,202</u>	<u>\$66,782</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating Income (loss)	(\$52,893)	\$3,697	(\$49,196)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	6,092	303	6,395
Commodities expense related to noncash grant	(2,462)	0	(2,462)
Decrease in Due From Other Governments	4,683	0	4,683
(Increase) in Accounts Receivable	0	(1,671)	(1,671)
Decrease in Inventory	2,225	0	2,225
Increase (Decrease) in Accounts Payable	2,430	(465)	1,965
Increase in Accrued Liabilities	2,979	27	3,006
(Decrease) in Deferred Revenue	0	(4,742)	(4,742)
Net adjustments	<u>15,947</u>	<u>(6,548)</u>	<u>9,399</u>
Net cash (used) by operating activities	<u>(\$36,946)</u>	<u>(\$2,851)</u>	<u>(\$39,797)</u>

See accompanying notes to the basic financial statements

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2004**

	<u>PRIVATE PURPOSE TRUST FUNDS</u>	<u>AGENCY FUND</u>
ASSETS:		
Cash and Investments	\$0	\$54,478
TOTAL ASSETS	<u>0</u>	<u>54,478</u>
LIABILITIES:		
Due to Other Government/Others	0	46,864
Accounts Payable	0	7,614
TOTAL LIABILITIES	<u>0</u>	<u>\$54,478</u>
NET ASSETS	<u><u>\$0</u></u>	

See accompanying notes to the basic financial statements

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<u>PRIVATE PURPOSE TRUST FUNDS</u>
ADDITIONS:	
Miscellaneous Revenues	\$140
DEDUCTIONS:	
Outdoor Education Camp	2,897
High School Scholarships	2,136
CORE Team	49
TOTAL DEDUCTIONS	5,082
CHANGE IN NET ASSETS	(4,942)
NET ASSETS BEGINNING OF YEAR	4,942
NET ASSETS END OF YEAR	\$0

See accompanying notes to the basic financial statements

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

1. REPORTING ENTITY

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Fund Accounting

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

Governmental Funds

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

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds (Continued)

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

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

Business-type Activities

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

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

Fiduciary Funds

Fiduciary Funds - Fiduciary funds reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trusts funds, and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private purpose trust which accounts for a scholarship program, CORE team, and an outdoor education camp for students. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations. The District's agency fund accounts for those student activity programs which have student participation in the activity and have students involved in the management of the program.

(b) Basis of Presentation

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

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

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of Presentation (Continued)

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

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

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

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

(c) Basis of Accounting

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

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

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

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Basis of Accounting (Continued)

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

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

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

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

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

(d) Cash and Investments

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

The Grandview Heights School District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2004. 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, 2004.

Following Ohio statutes, the Board of Education has, by Board Policy #6144, specified the funds to receive an allocation of interest earnings. All interest revenue received amounts to \$50,085 with \$50,068 credited to the General Fund and \$17 credited to the Food Service Fund during fiscal year 2004.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Inventory

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

(f) Capital Assets and Depreciation

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

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

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

(g) Interfund Activity

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

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

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Compensated Absences

The District has implemented the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick leave accumulated at June 30 by those employees who are currently eligible to receive termination payments and those employees for whom it is probable they will become eligible to receive termination benefits in the future. The criteria for determining the vacation and sick leave liability is derived from Board policy, negotiated agreements and state laws.

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

(i) Accrued Liabilities and Long-term Debt

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

(j) Net Assets

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

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

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Fund Balance Reserves

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

(l) Proprietary Funds and Governmental and Business Type Activities

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

(m) Statements of Cash Flows

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

(n) Management Estimates

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

(o) Budgetary Data

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

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

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Budgetary Data (Continued)

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

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

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

(p) Encumbrances

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

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

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

3. CASH AND INVESTMENTS

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

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

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

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

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

3. CASH AND INVESTMENTS (Continued)

At June 30, 2004 the carrying amount of the District's deposits was \$845,511 and the bank balance was \$1,110,252. \$306,819 of the balance was covered by federal depository insurance and \$803,433 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 District to a successful claim by the FDIC. The District's investments are categorized to give an indication of the level of risk assumed by the District on June 30, 2004. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's agent, or the agent's trust department in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty's agent or the agent's trust department, but not in the District's name. The investment with STAR Ohio is not required to be categorized due to its nature according to GASB #3. STAR Ohio has established procedures, reasonably designed, taking into account current market quotations, to stabilize the net asset value per share, as computed for the purpose of purchase and redemption, at a single value of \$1.00. The fair value of the District's position in STAR Ohio is the same as the value of the pool shares.

Investments:	-----Category-----			<u>Cost</u>	<u>Carrying Value</u>
	---1---	---2---	---3---		
T-Note #912828BS8	\$	\$199,448	\$ -	\$ 199,448	\$ 198,625
Repurchase Agreements					
(General)	-	-	332,000	332,000	332,000
(Payroll)	-	-	241,000	241,000	241,000
STAR Ohio					
(General)	-	-	-	2,758,943	2,758,943
(Bond Ret./PI)	-	-	-	1,224,108	1,224,108
Total Investments	\$	\$199,448	\$573,000	\$4,755,499	\$ 4,754,676
Bank Deposits including certificates of deposit and payroll account					1,110,252
Reconciling items:					
Petty Cash/Change					1,900
Deposit In Transit					0
Outstanding Checks including general & payroll accounts					<u>(264,741)</u>
Total Cash and Investments (Including Restricted Assets)					<u>\$5,602,087</u>

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

4. DUE FROM OTHER GOVERNMENTS

Intergovernmental receivables at June 30, 2004, consist of the following:

	Governmental Activities		<u>Total</u>
	Due From		
	Federal Government	State Government	
General Fund	\$ 0	\$ 13	\$ 13
Other Governmental Funds	<u>4,275</u>	<u>8,847</u>	<u>13,122</u>
Total	\$4,275	\$8,860	\$13,135

5. INTERFUND RECEIVABLES AND PAYABLES

There were no interfund receivables and payables as of June 30, 2004.

6. CAPITAL ASSETS

Summaries of changes in capital assets for the fiscal year ended June 30, 2004, follows:

<u>Activity</u>	<u>Balance July 1 2003</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30 2004</u>
Governmental Activities:				
Land	\$ 137,400	\$ -	\$ -	\$ 137,400
Buildings	16,615,641	24,235	-	16,639,876
Improvements Other Than Buildings	1,745	-	-	1,745
Furniture & Equipment	3,659,508	196,939	153,327	3,703,120
Vehicles	<u>75,101</u>	<u>-</u>	<u>-</u>	<u>75,101</u>
Totals at Cost	<u>\$20,489,395</u>	<u>\$221,174</u>	<u>\$153,327</u>	<u>\$20,557,242</u>
Less Accumulated Depreciation				
Buildings	\$4,810,461	\$271,894	\$ -	\$5,082,355
Improvements Other Than Buildings	1,031	87	-	1,118
Furniture & Equipment	2,849,202	155,403	147,273	2,857,332
Vehicles	<u>23,761</u>	<u>7,156</u>	<u>-</u>	<u>30,917</u>
Total Accumulated Depreciation	<u>\$7,684,455</u>	<u>\$434,540*</u>	<u>\$147,273</u>	<u>\$7,971,722</u>
Capital Assets, Net	<u>\$12,804,940</u>	<u>(\$213,366)</u>	<u>\$6,054</u>	<u>\$12,585,520</u>

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

6. CAPITAL ASSETS (continued)

Business-type Activities:

Furniture & Equipment	<u>\$170,063</u>	<u>\$0</u>	<u>\$3,099</u>	<u>\$166,964</u>
Totals at Cost	<u>\$170,063</u>	<u>\$0</u>	<u>\$3,099</u>	<u>\$166,964</u>
Less Accumulated Depreciation				
Furniture & Equipment	<u>\$136,783</u>	<u>\$6,395</u>	<u>\$3,099</u>	<u>\$140,079</u>
Total Accumulated Depreciation	<u>136,783</u>	<u>6,395</u>	<u>3,099</u>	<u>140,079</u>
Capital Assets, Net	<u>\$33,280</u>	<u>(\$6,395)</u>	<u>\$0</u>	<u>\$26,885</u>
	=====	=====	=====	=====

* Depreciation Expense was charged to governmental functions as follows:

Instruction:	
Regular	\$361,019
Special	7,967
Support Service:	
Pupils	12,680
Instructional Staff	11,093
Administration	4,466
Fiscal	301
Business	1,131
Operation & Maintenance	21,339
Central	2,417
Extracurricular	<u>12,127</u>
Total Depreciation Expense	<u>\$434,540</u>
	=====

7. LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2004, follows:

	Balance July 1 <u>2003</u>	<u>Addition</u>	<u>Deletion</u>	Balance June 30 <u>2004</u>	Amounts Due In <u>One Year</u>
Governmental Activities:					
Long-term Obligations:					
Accrued Interest	\$ 37,027	\$ 35,384	\$ 37,027	\$ 35,384	\$ 35,384
Capital Lease	71,513	150,093	108,337	113,269	60,536
Accrued Vacation and Vested Pers./Sick Leave	1,128,534	-	43,051	1,085,483	134,472
G.O. Bonds	<u>10,669,989</u>	<u>-</u>	<u>615,000</u>	<u>10,054,989</u>	<u>645,000</u>
Total	<u>\$11,907,063</u>	<u>\$ 140,849</u>	<u>\$ 758,787</u>	<u>\$11,289,125</u>	<u>\$ 875,392</u>

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

7. LONG-TERM LIABILITIES (continued)

Business Type Activities:

Long-term Obligations:

Accrued Vacation and

Vested Pers./Sick Leave	<u>10,681</u>	\$ -	<u>4,157</u>	\$ <u>6,524</u>	\$ <u>300</u>
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Total	\$ <u>10,681</u>	\$ -	\$ <u>4,157</u>	\$ <u>6,524</u>	\$ <u>300</u>
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Additions and deletions of accrued sick leave are shown net since it is impracticable for the District to determine these amounts separately. District employees are granted sick leave in varying amounts. Vested personal and sick leave is the amount the District would owe in the form of severance pay to employees eligible to retire on June 30, 2004, plus vested personal and sick leave for faculty and classified staff members with over 15 years of service in the retirement system in accordance with GASB Statement #16.

Capital Leases: The District is making installment payments on computer equipment purchased with original values of \$22,672 and \$150,093. This obligation provides for interest at rates 3.30% and 5.50%, with an outstanding balance of \$113,269 at June 30, 2004.

The following is a schedule of future minimum lease payments required under the capital lease and present value of the minimum lease payments as of June 30, 2004:

	Year Ending <u>June 30</u>
FY 2005	\$60,536
FY 2006	52,733
Present Value of Minimum Lease Payments	<u>\$ 113,269</u>

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

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

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

7. LONG-TERM LIABILITIES (Continued)

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

The annual maturities of the general obligation bonds as of June 30, 2004, and related interest payments are as follows:

NOVEMBER 1, 2001 BONDS ISSUED TO ADVANCE-REFUND:

<u>Fiscal Year Ended:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment Due During Year</u>
June 30, 2005	555,000	278,823	833,823
June 30, 2006	575,000	261,872	836,872
June 30, 2007	640,000	242,848	882,848
June 30, 2008	635,000	221,652	856,652
June 30, 2009	625,000	199,608	824,608
June 30, 2010-2014	1,979,526	1,722,402	3,701,928
June 30, 2015-2019	2,045,463	888,655	2,934,118
<u>June 30, 2020</u>	<u>490,000</u>	<u>11,638</u>	<u>501,638</u>
Sub-totals	\$7,544,989	3,827,498	11,372,487

JANUARY 1, 1996 RENOVATION AND CONSTRUCTION BONDS:

<u>Fiscal Year Ended:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment Due During Year</u>
June 30, 2005	90,000	135,407	225,407
June 30, 2006	100,000	131,060	231,060
June 30, 2007	105,000	125,846	230,846
June 30, 2008	110,000	119,880	229,880
June 30, 2009	120,000	113,498	233,498
June 30, 2010-2014	730,000	454,546	1,184,546
June 30, 2015-2019	1,010,000	215,617	1,225,617
<u>June 30, 2020</u>	<u>245,000</u>	<u>6,799</u>	<u>251,799</u>
Sub-totals	\$2,510,000	1,302,653	3,812,653

The ORC 133.06 provides that the net debt of a school district, whether or not approved by the people, shall not exceed 9% of the total value of all property in the school district as listed and assessed for taxation. In addition, the unvoted net debt of a school district cannot exceed 0.1% of the total assessed value of property. However, school districts are permitted to incur unvoted debt up to 0.9% of the total assessed value of property for energy conservation measures in accordance with ORC 3313.372. This creates a new situation whereby the unvoted debt limitation is 1.0% of the total assessed value of property in the school district. The total valuation of the Grandview Heights School District on June 30, 2004 was \$227,730,382 according to the Franklin County Auditor's Office. There was no unvoted net debt at June 30, 2004. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At June 30, 2004, the District's total net debt and unvoted net debt were approximately 4.4% of the total assessed value of all property within the school district. The aggregate amount of the District's unvoted debt is also subject to overlapping debt restrictions with Franklin County. As of June 30, 2004, this entity has complied with the requirement that debt service payments on unvoted overlapping debt must not exceed in the aggregate 1% (10 mills) of the assessed property value.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

8. DEFINED BENEFIT PENSION PLANS

(a) State Teachers Retirement System

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions 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 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.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30 2004, 2003, and 2002 were \$977,892, \$932,412, and \$961,776 respectively; \$174,964 represents the unpaid contribution of fiscal year 2004.

(b) School Employees Retirement System

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

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

8. DEFINED BENEFIT PENSION PLANS (Continued)

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. 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, 2004, 2003, and 2002, were \$202,800, \$203,724, and \$198,840 respectively, \$101,400 represents the unpaid contribution of fiscal year 2004.

9. OTHER POST EMPLOYMENT BENEFITS

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

All STRS Ohio benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care costs in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2004, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2004, (the latest information available) the balance in the Fund was \$2.8 billion. For the year ended June 30, 2003, net health care costs paid by STRS Ohio were \$352,301,000 and STRS Ohio had 108,294 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 benefits 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.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

9. OTHER POST EMPLOYMENT BENEFITS (Continued)

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, 2004, employer contribution to fund health care benefits were 4.91 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 2004, the minimum pay was established at \$25,400. For the School District, the amount contributed to fund health care benefits during the 2004 fiscal year equaled \$107,678

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2003 (the latest information available), were \$223,443,805 and the target level was \$335.2 million. At June 30, 2003, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

10. PROPERTY TAXES

Property Taxes include amounts levied against all real, public utility and tangible (used in business) property located in the school district. All property taxes are collected on behalf of the District by Franklin County. Due and collection dates for real property taxes, as established by Franklin County, were January 20, 2003 and June 20, 2003 for those taxes due during 2003. Tangible personal property taxes are due April 30 if paid annually; if paid semi-annually, the first payment is due April 30 with the remainder payable by September 20.

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

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

Real estate:	
Residential	\$154,766,710
Commercial	\$32,991,930
Industrial	\$14,617,260
Public utility:	
Real	\$19,720
Personal	\$8,451,830
Tangible personal	<u>\$25,334,762</u>
Total	<u>\$227,730,382</u>

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

10. PROPERTY TAXES (Continued)

Ohio law prohibits taxation of property from all taxing authorities in excess of 1% of assessed value without a vote of the people. Under current procedures, the District's share is .5% (5.0 mills) of assessed value. Increases in the property tax rate are restricted only by voter willingness to approve such increases. The total tax rate for the District, including voted increases, was 93.02 mills in 2004 with an effective rate of 41.16 for residential property and 62.75 for commercial property.

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

11. FEDERAL AND STATE GRANTS

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

12. BUDGET BASIS OF ACCOUNTING

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

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

	<u>General</u>
GAAP basis	\$1,026,866
Increase (decrease):	
Due to revenues:	
Received in cash during fiscal year 2004 but accrued June 30, 2003	39,433
Accrued at June 30 2004, not yet received in cash	(112,494)
Due to expenditures:	
Paid in cash during fiscal year 2004, accrued June 30, 2003	(1,519,645)
Accrued June 30 2004, not yet paid in cash	<u>1,699,489</u>
Budget basis	1,133,649

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

12. BUDGET BASIS OF ACCOUNTING (Continued)

	<u>General</u>	
Encumbrances outstanding on June 30, 2004	<u>(430,798)</u>	
Budget basis, unencumbered	<u>\$702,851</u>	
(b) Fund balances at end of year:		
GAAP basis	\$2,556,624	
Increase (decrease):		
Due to revenues:		
Received in cash		
during fiscal year 2004 but accrued at June 30, 2003	0	
Accrued at June 30, 2004, not yet received in cash	(112,494)	
Due to expenditures:		
Paid in cash during fiscal year 2004, accrued at June 30, 2003		0
Accrued at June 30, 2004, not yet paid in cash	<u>1,699,489</u>	
Budget basis	4,143,619	
Encumbrances outstanding on June 30, 2004	<u>(430,798)</u>	
Fund balance at end of year, unencumbered, budget basis	<u>\$3,712,821</u>	

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

13. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft or damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2004, the District contracted with the Ohio School Plan for general liability insurance with a \$2,000,000 single occurrence limit and a \$4,000,000 aggregate limit with a \$10,000 deductible. The District also contracted with the Indiana Insurance Company to provide property and fleet insurance requiring deductibles ranging from \$100 to \$1,000 depending on the type of property. Additionally, the District participates in the State Workers' Compensation system which provides coverage for accidents and injuries to employees while on the job. The premium is based on a rate per \$100 of salaries and is calculated as part of a state-wide group rating plan for workers' compensation insurance coverage sponsored by the Ohio School Board's Association. Finally, the District offers employee group health insurance from United Health Care, dental insurance from Delta Dental Plan, and life insurance from the Unum Life Insurance Company with a portion of health insurance premiums being paid by employees. Insurance settlements have not exceeded insurance coverage for each of the past three fiscal years.

14. JOINTLY GOVERNED ORGANIZATION AND JOINT VENTURE

The Metropolitan Educational Council is a not for profit educational council whose primary purpose and objective is to contribute to the educational services available to school districts in Franklin County and surrounding areas by cooperative action membership. The governing board consists of a representative from each of the Franklin County districts. MEC is its own fiscal agent. The District does not have an ongoing financial interest in or ongoing financial responsibility for MEC. MEC provides computer services to the District including payroll, budgetary and student management information. The District submitted \$148,181 to MEC during the fiscal year 2004.

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

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

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

15. LITIGATION

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

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

16. SET ASIDE CALCULATIONS AND FUND RESERVES

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

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

	<u>Textbooks</u>	<u>Capital Acquisitions</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set Aside Cash Balance as of June 30, 2003	\$ <u>0</u>	\$ <u>0</u>	\$ <u>68,902</u>	\$ <u>68,902</u>
Current Year Set Aside Requirement	\$165,767	\$165,767	\$ 0	\$331,534
Current Year Offsets	\$ 0	\$ 0	\$ 0	\$ 0
Qualifying Disbursements	\$ <u>325,662</u>	\$ <u>320,709</u>	\$ <u>0</u>	\$ <u>646,371</u>
Total	(<u>\$ 159,895</u>)	(<u>\$154,942</u>)	<u>\$ 68,902</u>	(<u>\$245,935</u>)
Set Aside Cash Balance as of June 30, 2003	\$ <u>0</u>	\$ <u>0</u>	\$ <u>68,902</u>	\$ <u>68,902</u>

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

17. 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 decision 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 District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

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Auditor of State Betty Montgomery

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Grandview Heights City School District, Franklin County, Ohio (the District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 20, 2004. 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 tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance we must report under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to the District's management in a separate letter dated December 20, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinions 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 other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to the District's management in a separate letter dated December 20, 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

This report is intended solely for the information and use of the audit committee, 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

December 20, 2004



**Auditor of State
Betty Montgomery**

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

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 10, 2005**