



**Auditor of State
Betty Montgomery**

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
LICKING COUNTY**

TABLE OF CONTENTS

Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Statement of Net Assets	11
Statement of Activities.....	12
Balance Sheet – Governmental Funds	13
Reconciliation of the Governmental Funds Balance Sheet to the Statement Of Net Assets	14
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds.....	15
Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budget Basis) General Fund.....	17
Statement of Fiduciary Assets and Liabilities – Agency Funds	18
Notes to the Basic Financial Statements	19
Schedule of Federal Awards Receipts and Expenditures.....	49
Notes to Schedule of Federal Awards Receipts and Expenditures	50
Independent Accountants' Report On Compliance and On Internal Control Required By <i>Government Auditing Standards</i>	51
Independent Accountants' Report On Compliance With Requirements Applicable to the Major Federal Program and Internal Control Over Compliance In Accordance With OMB Circular A-133	53
Schedule of Findings.....	55

THIS PAGE INTENTIONALLY LEFT BLANK



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Granville Exempted Village School District, Licking County, Ohio, (the District) as of and for the year ended June 30, 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, each major fund, and the aggregate remaining fund information of Granville Exempted Village School District, Licking County, Ohio, as of June 30, 2004, and the respective changes in financial position and the budgetary comparison for the General Fund, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2005, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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.

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

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

We conducted our audit to form opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of federal awards receipts and expenditures is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Betty Montgomery
Auditor of State

January 28, 2005

Granville Exempted Village School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

The discussion and analysis of the Granville Exempted Village School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for the fiscal year 2004 are as follows:

- Net assets of governmental activities increased \$2,785,747.
- General revenues accounted for \$20,274,643 in revenue or 90 percent of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$2,313,243, 10 percent of total revenues of \$22,587,886.
- Total assets of governmental activities increased \$3,153,531. The major changes are a result of a decrease of approximately \$1,100,000 in equity in pooled cash and cash equivalents and an increase in capital assets of approximately \$1,500,000 due mainly to the completion of construction projects. Taxes receivable increased approximately \$2,500,000 due to the School District's collection of a new 7.7 mill operating levy and an increase in assessed values.
- The School District had \$19,802,139 in expenses related to governmental activities; only \$2,313,243 of these expenses were offset by program specific charges for services, grants, contributions, and interest. General revenues of \$20,274,643 provided for these activities.
- The School District has three major funds; the general fund, the debt service fund, and the building fund. The general fund had \$17,642,529 in revenues, \$15,246,335 in expenditures, and \$33,500 in other financing sources. The general fund's balance increased \$2,429,694. The debt service fund had \$2,685,075 in revenues, \$2,169,756 in expenditures, and \$60,632 in transfers in from the building fund. The debt service fund's balance increased \$575,951. The building fund had \$7,526 in revenues, \$2,685,782 in expenditures, and \$10,241,420 in other financing sources and uses. The building fund's balance increased \$7,563,164.

Using this Annual Financial Report

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

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

Granville Exempted Village School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

Reporting the School District as a Whole

Statement of Net Assets and Statement of Activities

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2004?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 9. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund, the debt service fund and the building fund.

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

Granville Exempted Village School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table I provides a summary of the School District's net assets for 2004 compared to 2003.

Table I
Net Assets

	<u>Governmental Activities</u>	
	<u>2004</u>	<u>2003</u>
Assets		
Current and Other Assets	\$24,044,381	\$22,348,455
Capital Assets	<u>39,932,126</u>	<u>38,474,521</u>
Total Assets	<u>63,976,507</u>	<u>60,822,976</u>
Liabilities		
Long-Term Liabilities	(34,647,893)	(25,308,881)
Other Liabilities	<u>(14,359,246)</u>	<u>(23,330,474)</u>
Total Liabilities	<u>(49,007,139)</u>	<u>(48,639,355)</u>
Net Assets		
Invested in Capital Assets, Net of Debt	6,480,216	6,416,214
Restricted	3,053,205	2,247,629
Unrestricted	<u>5,435,947</u>	<u>3,519,778</u>
Total Net Assets	<u><u>\$14,969,368</u></u>	<u><u>\$12,183,621</u></u>

Total assets increased \$3,153,531. The majority of the increase was due to a decrease of approximately \$1,100,000 in equity in pooled cash and cash equivalents and an increase in capital assets of approximately \$1,500,000 due mainly to the completion of construction projects. Taxes receivable increased approximately \$2,500,000 due to the School District's collection of a new 7.7 mill operating levy and an increase in assessed values.

Total liabilities increased \$367,784. The majority of the increase was due to a decrease of approximately \$10,700,000 in contracts payable, retainage payable, and notes payable due to the completion of the District's recent construction projects and the issuance of bonds to pay off the outstanding notes payable at June 30, 2003. This was offset by an increase of approximately \$11,000,000 in deferred revenue and long-term liabilities due to the increase in taxes receivable and the previously mentioned bond issuance.

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2004 and comparisons to fiscal year 2003.

Granville Exempted Village School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

Table 2
Changes in Net Assets

	Governmental Activities	
	2004	2003
Revenues		
Program Revenues		
Charges for Services	\$613,455	\$344,492
Operating Grants, Contributions and Interest	1,688,455	1,533,226
Capital Grants, Contributions and Interest	11,333	185,399
Total Program Revenues	<u>2,313,243</u>	<u>2,063,117</u>
General Revenue		
Property Taxes	13,888,234	12,034,495
Gain on Sale of Capital Asset	0	7,119
Grants and Entitlements	6,103,190	5,360,755
Investment Earnings	118,286	104,652
Miscellaneous	164,933	52,913
Total General Revenues	<u>20,274,643</u>	<u>17,559,934</u>
Total Revenues	<u>22,587,886</u>	<u>19,623,051</u>
Program Expenses		
Instruction		
Regular	8,751,004	7,944,029
Special	952,868	828,064
Vocational	149,673	141,619
Support Services		
Pupil	1,172,424	1,214,550
Instructional Staff	1,029,845	940,633
Board of Education	84,027	81,896
Administration	1,479,691	1,359,167
Fiscal	507,814	476,271
Business	2,017	2,057
Operation and Maintenance of Plant	1,877,893	2,112,098
Pupil Transportation	1,161,400	1,055,247
Central	75,946	60,149
Operation of Non-Instructional Services		
Other	9,686	2,211
Extracurricular Activities	704,381	752,089
Intergovernmental	432,548	0
Interest and Fiscal Charges	1,410,922	1,467,570
Total Expenses	<u>19,802,139</u>	<u>18,437,650</u>
Increase in Net Assets	<u>\$2,785,747</u>	<u>\$1,185,401</u>

On May 6, 2003 the District passed a five year \$2,444,380 operating levy. This levy is up for renewal during calendar year 2008. Despite the increase in net assets of \$2,785,747 instructional expenses

Granville Exempted Village School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

increased \$939,833 during fiscal year 2004 due to an increase in salaries and benefits. The District still relies heavily upon tax revenues and state subsidies.

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

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

Table 3
Governmental Activities

	2004 Total Cost of Services	2004 Net Cost of Services	2003 Total Cost of Services	2003 Net Cost of Services
Program Expenses				
Instruction:				
Regular	\$8,751,004	\$8,425,772	\$7,944,029	\$7,565,586
Special	952,868	654,901	828,064	620,857
Vocational	149,673	134,666	141,619	131,057
Support Services:				
Pupil	1,172,424	882,095	1,214,550	839,219
Instructional Staff	1,029,845	911,297	940,633	794,978
Board of Education	84,027	84,027	81,896	81,896
Administration	1,479,691	1,361,733	1,359,167	1,219,400
Fiscal	507,814	507,433	476,271	427,927
Business	2,017	440	2,057	2,057
Operation and Maintenance of Plant	1,877,893	1,847,262	2,112,098	1,961,673
Pupil Transportation	1,161,400	1,150,067	1,055,247	646,965
Central	75,946	68,231	60,149	51,955
Operation of Non-Instructional Services				
Other	9,686	7,974	2,211	782
Extracurricular Activities	704,381	324,508	752,089	562,611
Intergovernmental	432,548	(282,432)	0	0
Interest and Fiscal Charges	1,410,922	1,410,922	1,467,570	1,467,570
Totals	\$19,802,139	\$17,488,896	\$18,437,650	\$16,374,533

Instructional programs comprise approximately 50 percent of total governmental program expenses. Of the instructional expenses, approximately 89 percent is for regular instruction, 10 percent for special instruction, and 1 percent for vocational instruction.

Granville Exempted Village School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

The School District Funds

The School District's major funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$22,587,769 and expenditures of \$22,433,680.

General Fund Budgeting Highlights

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

During the course of fiscal 2004, the School District amended its general fund appropriations; none of the amendments were significant.

Budget basis revenue was \$16,929,782 compared to original estimates of \$17,409,471. Of this \$479,689 difference, most was due to the receipt of fewer grants and other intergovernmental assistance than originally anticipated.

The School District's ending unobligated general fund balance was \$5,443,229.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2004, the School District had \$39,932,126 invested in land, buildings, furniture and equipment and vehicles. Table 4 shows fiscal year 2004 balances compared to 2003.

Table 4
Capital Assets at June 30, 2004
(Net of Depreciation)

	<u>Government Activities</u>	
	2004	2003
Land and Land Improvements	\$2,586,206	\$2,355,578
Buildings and Improvements	35,946,567	34,712,684
Furniture and Equipment	801,927	864,800
Vehicles	597,426	541,459
Totals	\$39,932,126	\$38,474,521

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

Debt

Granville Exempted Village School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

At June 30, 2004, the School District had \$34,130,622 in bonds, capital leases, and unamortized premiums outstanding.

Table 5
Outstanding Debt, at Fiscal Year End

	Governmental Activities 2004	Governmental Activities 2003
School Improvement Note 2003 1.67%	\$0	\$9,870,000
School Improvement Refunding Bond 1994 2.6%-4.65%	2,531,838	3,186,838
School Improvement Bond 2002 2.5%-5.5%	20,815,000	21,045,000
School Improvement Capital Appreciation Bond 2002 4.65%-5.11%	69,385	50,354
School Improvement Bond 2004 2.0%-5%	9,805,000	0
School Improvement Capital Appreciation Bond 2004 27.67%-31.13%	66,723	0
2004 School Improvement Bond Premium	430,584	0
Energy Conservation Bond 1994 5.75%-5.9%	47,000	97,000
Capital Leases	365,092	466,951
Totals	<u>\$34,130,622</u>	<u>\$34,716,143</u>

See Note 15 for more detailed information of the School District's debt.

Set-asides

For fiscal year 2004, Ohio law required school districts to set aside three percent of certain revenues for capital improvements and an additional three percent for textbooks. For fiscal year 2004, this amounted to \$287,463 for each set aside. For fiscal year 2004, the School District had qualifying disbursements or offsets exceeding the \$287,463 requirement for textbooks and capital maintenance. See Note 20 for more detailed information of the School District's set-asides.

Economic Factors

Granville Exempted Village School District's net assets increased by \$2,785,747. Based on the current financial information presented the School District has the ability to maintain current programs and staffing levels. With careful financial planning and prudent fiscal management the School District should be able to continue maintaining a positive cash flow. However, the renewal or replacement of the current \$2,444,380 operating levy, which will expire in December 2008, is critical because the School District relies heavily on its property taxpayers.

Granville Exempted Village School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

Contacting the School District's Financial Management

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

Granville Exempted Village School District, Ohio

Statement of Net Assets

June 30, 2004

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$8,901,554
Cash and Cash Equivalents in Segregated Accounts	207
Materials and Supplies Inventory	3,597
Accrued Interest Receivable	4,770
Prepaid Items	872
Intergovernmental Receivable	184,812
Accounts Receivable	8,727
Property Taxes Receivable	14,733,040
Deferred Charges	206,802
Nondepreciable Capital Assets	1,465,969
Depreciable Capital Assets, Net	<u>38,466,157</u>
<i>Total Assets</i>	<u>63,976,507</u>
Liabilities	
Accounts Payable	261,848
Accrued Wages and Benefits Payable	1,419,753
Matured Compensated Absences Payable	44,134
Matured Interest Payable	118
Matured Capital Leases Payable	248
Accrued Interest Payable	124,428
Intergovernmental Payable	255,481
Deferred Revenue	12,253,236
Long-Term Liabilities:	
Due Within One Year	1,251,806
Due In More Than One Year	<u>33,396,087</u>
<i>Total Liabilities</i>	<u>49,007,139</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	6,480,216
Restricted for:	
Capital Projects	645,723
Debt Service	1,901,025
Bus Purchase	11,333
Other Purposes	495,124
Unrestricted	<u>5,435,947</u>
<i>Total Net Assets</i>	<u><u>\$14,969,368</u></u>

See accompanying notes to the basic financial statements

Granville Exempted Village School District, Ohio

Statement of Activities

For the Fiscal Year Ended June 30, 2004

	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants, Contributions and Interest			Capital Grants, Contributions and Interest
Governmental Activities						
Instruction:						
Regular	\$8,751,004	\$195,398	\$129,834	\$0	(\$8,425,772)	
Special	952,868	0	297,967	0	(654,901)	
Vocational	149,673	0	15,007	0	(134,666)	
Support Services:						
Pupil	1,172,424	72,935	217,394	0	(882,095)	
Instructional Staff	1,029,845	1,345	117,203	0	(911,297)	
Board of Education	84,027	0	0	0	(84,027)	
Administration	1,479,691	1,186	116,772	0	(1,361,733)	
Fiscal	507,814	0	381	0	(507,433)	
Business	2,017	0	1,577	0	(440)	
Operation and Maintenance of Plant	1,877,893	18,003	12,628	0	(1,847,262)	
Pupil Transportation	1,161,400	0	0	11,333	(1,150,067)	
Central	75,946	0	7,715	0	(68,231)	
Operation of Non-Instructional Services	9,686	0	1,712	0	(7,974)	
Extracurricular Activities	704,381	324,588	55,285	0	(324,508)	
Intergovernmental	432,548	0	714,980	0	282,432	
Interest and Fiscal Charges	1,410,922	0	0	0	(1,410,922)	
Totals	\$19,802,139	\$613,455	\$1,688,455	\$11,333	(\$17,488,896)	

General Revenues

Property Taxes Levied for	
General Purposes	10,985,627
Debt Service	2,356,081
Capital Outlay	413,706
Classroom Facilities Maintenance	132,820
Grants and Entitlements not Restricted to Specific Programs	6,103,190
Investment Earnings	118,286
Miscellaneous	164,933
Total General Revenues	20,274,643
<i>Change in Net Assets</i>	2,785,747
<i>Net Assets Beginning of Year</i>	12,183,621
<i>Net Assets End of Year</i>	\$14,969,368

See accompanying notes to the basic financial statements

Granville Exempted Village School District, Ohio

Balance Sheet

Governmental Funds

June 30, 2004

	General	Debt Service	Building Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$5,670,022	\$2,086,063	\$349,007	\$785,129	\$8,890,221
Cash and Cash Equivalents in Segregated Accounts	0	0	0	207	207
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	11,333	0	0	0	11,333
Accounts Receivable	8,605	0	0	122	8,727
Interfund Receivable	2,611	0	0	0	2,611
Intergovernmental Receivable	3,178	0	0	181,634	184,812
Prepaid Items	872	0	0	0	872
Accrued Interest Receivable	4,770	0	0	0	4,770
Materials and Supplies Inventory	3,597	0	0	0	3,597
Property and Other Local Taxes Receivable	11,954,534	2,235,292	0	543,214	14,733,040
Total Assets	\$17,659,522	\$4,321,355	\$349,007	\$1,510,306	\$23,840,190
Liabilities					
Matured Interest Payable	\$118	\$0	\$0	\$0	\$118
Matured Capital Leases Payable	248	0	0	0	248
Matured Compensated Absences Payable	43,526	0	0	608	44,134
Accounts Payable	49,623	0	45,652	166,573	261,848
Accrued Wages and Benefits	1,408,479	0	0	11,274	1,419,753
Interfund Payable	0	0	0	2,611	2,611
Deferred Revenue	10,325,699	1,922,278	0	533,562	12,781,539
Intergovernmental Payable	151,185	0	0	185	151,370
Total Liabilities	11,978,878	1,922,278	45,652	714,813	14,661,621
Fund Balances					
Reserved for Encumbrances	208,397	0	100,769	461,594	770,760
Reserved for Bus Purchase	11,333	0	0	0	11,333
Reserved for Property Taxes	1,538,800	303,000	0	73,200	1,915,000
Unreserved:					
Undesignated, Reported in:					
General Fund	3,922,114	0	0	0	3,922,114
Special Revenue Funds	0	0	0	211,284	211,284
Debt Service Fund	0	2,096,077	0	0	2,096,077
Capital Projects Funds	0	0	202,586	49,415	252,001
Total Fund Balances	5,680,644	2,399,077	303,355	795,493	9,178,569
Total Liabilities and Fund Balances	\$17,659,522	\$4,321,355	\$349,007	\$1,510,306	\$23,840,190

See accompanying notes to the basic financial statements

Granville Exempted Village School District, Ohio
*Reconciliation of the Governmental Funds Balance Sheet to
the Statement of Net Assets
June 30, 2004*

Total Governmental Fund Balances \$9,178,569

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 39,932,126

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

Property Taxes Receivable	457,987		
Accrued Interest Receivable	1,873		
Intergovernmental Receivable	66,443		
Student Fees	2,000		528,303

Unamortized issuance costs are reported as deferred charges on the Statement of Net Assets but as an expenditure on the fund financial statements: 206,802

Intergovernmental payable includes contractually required pension contributions not expected to be paid with available expendable resources and, therefore, not reported in the funds. (104,111)

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

Bonds Payable	(33,293,620)		
Bond Premium	(430,584)		
Deep Discount Debt Accretion	(41,326)		
Accrued Interest Payable	(124,428)		
Capital Leases Payable	(365,092)		
Compensated Absences	(517,271)		(34,772,321)

Net Assets of Governmental Activities \$14,969,368

See accompanying notes to the basic financial statements

Granville Exempted Village School District, Ohio
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2004

	General	Debt Service	Building Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$11,030,714	\$2,374,146	\$0	\$551,388	\$13,956,248
Intergovernmental	6,036,377	271,980	0	1,325,224	7,633,581
Interest	63,988	38,949	7,526	6,268	116,731
Tuition and Fees	194,677	0	0	0	194,677
Extracurricular Activities	176,900	0	0	223,742	400,642
Rentals	18,003	0	0	0	18,003
Contributions and Donations	0	0	0	102,954	102,954
Miscellaneous	121,870	0	0	43,063	164,933
Total Revenues	17,642,529	2,685,075	7,526	2,252,639	22,587,769
Expenditures					
Current:					
Instruction:					
Regular	7,540,185	0	156,377	365,176	8,061,738
Special	803,071	0	0	54,238	857,309
Vocational	138,055	0	0	0	138,055
Support Services:					
Pupils	736,450	0	0	364,796	1,101,246
Instructional Staff	792,590	0	0	145,268	937,858
Board of Education	84,030	0	0	0	84,030
Administration	1,217,987	0	0	134,349	1,352,336
Fiscal	465,551	33,645	0	8,984	508,180
Business	0	0	0	2,017	2,017
Operation and Maintenance of Plant	1,672,243	0	0	121,241	1,793,484
Pupil Transportation	1,118,048	0	0	101,586	1,219,634
Central	60,856	0	0	15,090	75,946
Other Non-Instructional Services	1,024	0	0	2,247	3,271
Extracurricular Activities	428,401	0	0	173,591	601,992
Capital Outlay	33,500	0	2,185,080	410,764	2,629,344
Debt Service:					
Principal Retirement	130,287	935,000	0	0	1,065,287
Interest and Fiscal Charges	24,057	1,201,111	136,818	0	1,361,986
Issuance Costs	0	0	207,507	0	207,507
Intergovernmental	0	0	0	432,460	432,460
Total Expenditures	15,246,335	2,169,756	2,685,782	2,331,807	22,433,680
Excess of Revenues Over (Under) Expenditures:	2,396,194	515,319	(2,678,256)	(79,168)	154,089
Other Financing Sources (Uses)					
General Obligation Bonds Issued	0	0	9,870,000	0	9,870,000
Premium on Debt Issuance	0	0	432,052	0	432,052
Inception of a Capital Lease	33,500	0	0	0	33,500
Transfers In	0	60,632	0	0	60,632
Transfers Out	0	0	(60,632)	0	(60,632)
Total Other Financing Sources (Uses)	33,500	60,632	10,241,420	0	10,335,552
Net Change in Fund Balances	2,429,694	575,951	7,563,164	(79,168)	10,489,641
Fund Balances Beginning of Year (deficit)	3,250,950	1,823,126	(7,259,809)	874,661	(1,311,072)
Fund Balances End of Year	\$5,680,644	\$2,399,077	\$303,355	\$795,493	\$9,178,569

See accompanying notes to the basic financial statements

Granville Exempted Village School District, Ohio
*Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2004*

Net Change in Fund Balances - Total Governmental Funds		\$10,489,641
<i>Amounts reported for governmental activities in the statement of activities are different because</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period		
Capital Asset Additions	2,681,500	
Depreciation Expense	(1,218,823)	1,462,677
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Interest	1,555	
Student Fees	133	
Grants	66,443	
Delinquent Taxes	(68,014)	117
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
		1,065,287
In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest is expended when due.		
		(28,945)
Some capital assets were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net assets the lease obligation is reported as a liability.		
		(33,500)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Intergovernmental Payable	(461)	
Compensated Absences Payable	(54,533)	(54,994)
Debt proceeds and premiums are other financing sources in the governmental funds, but the issuance increases the long-term liabilities on the statement of net assets:		
Capital Debt Proceeds	(9,870,000)	
Premium	(432,052)	(10,302,052)
The amortization of premiums and issuance costs are reported on the statement of activities:		
Premium Amortization	1,468	
Issuance Costs Amortization	(705)	763
Issuance Costs are reported as an expenditure when paid in the governmental funds, but are deferred on the statement of net assets		
		207,507
Accretion on capital appreciation bonds is an expenditure in the governmental funds but is allocated as an expense over the life of the bonds.		
		(20,754)
<i>Change in Net Assets of Governmental Activities</i>		\$2,785,747

See accompanying notes to the basic financial statements

Granville Exempted Village School District, Ohio*Statement of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)
General Fund**For the Fiscal Year Ended June 30, 2004*

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues				
Property Taxes	\$10,183,273	\$10,319,842	\$10,319,842	\$0
Intergovernmental	6,833,389	6,031,644	6,036,377	4,733
Interest	50,000	65,784	65,784	0
Tuition and Fees	150,518	194,825	194,825	0
Extracurricular Activities	66,123	176,900	176,900	0
Rent	4,914	17,913	17,913	0
Miscellaneous	121,254	118,141	118,141	0
<i>Total Revenues</i>	<u>17,409,471</u>	<u>16,925,049</u>	<u>16,929,782</u>	<u>4,733</u>
Expenditures				
Current:				
Instruction:				
Regular	7,383,705	7,767,579	7,659,368	108,211
Special	755,695	810,877	799,885	10,992
Vocational	131,268	143,363	141,420	1,943
Other	190,292	210,585	207,730	2,855
Support Services:				
Pupils	786,637	779,888	769,317	10,571
Instructional Staff	612,657	804,622	793,715	10,907
Board of Education	115,688	83,970	82,832	1,138
Administration	1,158,219	1,238,645	1,221,854	16,791
Fiscal	628,602	479,997	473,490	6,507
Business	8,191	0	0	0
Operation and Maintenance of Plant	1,955,495	1,654,779	1,632,346	22,433
Pupil Transportation	959,267	1,112,834	1,097,748	15,086
Central	28,680	63,805	62,940	865
Other Non-Instructional Services	18,903	1,038	1,024	14
Extracurricular Activities	390,606	471,923	465,525	6,398
<i>Total Expenditures</i>	<u>15,123,905</u>	<u>15,623,905</u>	<u>15,409,194</u>	<u>214,711</u>
<i>Net Change in Fund Balance</i>	2,285,566	1,301,144	1,520,588	219,444
<i>Fund Balance Beginning of Year</i>	3,798,736	3,798,736	3,798,736	0
Prior Year Encumbrances Appropriated	123,905	123,905	123,905	0
<i>Fund Balance End of Year</i>	<u>\$6,208,207</u>	<u>\$5,223,785</u>	<u>\$5,443,229</u>	<u>\$219,444</u>

See accompanying notes to the basic financial statements

Granville Exempted Village School District, Ohio

Statement of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2004

Assets	
Equity in Pooled Cash and Cash Equivalents	\$197,247
Cash and Cash Equivalents in Segregated Accounts	<u>487</u>
<i>Total Assets</i>	<u><u>197,734</u></u>
Liabilities	
Due to Students	75,247
Due to Others	73,754
Due to Other Governments	<u>48,733</u>
<i>Total Liabilities</i>	<u><u>\$197,734</u></u>

See accompanying notes to the basic financial statements

Granville Exempted Village School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in the late 1800's. The School District serves an area of approximately 48 square miles. It is located in Licking County, and includes all of the Village of Granville and Granville Township as well as portions of the Cities of Newark and Heath and portions of Newark, Newton, McKean, St. Albans and Union Townships. It is staffed by 49 non-certificated employees, 135 certificated full-time personnel and 8 administrative employees who provide services to 2,111 full-time equivalent students. The School District currently operates four instructional buildings, one administrative building, and one garage.

Reporting Entity:

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

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

The following activities are included within the reporting entity:

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

The School District is associated with nine organizations, six of which are defined as jointly governed organizations, two as insurance purchasing pools, and one as a related organization. These organizations are the Licking Area Computer Association, Licking County Joint Vocational School, Metropolitan Educational Council, Central Ohio Special Education Regional Resource Center, the School Study Council of Ohio, the Newark-Granville Community Authority, the Ohio School Board Association Workers' Compensation Group Rating Plan, the Metropolitan Educational Council Group insurance Pool,

Granville Exempted Village School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

and the Granville Schools Education Foundation, Incorporated. These organizations are presented in Notes 16, 17, and 18 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis Of Presentation

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

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

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

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

B. Fund Accounting

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

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which

Granville Exempted Village School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are descriptions of the School District's major governmental funds:

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

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

Building Fund The building capital projects fund is used to account for the receipts and expenditures related to the construction and renovations of facilities of the District being financed through bonds and notes.

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

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

Fiduciary Fund Type Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District does not have any trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds account for the Newark-Granville Community Authority, student activities, Collaborative Language and Literacy Instruction Project activities, and payroll withholdings.

C. Measurement Focus

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

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

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Governmental funds use the

Granville Exempted Village School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

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

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

E. Cash and Cash Equivalents

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

Granville Exempted Village School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

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

During fiscal year 2004, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), repurchase agreements, and federal agency securities.

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

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2004.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2004 amounted to \$63,988, which includes \$27,809 assigned from other School District funds.

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

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2004, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense/expenditure is reported in the fiscal year in which services are consumed.

G. Inventory

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

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal

Granville Exempted Village School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

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

I. Interfund Balances

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

J. Restricted Assets

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

K. Compensated Absences

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

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the funds from which these payments will be made.

L. Accrued Liabilities and Long-term Obligations

Granville Exempted Village School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

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

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

M. Fund Balance Reserves

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

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

N. Net Assets

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

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

O. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence.

P. Estimates

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

Granville Exempted Village School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

Q. Budgetary Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The treasurer has been authorized to allocate Board appropriations to the function and object level within each fund.

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

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

R. Unamortized Issuance Costs/ Bond Premium

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

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

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLE

For fiscal year 2004, the School District has implemented GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units". This Statement further defines the guidelines of GASB Statement No. 14, "The Financial Reporting Entity". The implementation of this new statement had no effect on the School District's financial statements for fiscal year 2004.

Granville Exempted Village School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING

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

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

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

Net Change in Fund Balance	
GAAP Basis	\$2,429,694
Net Adjustment for Revenue Accruals	(750,940)
Net Adjustment for Expenditure Accruals	72,323
Beginning:	
Fair Value Adjustment for Investments	4,326
Prepaid Items	6,794
Ending:	
Fair Value Adjustment for Investments	367
Prepaid Items	(872)
Adjustment for Encumbrances	<u>(241,104)</u>
Budget Basis	<u><u>\$1,520,588</u></u>

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be

Granville Exempted Village School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

Interim monies to be deposited or invested in the following securities:

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

Granville Exempted Village School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payments for investments may be made upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by certificate, upon receipt of confirmation of transfer from the custodian.

Deposits: At fiscal year end, the carrying amount of the School District's deposits was (\$249,299) and the bank balance was \$203,489. Of the bank balance, \$100,000 was covered by federal depository insurance and \$103,489 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

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

	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying and Fair Value</u>
STAR Ohio	\$0	\$0	\$5,977,356
Repurchase Agreements	0	1,059,612	1,059,612
Federal National Mortgage Association - Discount Note	499,490	0	499,490
Federal National Mortgage Association - Bond	498,595	0	498,595
Federal Home Loan Bank Bond	497,190	0	497,190
Federal Home Loan Mortgage - Discount Note	496,400	0	496,400
Bankers Acceptance Notes	<u>0</u>	<u>320,151</u>	<u>320,151</u>
Total	<u>\$1,991,675</u>	<u>\$1,379,763</u>	<u>\$9,348,794</u>

The federal agency securities mature in fiscal year 2005.

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

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

Granville Exempted Village School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

	<u>Cash and Cash Equivalents/ Deposits</u>	<u>Investments</u>
GASB Statement 9	\$9,099,495	\$0
Investments of the Cash Management Pool:		
STAR Ohio	(5,977,356)	5,977,356
Repurchase Agreements	(1,059,612)	1,059,612
Federal Nation Mortgage Association - Discount Note	(499,490)	499,490
Federal National Mortgage Association - Bond	(498,595)	498,595
Federal Home Loan Bank Bond	(497,190)	497,190
Federal Home Loan Mortgage Corporation - Discount Note	(496,400)	496,400
Bankers Acceptance Notes	<u>(320,151)</u>	<u>320,151</u>
GASB Statement 3	<u>(\$249,299)</u>	<u>\$9,348,794</u>

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2004 represent the collection of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed values as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State statute at thirty-five percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2004 represent the collection of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien on December 31, 2003, were levied after April 1, 2003, and are collected with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Granville Exempted Village School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

Tangible personal property tax revenues received in calendar 2004 (other than public utility property) represent the collection of calendar year 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2003, on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30. This year, the June 2004 tangible personal property tax settlement from Licking County was not received until July of 2004.

The School District receives property taxes from Licking County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes personal property and public utility taxes, and the late June personal property settlement which are measurable as of June 30, 2004 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 and the late personal property tax settlement were levied to finance current fiscal year operations. The amount available as an advance at June 30, 2004, was \$1,915,000. \$1,538,800 was available to the general fund, \$303,000 was available to the bond retirement debt service fund, \$55,300 was available to the permanent improvement capital projects fund, and \$17,900 was available to the classroom facilities maintenance special revenue fund. The amount of the late personal property tax settlement was \$93,908 in the general fund, \$10,014 in the bond retirement debt service fund, \$2,237 in the permanent improvement capital projects fund, and \$658 in the classroom facilities maintenance special revenue fund.

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

The assessed values upon which the fiscal year 2004 taxes were collected are:

	2003 Second-Half Collections		2004 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/ Residential and Other Real Estate	\$297,837,920	93.82%	\$312,203,030	94.30%
Public Utility	7,879,440	2.48%	7,807,280	2.36%
Tangible Personal Property	11,734,790	3.70%	11,065,970	3.34%
Total Assessed Value	<u>\$317,452,150</u>	<u>100.00%</u>	<u>\$331,076,280</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$73.49		\$81.19	

In May 2003, the School District passed a 7.7 mill general operating levy for a five year period. Collections of the operating levy began with the February 2004 tax settlement.

Granville Exempted Village School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

NOTE 7 - RECEIVABLES

Receivables at June 30, 2004, consisted of property taxes, accounts (rent, student fees and tuition), intergovernmental grants, and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be collected within one year.

A summary of principal items of intergovernmental receivables follows:

Governmental Activities	<u>Amounts</u>
Preschool Tuition Refund from Newark City Schools and Gallia County Schools	\$3,178
Collaborative Language and Literacy Instruction Project Grant	<u>181,634</u>
Total	<u><u>\$184,812</u></u>

NOTE 8 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	<u>Balance June 30, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2004</u>
Nondepreciable Capital Assets				
Land	<u>\$1,465,969</u>	<u>\$0</u>	<u>\$0</u>	<u>\$1,465,969</u>
Depreciable Capital Assets				
Land Improvements	1,133,711	299,879	0	1,433,590
Buildings and Improvements	41,132,830	2,155,351	0	43,288,181
Furniture and Equipment	1,280,475	107,570	(13,611)	1,374,434
Vehicles	<u>1,197,388</u>	<u>118,700</u>	<u>(11,840)</u>	<u>1,304,248</u>
Total at Historical Cost	<u>44,744,404</u>	<u>2,681,500</u>	<u>(25,451)</u>	<u>47,400,453</u>
Less Accumulated Depreciation				
Land Improvements	(244,102)	(69,251)	0	(313,353)
Buildings and Improvements	(6,420,146)	(921,468)	0	(7,341,614)
Furniture and Equipment	(415,675)	(165,371)	8,539	(572,507)
Vehicles	<u>(655,929)</u>	<u>(62,733)</u>	<u>11,840</u>	<u>(706,822)</u>
Total Accumulated Depreciation	<u>(7,735,852)</u>	<u>(1,218,823)</u>	<u>20,379</u>	<u>(8,934,296)</u>
Depreciable Capital Assets, Net of Accumulated Depreciation	<u>37,008,552</u>	<u>1,462,677</u>	<u>(5,072)</u>	<u>38,466,157</u>
Governmental Activities Capital Assets, Net	<u><u>\$38,474,521</u></u>	<u><u>\$1,462,677</u></u>	<u><u>(\$5,072)</u></u>	<u><u>\$39,932,126</u></u>

Granville Exempted Village School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

- Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	690,126
Special	90,726
Vocational	11,618
Support Services:	
Pupil	51,925
Instructional Staff	102,364
Administration	78,925
Fiscal	566
Operation and Maintenance	5,133
Pupil Transportation	64,947
Extracurricular	116,078
Other Instructional Services	<u>6,415</u>
Total Depreciation Expense	<u><u>\$1,218,823</u></u>

NOTE 9 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2004, the School District contracted with Utica National Insurance Group, through Accordia, for property, boiler and machinery, inland marine, crime insurance, general liability insurance, and fleet insurance. Coverage provided is as follows:

Building and Contents-replacement cost (\$5,000 deductible)	\$40,417,677
Inland Marine (\$250 deductible)	
Equipment	375,000
Data/ Media	65,000
Crime Insurance	
Money & Securities	25,000
Employee Dishonesty	100,000
Forgery or Alteration	100,000
General Liability	
Per occurrence	1,000,000
Aggregate Per Year	2,000,000
Damage to Premises Rented to You	100,000
Medical Expense	10,000
Education Umbrella Liability Policy	
For General Liability	
Per occurrence	2,000,000
Aggregate Per Year	2,000,000
Fleet Insurance (\$1,000 deductible)	1,000,000
Uninsured Motorists	100,000
Medical Payments	5,000

Granville Exempted Village School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

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

In fiscal year 2004, the School District participated in the Metropolitan Educational Council (MEC), an insurance purchasing pool (Note 17). MEC helps member school districts receive discounted rates on various items such as their life, property, boiler and machinery, inland marine, crime, and freight insurances, services, supplies, and other items. In 2004, the District offered life insurance through MEC. The MEC has over 100 members which include school districts, joint vocational schools, educational service centers, and libraries covering 24 counties in central Ohio. The governing board of MEC is composed of either the superintendent, a designated representative or a member of the board of education for each participating school district in Franklin County (18 school districts) and one representative from each county.

For fiscal year 2004, the School District participated in the Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 17) established under Section 4123.29 of the Ohio Revised Code. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts and libraries that can meet the GRP's selection criteria. The firm of Sheakley Uniservice, Inc. Managed Care Organization provides administration costs and actuarial services to the GRP.

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

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 \$140,392, \$133,108, and \$76,530, respectively; 51 percent has been contributed for fiscal year 2004 and 100 percent for the fiscal years 2003 and 2002. \$69,424 represents the unpaid contribution for fiscal year 2004.

Granville Exempted Village School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

B. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple employer public employee retirement system. STRS Ohio provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS Ohio issues a publicly available, stand alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio Web site at www.strsoh.org.

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

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

For the fiscal year ended June 30, 2004, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2004, 2003, and 2002 were \$893,506, \$1,026,232, and \$706,830 respectively; 95 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002. Contributions to the DC and Combined Plans for fiscal year 2004 were \$17,326 made by the School District and \$33,004 made by the plan members. \$49,329 represents the unpaid contribution for fiscal year 2004.

Granville Exempted Village School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

NOTE 11 - POSTEMPLOYMENT BENEFITS

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

STRS retirees who participated in the DB Plan or the Combined Plan are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2004, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District this amount equaled \$70,064 for fiscal year 2004.

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

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2004, employer contributions 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 has been established as \$25,400. For the School District, the amount to fund health care benefits, including surcharge, during the 2004 fiscal year equaled \$101,434.

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

Granville Exempted Village School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

NOTE 12 - EMPLOYEE BENEFITS

A. Compensated Absences

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

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

B. Health Care Benefits

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

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

NOTE 13 – CAPITALIZED LEASES

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

Granville Exempted Village School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

The agreements provide for minimum annual rental payments as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2005	\$132,762	\$18,485
2006	126,919	11,341
2007	75,847	5,335
2008	25,480	845
2009	4,084	123
Total	<u>\$365,092</u>	<u>\$36,129</u>

The equipment was originally capitalized in the amount of \$556,585. This amount represents the present value of the minimum lease payments at the time of acquisition. The School District traded-in a copier during the current fiscal year. The outstanding principal amount of \$5,072 for the leased copier that was traded-in is reflected as a reduction of capital leases payable during the current fiscal year. Principal payments in fiscal year 2004 totaled \$130,287 in the governmental funds.

Property under Capital Lease	\$556,585
Less: Accumulated Depreciation	<u>(166,268)</u>
Total June 30, 2004	<u>\$390,317</u>

NOTE 14 - NOTES PAYABLE

A summary of the note transactions for the year ended June 30, 2004 follows:

	<u>Outstanding 6/30/2003</u>	<u>Additions</u>	<u>Retired</u>	<u>Outstanding 6/30/2004</u>
Building Fund:				
1.67% School Improvement Note	<u>9,870,000</u>	<u>0</u>	<u>9,870,000</u>	<u>0</u>
Total Notes Outstanding	<u>\$9,870,000</u>	<u>\$0</u>	<u>\$9,870,000</u>	<u>\$0</u>

The bond anticipation notes were rolled into bonds during fiscal year 2004.

Granville Exempted Village School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

NOTE 15 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2004 were as follows:

	Principal Outstanding 6/30/2003	Additions	Deductions	Principal Outstanding 6/30/2004	Due in One Year
School Improvement Refunding Bond					
1994 2.6% - 4.65%	\$3,186,838	\$0	\$655,000	\$2,531,838	\$675,000
School Improvement Serial Bonds					
2002 2.5% - 4.75%	2,360,000	0	230,000	2,130,000	285,000
School Improvement Term Bonds					
2002 5.0% - 5.5%	18,685,000	0	0	18,685,000	0
School Improvement Capital Appreciation Bonds					
2002 4.65% - 5.11%					
Original Issue	29,782			29,782	0
Accretion	20,572	19,031	0	39,603	0
School Improvement Serial Bonds					
2004 2.0% - 4.5%	0	6,855,000	0	6,855,000	0
School Improvement Term Bonds					
2004 5.0%	0	2,950,000	0	2,950,000	0
School Improvement Capital Appreciation Bonds					
2004 27.67% -31.13%					
Original Issue	0	65,000	0	65,000	0
Accretion	0	1,723	0	1,723	0
School Improvement Serial/ Term Bonds Premium	0	432,052	1,468	430,584	0
Energy Conservation Bond					
1994 5.75% - 5.9%	97,000	0	50,000	47,000	47,000
Total Long-Term Bonds	24,379,192	10,322,806	936,468	33,765,530	1,007,000
Capital Leases	466,951	33,500	135,359	365,092	132,763
Compensated Absences	462,738	147,221	92,688	517,271	112,043
Total General Long-Term Obligations	\$25,308,881	\$10,503,527	\$1,164,515	\$34,647,893	\$1,251,806

School Improvement General Obligation Refunding Bonds - On October 15,1993, Granville Exempted Village School District issued \$7,536,838 in School Improvement General Obligation Refunding Bonds with an interest rate varying from 2.6 percent to 4.65 percent to advance refund \$7,540,000 of outstanding 1990 school improvement bonds with an average interest rate of 10 percent. The proceeds of the

Granville Exempted Village School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

refunding were deposited in an irrevocable trust with Park National Bank to provide for all future debt service payments. As a result, the 1990 Series bonds are considered to be defeased and the liability for those bonds has been removed from the balance sheet. The 1990 School Improvement Bonds were paid off on December 2, 2002.

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

Fiscal Year Ending June 30,	Principal	Interest
2005	\$675,000	\$46,744
2006	675,000	266,647
2007	183,094	503,111
2008	160,684	506,166
2009	141,986	516,836
2010-2014	546,274	2,738,544
2015-2019	149,800	815,115
Total	<u>\$2,531,838</u>	<u>\$5,393,163</u>

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

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

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

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

Granville Exempted Village School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

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

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

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

The capital appreciation bonds will mature December 1, 2012 through 2016. These bonds were purchased at a discount at the time of issuance and, at maturity all compound interest is paid and the bond holder collects the face value. However, since interest is technically earned and compounded semi-annually, the value of the bond increases. Therefore, as the value increases, the accretion is booked as principal. The maturity amount of the bonds is \$2,175,000. The fiscal year 2004 accretion amount is \$19,031.

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

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2005	\$285,000	\$1,057,352
2006	290,000	1,047,085
2007	300,000	1,037,493
2008	310,000	1,026,888
2009	350,000	1,012,995
2010-2014	607,485	5,447,267
2015-2019	1,272,297	6,474,828
2020-2024	6,220,000	3,916,000
2025-2029	11,210,000	1,571,852
Total	<u>\$20,844,782</u>	<u>\$22,591,760</u>

On April 15, 2004, the School District issued \$9,870,000 in general obligation School Improvement Bonds to pay off the 2003 bond anticipation notes outstanding. The School District received \$10,318,130 in bond proceeds, which includes \$16,078 in accrued interest and \$432,052 in premium. Issuance costs associated with the bond issue were \$207,507 and are deferred. For fiscal year 2004, issuance costs of \$705 were amortized. The bonds were issued for a twenty-four year period with final maturity at December 1, 2028.

Granville Exempted Village School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

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

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

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

The capital appreciation bonds will mature December 1, 2011 through 2014. These bonds were purchased at a discount at the time of issuance and, at maturity all compound interest is paid and the bond holder collects the face value. However, since interest is technically earned and compounded semi-annually, the value of the bond increases. Therefore, as the value increases, the accretion is booked as principal. The maturity amount of the bonds is \$735,000. The fiscal year 2004 accretion amount is \$1,723.

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

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2005	\$0	\$413,436
2006	30,000	413,436
2007	155,000	411,286
2008	290,000	406,546
2009	400,000	398,356
2010-2014	725,000	2,389,985
2015-2019	1,750,000	1,922,070
2020-2024	2,965,000	1,199,046
2025-2029	3,555,000	500,613
Total	<u>\$9,870,000</u>	<u>\$8,054,774</u>

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

<u>Fiscal Year Ending June 30</u>	<u>Energy Conservation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2005	\$47,000	\$2,773

Granville Exempted Village School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

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

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

Capital leases and compensated absences will be paid from the General Fund and the Parochial School special revenue fund.

The School District's overall legal debt margin at June 30, 2004, was \$103,504,676, with an unvoted debt margin of \$1,495,116. The School District was approved as a special needs district by the Ohio Department of Education. This approval was granted based on projected tax valuation growth figures submitted by the School District to the Ohio Department of Education which is used to calculate the legal debt margin. The approval of the School District as a special needs district enabled them to issue the new 2004 school improvement bonds.

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS

A. Licking Area Computer Association

The School District is a participant in the Licking Area Computer Association (LACA) which is a computer consortium. LACA is an association which services thirteen entities within the boundaries of Licking and Muskingum Counties. These entities consist of public school districts, private schools, and educational service centers. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of LACA consists of the superintendents from all participating districts. The continued existence of LACA is not dependent on the School District's continued participation and no equity interest exists. The LACA constitution states that any school district withdrawing from the Association prior to dissolution forfeits their claim to the Association's fixed assets. The School District's total payments to LACA for computer services during fiscal year 2004 were \$81,246. Financial statements for LACA can be obtained from their fiscal agent the Career and Technology Education Centers of Licking County, 150 Price Road, Newark, OH 43055.

B. Career and Technology Education Centers of Licking County

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

Granville Exempted Village School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

C. Metropolitan Educational Council

The School District participates in the Metropolitan Educational Council (MEC), a jointly governed organization. The organization is composed of over 100 members which includes school districts, joint vocational schools, educational service centers, and libraries covering 24 counties in Central Ohio. The MEC helps its members purchase services, insurances, supplies, and other items at a discounted rate. The governing board of MEC is composed of either the superintendent, a designated representative or a member of the board of education for each participating school district in Franklin County (18 school districts) and one representative from each county. Each year, the participating school districts pay a membership fee to MEC to cover the costs of administering the program. The School District's membership payment to MEC for fiscal year 2004 was \$818. Financial information may be obtained from the Metropolitan Educational Council, Denise Music, who serves as fiscal officer, at 6100 Channingway Blvd., Suite 604, Columbus, OH 43232.

D. Central Ohio Special Education Regional Resource Center

The Central Ohio Educational Resource Center (COSERRC) provides special education services at a regional level and assists school districts in complying with the mandates of P.L. 101-476 and P.L. 99-457 for educating children with disabilities. The Granville School District has a cooperative agency agreement with COSERRC. There is no financial commitment by the School District for its participation in COSERRC. The School District has one representative on the governing board. Nothing was paid to COSERRC during fiscal year 2004. Further information may be obtained by contacting the Central Ohio Special Education Regional Resource Center at 470 Glenmont Avenue, Columbus, Ohio 43214.

E. School Study Council of Ohio

The School Study Council of Ohio (Council) is a jointly governed organization operated by a Board of Trustees (Board). The Council is comprised of 81 member organizations. The purpose of the Council is to bring about the improvement of education in member school organizations. School districts maintain active membership by paying a yearly membership fee which entitles each school district to attend Council meetings and to vote. School districts that elect to be associate members are entitled to attend meetings and participate in Council discussions but are not entitled to vote. The Board is annually elected from within the Council's active membership. In fiscal year 2004, the Board consisted of fourteen members. In fiscal year 2004, Granville Exempted Village School District obtained active membership privileges and paid a membership fee of \$240. Financial information may be obtained by contacting the School Study Council of Ohio at 4807 Evanswood Drive, Suite 300, Columbus, Ohio 43229.

F. Newark-Granville Community Authority

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

Granville Exempted Village School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

NOTE 17 - INSURANCE PURCHASING POOL

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

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

B. Metropolitan Educational Council Group Insurance Pool

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

NOTE 18 - RELATED ORGANIZATION

Granville Schools Education Foundation, Incorporated

The Granville Schools Education Foundation, authorized under Ohio Revised Code Chapter 1702, is an independent nonprofit corporation created in 1994. The Foundation's purpose is to improve education for the students of Granville Schools. The Foundation is governed by a Board of Trustees appointed by the Granville Exempted Village School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the School District for operational subsidies. The School District has no ability to impose its will on the organization nor does a burden/benefit relationship exist. The School District made no contributions to the Foundation during fiscal year 2004. Financial information can be obtained from the Granville Schools Education Foundation, Brian Van Winkle, who serves as Treasurer, at P.O. Box 84, Granville, Ohio 43023.

NOTE 19 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2004.

B. Litigation

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

Granville Exempted Village School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

NOTE 20 - SET-ASIDE CALCULATIONS AND FUND RESERVES

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

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

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-aside Cash Balance as of June 30, 2003	(\$1,014,314)	(\$27,985,553)
Current Year Set-aside Requirement	287,463	287,463
Current Year Offsets	0	(600,516)
Qualifying Disbursements	<u>(484,922)</u>	<u>(2,946,057)</u>
Total	<u>(\$1,211,773)</u>	<u>(\$31,244,663)</u>
Balance Carried Forward to FY 2004	<u>(\$1,211,773)</u>	<u>(\$30,761,018)</u>
Cash Balances to Carry Forward to FY 2004	<u>\$0</u>	<u>\$0</u>

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

NOTE 21 – INTERFUND TRANSFERS AND BALANCES

Transfers made during fiscal year 2004 were \$60,632 from the Building capital projects fund to the Bond Retirement debt service fund to repay the 2003 school improvement note that was retired during fiscal year 2004.

At June 30, 2004, the General Fund made an advance to the Collaborative Literacy and Language Instruction Project special revenue fund, in the amount of \$2,611, to subsidize a negative cash balance.

Granville Exempted Village School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

NOTE 22 – ACCOUNTABILITY AND COMPLIANCE

Legal Compliance

The following fund had expenditures plus encumbrances in excess of appropriations contrary to section 5705.41, Revised Code, however, it did not result in a negative fund balance.

	<u>Excess</u>
<u>Debt Service Fund</u>	
Bond Retirement Fund	238,557

The following funds had appropriations in excess of estimated resources plus available balances for the year ended June 30, 2004:

	<u>Resources</u>	<u>Appropriations</u>	<u>Excess</u>
<u>Special Revenue Funds:</u>			
Classroom Facilities Maintenance	\$261,783	267,000	(\$5,217)
Career Development	472	589	(117)
Ohio Reads	4,000	4,500	(500)
Miscellaneous State Grants	341,861	397,319	(55,458)
Title VI-B	413,151	441,000	(27,849)
Chapter II	11,188	22,270	(11,082)
Drug Free Schools	7,358	8,846	(1,488)
Class Size Reduction	46,616	64,568	(17,952)
Miscellaneous Federal Grants	3,771	5,656	(1,885)
<u>Capital Projects Funds:</u>			
Permanent Improvement Fund	816,176	829,999	(13,823)
Building Fund	290,138	3,125,001	(2,834,863)
Video Distance Learning	0	1,200	(1,200)

The School District had a deficit cash balance of \$2,175 in the Title VI-B/Collaborative Language and Literacy Instruction Project special revenue fund at fiscal year end which is contrary to section 5705.10, O.R.C.

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

NOTE 23 - STATE SCHOOL FUNDING DECISION

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

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...".

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

Granville Exempted Village School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

NOTE 24 – SUBSEQUENT EVENTS

On November 2, 2004, the School District renewed a 1.7 mill permanent improvement levy.

On November 2, 2004, the School District passed a 1.0 mill bond issue on behalf of the Granville Public Library.

On December 22, 2004, the School District issued \$4,950,000 in Library Improvement Notes for the Granville Public Library construction project.

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
LICKING COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2004**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed Through Ohio Department of Education:</i>				
Special Education Grants to States				
Collaborative Language and Literacy Instruction Project	6B-II-2004	84.027	\$218,346	\$220,958
IDEA Part B	6B-SF-2004	84.027	194,805	195,502
Total Special Education Grants to States			<u>413,151</u>	<u>416,460</u>
Title I Grants to Local Educational Agencies	C1-S1-2003	84.010	(1,321)	0
	C1-S1-2004		101,768	100,358
Total Title I Grants to Local Educational Agencies			<u>100,447</u>	<u>100,358</u>
Safe and Drug Free Schools and Communities	DR-S1-2003	84.186	(1,154)	
	DR-S1-2004		10,151	10,011
Total Safe and Drug Free Schools and Communities			<u>8,997</u>	<u>10,011</u>
Eisenhower Professional Development State Grant	MS-S1-2002	84.281	(3,868)	0
Innovative Educational Program Strategies	C2-S1-2003	84.298	(3,732)	0
	C2-S1-2004		15,538	16,238
Total Innovative Educational Program Strategies			<u>11,806</u>	<u>16,238</u>
Education Technology State Grants	TJ-S1-2004	84.318	2,719	2,314
Class Size Reduction	CR-S1-2002	84.340	(22)	0
Improving Teacher Quality State Grants	TR-S1-2003	84.367	(18,741)	750
	TR-S1-2004		63,641	47,542
Total Improving Teacher Quality State Grants			<u>44,900</u>	<u>48,292</u>
Total U.S. Department of Education			578,130	593,673
<u>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</u>				
<i>Passed Through Ohio Department of Education:</i>				
Learn and Serve America School and Community Based Grant	SV-S3-2001	94.004	(1,065)	1,886
Totals			<u>\$577,065</u>	<u>\$595,559</u>

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

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2004**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) summarizes activity of the District's federal awards programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B - DISCONTINUED FEDERAL PROGRAM

The Eisenhower Professional Development State Grant, CFDA #84.281 and the Class Size Reduction, CFDA #84.340 were eliminated due to the restructuring of the U.S. Department of Education's federal funding. As a result, amounts not encumbered at the end of the grant period under CFDA #84.281 and CFDA #84.340 were transferred to the Improving Teacher Quality State Grants, CFDA #84.367. These transfers are reflected on the Schedule.

NOTE C - TRANSFERS BETWEEN YEARS

The Title I Grants to Local Educational Agencies, CFDA #84.010, Safe and Drug Free Schools and Communities, CFDA #84.186, and Innovative Educational Program Strategies, CFDA #84.298 all had transfers of funds between grant years that were allowed by the Ohio Department of Education. These transfers are reflected on the Schedule.

NOTE D - REFUND TO THE OHIO DEPARTMENT OF EDUCATION

Due to the District not expending the balance of the Learn and Serve America School and Community Based Grant, CFDA 94.004, before the expiration of the period of availability, the District was required to refund the balance to the Ohio Department of Education. This refund is reflected on the Schedule.



Auditor of State Betty Montgomery

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Granville Exempted Village School District, Licking 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 January 28, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 instances of noncompliance that we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2004-001 and 2004-002. We also noted certain immaterial instances of noncompliance that we have reported to the District's management in a separate letter dated January 28, 2005.

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 a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to the District's management in a separate letter dated January 28, 2005.

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

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

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

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

Betty Montgomery
Auditor of State

January 28, 2005



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

To the Board of Education:

Compliance

We have audited the compliance of Granville Exempted Village School District, Licking County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2004. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2004.

Internal Control Over Compliance

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

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

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

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

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

Betty Montgomery
Auditor of State

January 28, 2005

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
LICKING COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2004**

1. SUMMARY OF AUDITOR'S RESULTS
--

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

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
LICKING COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2004
(Continued)**

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

Non-Compliance Finding Number	2004-001
--------------------------------------	-----------------

Finding for Recovery - Repaid Under Audit

As a part of reviewing travel reimbursements associated with the Collaborative Language and Literacy Instruction Project (CLLIP), it was found that, CLLIP Director, Dan Pallante, received travel reimbursements totaling \$1,078.65 for the reasons noted below.

Number	Check		Reimbursement Description		
	Date		Alcohol	Travel	Meal/Cab
43885	October 16, 2003		\$0.00	\$0.00	\$12.96
45630	March 12, 2004		0.00	150.61	0.00
45726	March 19, 2004		75.13	739.07	100.88
Total Reimbursement by Type:			\$75.13	\$889.68	\$113.84
Grand Total:			<u><u>\$1,078.65</u></u>		

The \$75.13 reimbursement was for receipts which included alcoholic purchases for which Mr. Pallante was reimbursed. Purchases of alcohol are not a "proper public purpose" as described in Auditor of State Bulletin 2003-005.

The \$889.68 reimbursement was a result of two invoices being submitted for a plane ticket, a hotel room, and a meal. The plane ticket and meal were reimbursed twice to Mr. Pallante, and the hotel room was reimbursed to Mr. Pallante as well as another employee.

The \$113.84 reimbursement was a result of several meal invoices and a cab invoice in which errors were made in calculation of the reimbursement, thus resulting in more reimbursement to Mr. Pallante than the actual cost of the meal or cab ride. For example, an item was purchased for \$3.67 and was paid for with a \$100 bill. The invoice was submitted for \$96.33 instead of the actual purchase of \$3.67.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended would have been issued against Dan Pallante, CLLIP Director, Brett Griffith, Treasurer of Granville Exempted Village School District, E.D. Stone Agency, Mr. Griffith's bonding company, and Accordia, the District's insurer, jointly and severally, in the amount of one thousand seventy-eight dollars and sixty-five cents (\$1,078.65), and in favor of Granville Exempted Village School District.

However, on November 29, 2004, the Granville Exempted Village School District accepted check number 5007 in the amount of \$1,078.65 from Dan Pallante, and the payment was credited to the CLLIP Fund.

It was also noted that the District's travel related policies do not address the use or accumulation of "rewards points" when staff use their personal credit cards to pay for expenses related to school travel. Mr. Pallante did receive rewards points on his personal credit card for school travel. However, these points had not been redeemed as of June 30, 2004.

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
LICKING COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2004
(Continued)**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

Non-Compliance Finding Number	2004-001 (Continued)1
--------------------------------------	------------------------------

Finding for Recovery - Repaid Under Audit (Continued)

In order to ensure reimbursements are properly accounted for in the future, we recommend:

- District travel policies should be followed (3440 - Professional Staff and 4440 - Classified Staff). This includes completing a Job Related Expense Reimbursement Request Form (Form 4440A F1) and obtaining approval of the Superintendent in accordance with school policy.
- An employee in the Treasurer's office should be responsible for recalculating amounts requested for reimbursement to ensure accuracy and completeness of all reimbursement requests.
- The District's travel policies should be revised to ensure the District is in compliance with Ohio Ethics Commission Advisory Opinion No. 91-010 which addresses employees receiving benefit from purchases made by an employee while conducting business on behalf of the District.

Non-Compliance Finding Number	2004-002
--------------------------------------	-----------------

Appropriations Exceeding Estimated Resources

Ohio Revised Code Section 5705.39 states in part that the total appropriations from each fund shall not exceed the total of the estimated resources available for expenditures therefrom, as certified by the budget commission, or in case of appeal, by the board of tax appeals. As of June 30, 2004, the District had appropriations exceeding estimated resources available for expenditures in the following funds:

Fund	Estimated Resources	Appropriations	Variance
Classroom Facilities Maintenance (034)	\$261,783	\$267,000	(\$5,217)
Career Development (409)	472	589	(117)
Ohio Reads (459)	4,000	4,500	(500)
Miscellaneous State Grants (499)	341,861	397,319	(55,458)
Title VI-B/CLLIP (516)	413,151	441,000	(27,849)
Chapter I (572)	101,768	101,792	(24)
Chapter II (573)	11,188	22,270	(11,082)
Drug Free Schools (584)	7,358	8,846	(1,488)
Class Size Reduction (590)	46,616	64,568	(17,952)
Miscellaneous Federal Grants (599)	3,771	5,656	(1,885)
Permanent Improvement Fund (003)	816,176	829,999	(13,823)
Building Fund (004)	290,138	3,125,001	(2,834,863)
Video Distance Learning (458)	0	1,200	(1,200)

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
LICKING COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2004
(Continued)**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

Non-Compliance Finding Number	2004-002 (Continued)
--------------------------------------	-----------------------------

Appropriations Exceeding Estimated Resources (Continued)

We recommend the Treasurer review the Amended Certificates of Estimated Resources and Supplemental Appropriation Measures to ensure that total appropriations from each fund do not exceed the total of the estimated resources available for expenditures.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
--

None



**Auditor of State
Betty Montgomery**

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

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

LICKING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 17, 2005**