



**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
LICKING COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2005



**Auditor of State
Betty Montgomery**

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
LICKING COUNTY**

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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 the Granville Exempted Village School District, Licking County, Ohio, (the District) as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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, 2005, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The schedule of federal awards receipts and expenditures provides additional information and is not a required part of the basic financial statements. We subjected the schedule of federal awards receipts and expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Betty Montgomery
Auditor of State

November 15, 2005

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
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, 2005. 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 2005 are as follows:

- Net assets of governmental activities decreased \$4,106,215.
- General revenues accounted for \$21,372,210 in revenue or 90 percent of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$2,356,005, 10 percent of total revenues of \$23,728,215.
- Total assets of governmental activities increased \$1,777,074. The major changes are a result of an increase in cash and cash equivalents of \$1,872,508 which is based on increases in property taxes revenue of \$587,230, intergovernmental revenue of \$426,336, and interest earnings of \$183,146. The increase in cash and cash equivalents is offset by a decrease in capital assets based on current year depreciation.
- The School District had \$27,834,430 in expenses related to governmental activities; only \$2,356,005 of these expenses were offset by program specific charges for services and grants and contributions. General revenues of \$21,372,210 were not adequate to provide for these programs.
- The School District has three major funds; the general fund, the debt service fund, and the building fund. The general fund had \$18,359,162 in revenues, \$17,342,570 in expenditures, and \$14,463 in transfers from the miscellaneous federal grants special revenue fund. The general fund's balance increased \$1,031,055. The debt service fund had \$2,685,513 in revenues and \$2,564,442 in expenditures. The debt service fund's balance increased \$121,071. The building fund had \$76,967 in revenues, \$5,624,083 in expenditures, and \$5,357,024 in other financing sources. The building fund's balance decreased \$190,092.

Using this Annual Financial Report

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

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

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

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 2005?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

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

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

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 2005 compared to 2004.

**Table I
Net Assets**

	<u>Governmental Activities</u>	
	<u>2005</u>	<u>2004</u>
Assets		
Current and Other Assets	\$26,735,778	\$24,044,381
Capital Assets	39,017,803	39,932,126
Total Assets	<u>65,753,581</u>	<u>63,976,507</u>
Liabilities		
Long-Term Liabilities	(38,876,284)	(34,647,893)
Other Liabilities	<u>(16,014,144)</u>	<u>(14,359,246)</u>
Total Liabilities	<u>(54,890,428)</u>	<u>(49,007,139)</u>
Net Assets		
Invested in Capital Assets, Net of Debt	6,703,576	6,480,216
Restricted	2,659,886	3,053,205
Unrestricted	1,499,691	5,435,947
Total Net Assets	<u><u>\$10,863,153</u></u>	<u><u>\$14,969,368</u></u>

Total assets increased \$1,777,074. The majority of this increase was due to an increase in cash and cash equivalents of \$1,872,508. The increase in cash and cash equivalents is based upon several factors. These factors include an increase in property tax revenue of \$587,230, intergovernmental revenue of \$426,336, and interest earnings of \$183,146. The increase in property tax revenue is based on an increase in assessed values from new construction. The increase in intergovernmental revenue is due to an increase in state subsidies and a \$205,195 increase in the Title VI-B/ Collaborative Language and Literacy Instruction Project federal grant. The increase in interest earnings is due to the School District investing an additional \$2,141,105 in federal securities during fiscal year 2005.

Total liabilities increased \$5,883,289. This increase is due to the School District issuing \$5,175,000 in general obligation bonds on behalf of the Granville Public Library.

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2005 and comparisons to fiscal year 2004.

**Table 2
Changes in Net Assets**

	Governmental Activities	
	2005	2004
Revenues		
Program Revenues		
Charges for Services	\$502,929	\$613,455
Operating Grants, Contributions and Interest	1,825,858	1,688,455
Capital Grants, Contributions and Interest	27,218	11,333
Total Program Revenues	<u>2,356,005</u>	<u>2,313,243</u>
General Revenue		
Property Taxes	14,475,464	13,888,234
Grants and Entitlements	6,529,526	6,103,190
Investment Earnings	301,432	118,286
Miscellaneous	65,788	164,933
Total General Revenues	<u>21,372,210</u>	<u>20,274,643</u>
Total Revenues	<u>23,728,215</u>	<u>22,587,886</u>
Program Expenses		
Instruction		
Regular	10,007,877	8,751,004
Special	1,094,548	952,868
Vocational	161,994	149,673
Support Services		
Pupil	1,188,512	1,172,424
Instructional Staff	1,198,148	1,029,845
Board of Education	69,618	84,027
Administration	1,491,165	1,479,691
Fiscal	555,454	507,814
Business	312	2,017
Operation and Maintenance of Plant	2,060,552	1,877,893
Pupil Transportation	1,219,641	1,161,400
Central	182,849	75,946
Operation of Non-Instructional Services		
Other	24,787	9,686
Extracurricular Activities	740,628	704,381
Intergovernmental	6,119,702	432,548
Interest and Fiscal Charges	1,718,643	1,410,922
Total Expenses	<u>27,834,430</u>	<u>19,802,139</u>
Increase (Decrease) in Net Assets	<u>(\$4,106,215)</u>	<u>\$2,785,747</u>

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

The majority of the decrease in net assets is due to the School District issuing \$5,175,000 in general obligation bonds on behalf of the Granville Public Library for the purpose of expanding and renovating the Library. The School District is responsible for the debt issuance and the Library is responsible for the actual construction and renovation expenditures. Therefore, the increase in intergovernmental expense of \$5,687,154 is due to the School District distributing the bond proceeds to the Granville Public Library during fiscal year 2005.

In addition, instructional expenses increased \$1,410,874 during fiscal year 2005 due to a 3 percent salary increase, step increases, and a 9 percent increase in health insurance. The District continues to rely heavily upon tax revenues and state subsidies.

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

**Table 3
Governmental Activities**

	2005 Total Cost of Services	2005 Net Cost of Services	2004 Total Cost of Services	2004 Net Cost of Services
Program Expenses				
Instruction:				
Regular	\$10,007,877	\$9,621,354	\$8,751,004	\$8,425,772
Special	1,094,548	632,403	952,868	654,901
Vocational	161,994	152,757	149,673	134,666
Support Services:				
Pupil	1,188,512	841,694	1,172,424	882,095
Instructional Staff	1,198,148	1,121,591	1,029,845	911,297
Board of Education	69,618	69,618	84,027	84,027
Administration	1,491,165	1,398,171	1,479,691	1,361,733
Fiscal	555,454	555,454	507,814	507,433
Business	312	(3)	2,017	440
Operation and Maintenance of Plant	2,060,552	2,026,192	1,877,893	1,847,262
Pupil Transportation	1,219,641	1,207,438	1,161,400	1,150,067
Central	182,849	175,025	75,946	68,231
Operation of Non-Instructional Services				
Other	24,787	12,824	9,686	7,974
Extracurricular Activities	740,628	509,082	704,381	324,508
Intergovernmental	6,119,702	5,436,182	432,548	(282,432)
Interest and Fiscal Charges	1,718,643	1,718,643	1,410,922	1,410,922
Totals	\$27,834,430	\$25,478,425	\$19,802,139	\$17,488,896

Instructional programs comprise approximately 41 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
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

During 2005, intergovernmental program expenses were 22 percent of total governmental program expenses. The increase in intergovernmental program expenses is due to the School District issuing general obligation bonds of \$5,175,000 on behalf of the Granville Public Library. The School District distributed the bond proceeds to the Granville Public Library during 2005.

The School District Funds

The School District's major funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$23,677,941 and expenditures of \$28,257,785.

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 2005, the School District amended its general fund appropriations; none of the amendments were significant.

Budget basis revenue was \$18,780,919 compared to original estimates of \$12,883,459. Of this \$5,897,460 difference, the majority was due to the School District not certifying with the County Auditor the estimated amount of state subsidies and entitlements.

The School District's ending unobligated general fund balance was \$7,531,897.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2005, the School District had \$39,017,803 invested in land, buildings, furniture and equipment and vehicles. Table 4 shows fiscal year 2005 balances compared to 2004.

**Table 4
Capital Assets at June 30, 2005
(Net of Depreciation)**

	<u>Government Activities</u>	
	<u>2005</u>	<u>2004</u>
Land and Land Improvements	\$2,581,269	\$2,586,206
Buildings and Improvements	35,069,240	35,946,567
Furniture and Equipment	690,215	801,927
Vehicles	<u>677,079</u>	<u>597,426</u>
Totals	<u><u>\$39,017,803</u></u>	<u><u>\$39,932,126</u></u>

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

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

Debt

At June 30, 2005, the School District had \$38,370,489 in bonds, capital leases, and unamortized premiums outstanding.

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

	Governmental Activities 2005	Governmental Activities 2004
School Improvement Refunding Bond 1994 2.6%-4.65%	\$1,856,838	\$2,531,838
School Improvement Bond 2002 2.5%-5.5%	20,530,000	20,815,000
School Improvement Capital Appreciation Bond 2002 4.65%-5.11%	95,530	69,385
School Improvement Bond 2004 2.0%-5.0%	9,805,000	9,805,000
School Improvement Capital Appreciation Bond 2004 27.67%-31.13%	87,720	66,723
2004 School Improvement Bond Premium	413,302	430,584
Library Improvement Bond 2005 3.0%-5.0%	5,175,000	47,000
2005 Library Improvement Bond Premium	180,990	
Capital Leases	226,109	365,092
Totals	<u>\$38,370,489</u>	<u>\$34,130,622</u>

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

Set-asides

For fiscal year 2005, 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 2005, this amounted to \$305,594 for each set aside. For fiscal year 2005, the School District had qualifying disbursements or offsets exceeding the \$305,594 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 decreased by \$4,106,215. This decrease was mainly due to the School District issuing \$5,175,000 in general obligation bonds on behalf of the Granville Public Library. 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
LICKING COUNTY**

***MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)***

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
LICKING COUNTY**

**STATEMENT OF NET ASSETS
JUNE 30, 2005**

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$10,774,062
Cash and Cash Equivalents in Segregated Accounts	84
Materials and Supplies Inventory	3,463
Prepaid Items	945
Intergovernmental Receivable	33,514
Accounts Receivable	5,033
Property Taxes Receivable	15,592,779
Deferred Charges	325,898
Nondepreciable Capital Assets	1,465,969
Depreciable Capital Assets, Net	37,551,834
<i>Total Assets</i>	65,753,581
Liabilities	
Accounts Payable	188,960
Accrued Wages and Benefits Payable	1,623,121
Matured Interest Payable	157
Matured Capital Leases Payable	512
Accrued Interest Payable	138,590
Intergovernmental Payable	575,455
Deferred Revenue	13,487,349
Long-Term Liabilities:	
Due Within One Year	1,280,517
Due In More Than One Year	37,595,767
<i>Total Liabilities</i>	54,890,428
Net Assets	
Invested in Capital Assets, Net of Related Debt	6,703,576
Restricted for:	
Capital Projects	435,943
Debt Service	1,905,441
Bus Purchase	12,203
Other Purposes	306,299
Unrestricted	1,499,691
<i>Total Net Assets</i>	\$10,863,153

See accompanying notes to the basic financial statements

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
LICKING COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	Expenses	Program Revenues		Governmental Activities	Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions		
Governmental Activities					
Instruction:					
Regular	\$10,007,877	\$192,537	\$178,971	\$15,015	(\$9,621,354)
Special	1,094,548	0	462,145	0	(632,403)
Vocational	161,994	0	9,237	0	(152,757)
Support Services:					
Pupil	1,188,512	94,441	252,377	0	(841,694)
Instructional Staff	1,198,148	2,790	73,767	0	(1,121,591)
Board of Education	69,618	0	0	0	(69,618)
Administration	1,491,165	1,256	91,738	0	(1,398,171)
Fiscal	555,454	0	0	0	(555,454)
Business	312	0	315	0	3
Operation and Maintenance of Plant	2,060,552	20,659	13,701	0	(2,026,192)
Pupil Transportation	1,219,641	0	0	12,203	(1,207,438)
Central	182,849	683	7,141	0	(175,025)
Operation of Non-Instructional Services	24,787	1,639	10,324	0	(12,824)
Extracurricular Activities	740,628	188,924	42,622	0	(509,082)
Intergovernmental	6,119,702	0	683,520	0	(5,436,182)
Interest and Fiscal Charges	1,718,643	0	0	0	(1,718,643)
Totals	\$27,834,430	\$502,929	\$1,825,858	\$27,218	(25,478,425)

General Revenues

Property Taxes Levied for	
General Purposes	11,551,046
Debt Service	2,327,709
Capital Outlay	469,845
Classroom Facilities Maintenance	126,864
Grants and Entitlements not Restricted to Specific Programs	6,529,526
Investment Earnings	301,432
Miscellaneous	65,788
Total General Revenues	21,372,210
Change in Net Assets	(4,106,215)
Net Assets Beginning of Year	14,969,368
Net Assets End of Year	\$10,863,153

See accompanying notes to the basic financial statements

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
LICKING COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005**

	General	Debt Service	Building Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$7,718,835	\$2,248,231	\$117,563	\$677,230	\$10,761,859
Cash and Cash Equivalents in Segregated Accounts	0	0	0	84	84
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	12,203	0	0	0	12,203
Accounts Receivable	5,033	0	0	0	5,033
Interfund Receivable	33,020	0	0	0	33,020
Intergovernmental Receivable	0	0	0	33,514	33,514
Prepaid Items	945	0	0	0	945
Materials and Supplies Inventory	3,463	0	0	0	3,463
Property and Other Local Taxes Receivable	12,385,767	2,650,330	0	556,682	15,592,779
Total Assets	\$20,159,266	\$4,898,561	\$117,563	\$1,267,510	\$26,442,900
Liabilities					
Matured Interest Payable	\$157	\$0	\$0	\$0	\$157
Matured Capital Leases Payable	512	0	0	0	512
Accounts Payable	73,538	0	4,300	111,122	188,960
Accrued Wages and Benefits	1,611,219	0	0	11,902	1,623,121
Interfund Payable	0	0	0	33,020	33,020
Deferred Revenue	11,186,881	2,378,413	0	500,632	14,065,926
Intergovernmental Payable	575,260	0	0	195	575,455
Total Liabilities	13,447,567	2,378,413	4,300	656,871	16,487,151
Fund Balances					
Reserved for Encumbrances	193,619	0	0	294,619	488,238
Reserved for Bus Purchase	12,203	0	0	0	12,203
Reserved for Property Taxes	1,132,400	263,700	0	53,900	1,450,000
Unreserved:					
Undesignated, Reported in:					
General Fund	5,373,477	0	0	0	5,373,477
Special Revenue Funds	0	0	0	218,565	218,565
Debt Service Fund	0	2,256,448	0	0	2,256,448
Capital Projects Funds	0	0	113,263	43,555	156,818
Total Fund Balances	6,711,699	2,520,148	113,263	610,639	9,955,749
Total Liabilities and Fund Balances	\$20,159,266	\$4,898,561	\$117,563	\$1,267,510	\$26,442,900

See accompanying notes to the basic financial statements

GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
LICKING COUNTY

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO
THE STATEMENT OF NET ASSETS
JUNE 30, 2005**

Total Governmental Fund Balances \$9,955,749

***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. 39,017,803

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

Property Taxes Receivable	574,613	
Student Fees	<u>3,964</u>	578,577

Unamortized issuance costs are reported as deferred charges on the Statement of Net Assets but as an expenditure on the fund financial statements. 325,898

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

Bonds Payable	(37,461,620)	
Bond Premium	(594,292)	
Deep Discount Debt Accretion	(88,468)	
Accrued Interest Payable	(138,590)	
Capital Leases Payable	(226,109)	
Compensated Absences	<u>(505,795)</u>	<u>(39,014,874)</u>

Net Assets of Governmental Activities \$10,863,153

See accompanying notes to the basic financial statements

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
LICKING COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	General	Debt Service	Building Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$11,461,609	\$2,303,800	\$73,937	\$519,492	\$14,358,838
Intergovernmental	6,458,777	305,629	0	1,580,559	8,344,965
Interest	214,584	76,084	3,030	9,607	303,305
Tuition and Fees	185,149	0	0	0	185,149
Extracurricular Activities	0	0	0	295,157	295,157
Rentals	20,659	0	0	0	20,659
Contributions and Donations	0	0	0	104,080	104,080
Miscellaneous	18,384	0	0	47,404	65,788
Total Revenues	18,359,162	2,685,513	76,967	2,556,299	23,677,941
Expenditures					
Current:					
Instruction:					
Regular	8,798,993	0	104,530	371,292	9,274,815
Special	818,194	0	0	181,673	999,867
Vocational	149,351	0	0	0	149,351
Support Services:					
Pupils	815,197	0	0	378,390	1,193,587
Instructional Staff	1,019,308	0	0	83,339	1,102,647
Board of Education	69,742	0	0	0	69,742
Administration	1,336,305	0	0	98,045	1,434,350
Fiscal	513,203	37,137	0	8,427	558,767
Business	0	0	0	312	312
Operation and Maintenance of Plant	1,794,484	0	0	323,797	2,118,281
Pupil Transportation	1,308,793	0	0	24,765	1,333,558
Central	173,626	0	0	9,223	182,849
Other Non-Instructional Services	6,302	0	0	14,480	20,782
Extracurricular Activities	381,604	0	0	242,395	623,999
Capital Outlay	0	0	88,592	45,762	134,354
Intergovernmental	0	0	5,175,000	944,790	6,119,790
Debt Service:					
Principal Retirement	138,983	1,007,000	0	0	1,145,983
Interest and Fiscal Charges	18,485	1,520,305	127,837	0	1,666,627
Issuance Costs	0	0	128,124	0	128,124
Total Expenditures	17,342,570	2,564,442	5,624,083	2,726,690	28,257,785
Excess of Revenues Over (Under) Expenditures:	1,016,592	121,071	(5,547,116)	(170,391)	(4,579,844)
Other Financing Sources (Uses)					
General Obligation Bonds Issued	0	0	5,175,000	0	5,175,000
Premium on Bond Issuance	0	0	182,024	0	182,024
Transfers In	14,463	0	0	0	14,463
Transfers Out	0	0	0	(14,463)	(14,463)
Total Other Financing Sources (Uses)	14,463	0	5,357,024	(14,463)	5,357,024
Net Change in Fund Balances	1,031,055	121,071	(190,092)	(184,854)	777,180
Fund Balances Beginning of Year	5,680,644	2,399,077	303,355	795,493	9,178,569
Fund Balances End of Year	\$6,711,699	\$2,520,148	\$113,263	\$610,639	\$9,955,749

See accompanying notes to the basic financial statements

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
LICKING COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

Net Change in Fund Balances - Total Governmental Funds		\$777,180
<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	350,016	
Depreciation Expense	<u>(1,264,339)</u>	(914,323)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Interest	(1,873)	
Student Fees	1,964	
Grants	(66,443)	
Delinquent Taxes	<u>116,626</u>	50,274
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
		1,145,983
In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest is expended when due.		
		(14,162)
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	104,111	
Compensated Absences Payable	<u>11,476</u>	115,587
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	(5,175,000)	
Premium	<u>(182,024)</u>	(5,357,024)
The amortization of premiums and issuance costs are reported on the statement of activities:		
Premium Amortization	18,316	
Issuance Costs Amortization	<u>(9,028)</u>	9,288
Issuance Costs are reported as an expenditure when paid in the governmental funds, but are deferred on the statement of net assets		
		128,124
Accretion on capital appreciation bonds is an expenditure in the governmental funds but is allocated as an expense over the life of the bonds.		
		<u>(47,142)</u>
<i>Change in Net Assets of Governmental Activities</i>		<u><u>(\$4,106,215)</u></u>

See accompanying notes to the basic financial statements

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
LICKING COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$12,883,459	\$11,926,569	\$11,891,467	(\$35,102)
Intergovernmental	0	6,277,959	6,458,777	180,818
Interest	0	202,520	202,520	0
Tuition and Fees	0	185,293	185,293	0
Rent	0	20,749	20,749	0
Miscellaneous	0	22,113	22,113	0
<i>Total Revenues</i>	<u>12,883,459</u>	<u>18,635,203</u>	<u>18,780,919</u>	<u>145,716</u>
Expenditures				
Current:				
Instruction:				
Regular	8,835,717	9,307,910	8,396,669	911,241
Special	790,126	873,330	789,702	83,628
Vocational	143,065	160,357	145,640	14,717
Other	217,542	246,604	223,905	22,699
Support Services:				
Pupils	824,770	936,167	841,015	95,152
Instructional Staff	959,863	1,063,553	965,161	98,392
Board of Education	72,823	75,970	68,902	7,068
Administration	1,296,919	1,424,716	1,306,022	118,694
Fiscal	534,167	582,859	529,969	52,890
Business	2,028	0	0	0
Operation and Maintenance of Plant	1,745,503	2,023,058	1,818,103	204,955
Pupil Transportation	1,307,610	1,433,451	1,290,503	142,948
Central	130,925	191,951	173,581	18,370
Other Non-Instructional Services	0	8,463	7,684	779
Extracurricular Activities	380,051	412,720	376,499	36,221
<i>Total Expenditures</i>	<u>17,241,109</u>	<u>18,741,109</u>	<u>16,933,355</u>	<u>1,807,754</u>
<i>Net Change in Fund Balance</i>	(4,357,650)	(105,906)	1,847,564	1,953,470
<i>Fund Balance Beginning of Year</i>	5,443,229	5,443,229	5,443,229	0
Prior Year Encumbrances Appropriated	241,104	241,104	241,104	0
<i>Fund Balance End of Year</i>	<u>\$1,326,683</u>	<u>\$5,578,427</u>	<u>\$7,531,897</u>	<u>\$1,953,470</u>

See accompanying notes to the basic financial statements

**GRANVILLE EXEMPTD VILLAGE SCHOOL DISTRICT
LICKING COUNTY**

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2005**

Assets	
Equity in Pooled Cash and Cash Equivalents	\$231,687
Cash and Cash Equivalents in Segregated Accounts	<u>371</u>
<i>Total Assets</i>	<u><u>\$232,058</u></u>
 Liabilities	
Due to Students	\$70,040
Due to Others	137,153
Due to Other Governments	<u>24,865</u>
<i>Total Liabilities</i>	<u><u>\$232,058</u></u>

See accompanying notes to the basic financial statements

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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 59 non-certificated employees, 146 certificated full-time personnel and 9 administrative employees who provide services to 2,244 full-time equivalent students. The School District currently operates four instructional buildings, one administrative building, and one garage.

Reporting Entity:

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

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

The following activities are included within the reporting entity:

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

The School District is associated with nine organizations, six of which are defined as jointly governed organizations, two as insurance purchasing pools, and one as a related organization. These organizations are the Licking Area Computer Association, Career and Technology Education Centers of Licking County, Metropolitan Educational Council, Central Ohio Special Education Regional Resource Center, the School Study Council of Ohio, the Newark-Granville Community Authority, the Ohio School Board Association Workers' Compensation Group Rating Plan, the Metropolitan Educational Council Group Insurance Pool, and the Granville Schools Education Foundation, Incorporated. These organizations are presented in Notes 16, 17, and 18 to the basic financial statements.

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

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

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. During 2005, this fund was also used to account for the bond proceeds for the Granville Public Library. The Granville Public Library is fiscally responsible for the construction portion of this project.

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

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

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

C. Measurement Focus

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

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

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting

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

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

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 deposited into the School District treasury.

During fiscal year 2005, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio) and federal agency securities.

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

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2005.

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 2005 amounted to \$214,584, which includes \$78,795 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, 2005, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense/expenditure is reported in the fiscal year in which services are consumed.

G. Inventory

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

H. Capital Assets

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

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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
Furniture and Equipment	5-20 years
Vehicles	15 years

I. Interfund Balances

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

J. Restricted Assets

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

K. Compensated Absences

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

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

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Accrued Liabilities and Long-term Obligations

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

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

M. Fund Balance Reserves

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

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

N. Net Assets

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

The government-wide statement of net assets reports \$2,659,886 of restricted net assets, of which \$546,234 is restricted by enabling legislation.

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

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

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.

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Estimates

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

Q. Budgetary Data

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

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 the fiscal year ended June 30, 2005, the School District has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures", GASB Technical Bulletin No. 2004-02, "Recognition of Pension and Other Postemployment Benefit Expenditures/ Expenses and Liabilities by Cost Sharing Employers", and GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation".

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLE (Continued)

GASB Statement No. 40 modifies the disclosures for deposits and investments. See Note 5 “Deposits and Investments” for the required disclosures.

GASB Technical Bulletin No. 2004-02 addresses the amount that should be recognized as an expenditure/ expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other postemployment benefit (OPEB) plans. The implementation did not materially affect the fund balances of governmental funds, and had no effect on net assets.

GASB Statement No. 46 clarifies how legal enforceability should be applied for determining restricted net assets, and had no material effect on the financial statements.

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING

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

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

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

Net Change in Fund Balance	
GAAP Basis	\$1,031,055
Net Adjustment for Revenue Accruals	436,718
Net Adjustment for Expenditure Accruals	612,392
Beginning:	
Fair Value Adjustment for Investments	(367)
Prepaid Items	872
Ending:	
Fair Value Adjustment for Investments	(14,594)
Prepaid Items	(945)
Transfers In	(14,463)
Adjustment for Encumbrances	<u>(203,104)</u>
Budget Basis	<u><u>\$1,847,564</u></u>

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

Deposits: Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$785,494 of the School District's bank balance of \$885,494 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

Investments: As of June 30, 2005, the School District had the following investments. All investments are in an internal investment pool.

	<u>Fair Value</u>	<u>Maturity</u>
Federal National Mortgage Corporation- Discount Note	\$490,600	1/9/2006
Federal National Mortgage Corporation- Discount Note	489,050	2/7/2006
Federal National Mortgage Corporation- Discount Note	499,150	7/19/2005
Federal National Mortgage Corporation- Discount Note	497,200	8/30/2005
Federal National Mortgage Corporation- Discount Note	499,790	7/5/2005
Federal National Mortgage Corporation- Discount Note	494,251	9/28/2005
Federal National Mortgage Corporation- Discount Note	492,325	12/12/2005
Federal Home Loan Bank - Discount Note	498,390	8/5/2005
Federal Home Loan Bank - Discount Note	492,575	11/18/2005
STAR Ohio	<u>6,256,020</u>	30 Days
Total	<u><u>\$10,709,351</u></u>	

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

Interest Rate Risk

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

Credit Risk

The Federal National Mortgage Corporation Discount Notes and Federal Home Loan Bank Discount Notes carry a rating of A-1+ by Standard and Poor's. STAR Ohio carries a rating of AAAm by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that would further limit its investment choices.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Federal National Mortgage Corporation Discount Notes and the Federal Home Loan Bank Discount Notes are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the School District's name. The School District has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk

The School District places no limit on the amount it may invest in any one issuer. Of the School District's total investments, 32% is invested in Federal National Mortgage Corporation Discount Notes and 9% is invested in Federal Home Loan Bank Discount Notes.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2005 represent the collection of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at thirty-five percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 6 - PROPERTY TAXES (Continued)

Public utility property tax revenues received in calendar year 2005 represent the collection of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien on December 31, 2003, were levied after April 1, 2004, and are collected with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar 2005 (other than public utility property) represent the collection of calendar year 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, on the value as of December 31, 2004. 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 2005 tangible personal property tax settlement from Licking County was not received until July of 2005.

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, 2005, are available to finance fiscal year 2005 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, 2005 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, 2005, was \$1,450,000. \$1,132,400 was available to the general fund, \$263,700 was available to the bond retirement debt service fund, \$40,700 was available to the permanent improvement capital projects fund, and \$13,200 was available to the classroom facilities maintenance special revenue fund. The amount of the late personal property tax settlement was \$70,450 in the general fund, \$8,217 in the bond retirement debt service fund, \$1,661 in the permanent improvement capital projects fund, and \$489 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.

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 6 - PROPERTY TAXES (Continued)

The assessed values upon which the fiscal year 2005 taxes were collected are:

	2004 Second- Half Collections		2005 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/ Residential and Other Real Estate	\$312,203,030	94.30%	\$325,044,640	94.76%
Public Utility	7,807,280	2.36%	8,153,910	2.38%
Tangible Personal Property	11,065,970	3.34%	9,795,530	2.86%
Total Assessed Value	\$331,076,280	100.00%	\$342,994,080	100.00%
Tax rate per \$1,000 of assessed valuation	\$81.19		\$82.71	

On November 2, 2004, the School District passed a 1.0 mill bond issue on behalf of the Granville Public Library. Collections of the levy began with the February 2005 tax settlement.

During fiscal year 2005, the School District received an additional .4 mills of inside millage. Based on the mandated minimum the School District should have been receiving a minimum levy of 5.2 mills within the ten-mill limitation rather than the 4.8 mill levy they were historically receiving.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2005, 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>
FEMA	\$14,463
Collaborative Language and Literacy Instruction Project Grant	19,051
Total	\$33,514

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 8 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	<u>Balance June 30, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2005</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	1,433,590	66,694	0	1,500,284
Buildings and Improvements	43,288,181	74,991	0	43,363,172
Furniture and Equipment	1,374,434	57,233	0	1,431,667
Vehicles	1,304,248	151,098	0	1,455,346
Total at Historical Cost	<u>47,400,453</u>	<u>350,016</u>	<u>0</u>	<u>47,750,469</u>
Less Accumulated Depreciation				
Land Improvements	(313,353)	(71,631)	0	(384,984)
Buildings and Improvements	(7,341,614)	(952,318)	0	(8,293,932)
Furniture and Equipment	(572,507)	(168,945)	0	(741,452)
Vehicles	(706,822)	(71,445)	0	(778,267)
Total Accumulated Depreciation	<u>(8,934,296)</u>	<u>(1,264,339)</u>	<u>0</u>	<u>(10,198,635)</u>
Depreciable Capital Assets, Net of Accumulated Depreciation	<u>38,466,157</u>	<u>(914,323)</u>	<u>0</u>	<u>37,551,834</u>
Governmental Activities Capital Assets, Net	<u>\$39,932,126</u>	<u>(\$914,323)</u>	<u>\$0</u>	<u>\$39,017,803</u>

- Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$713,227
Special	93,978
Vocational	12,643
Support Services:	
Pupil	53,304
Instructional Staff	104,327
Administration	82,423
Fiscal	954
Operation and Maintenance	8,132
Pupil Transportation	73,513
Extracurricular	117,833
Other Instructional Services	<u>4,005</u>
Total Depreciation Expense	<u>\$1,264,339</u>

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

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 2005, 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)	\$46,676,825
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	3,000,000
Damage to Premises Rented to You	100,000
Medical Expense	10,000
Education Umbrella Liability Policy	
For General Liability	
Per occurrence	2,000,000
Aggregate Per Year	2,000,000
Fleet Insurance (\$1,000 deductible)	1,000,000
Uninsured Motorists	100,000
Medical Payments	5,000

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

In fiscal year 2005, 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 insurance, services, supplies, and other items. The MEC has over 100 members which include school districts, joint vocational schools, educational service centers, and libraries covering 24 counties in central Ohio. The governing board of MEC is composed of either the superintendent, a designated representative or a member of the board of education for each participating school district in Franklin County (18 school districts) and one representative from each county.

For fiscal year 2005, 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.

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (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 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 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, 2005, 2004, and 2003, were \$179,802, \$140,392, and \$133,108, respectively; 46 percent has been contributed for fiscal year 2005 and 100 percent for the fiscal years 2004 and 2003. \$96,752 represents the unpaid contribution for fiscal year 2005.

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.

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

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, 2005, 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, 2005, 2004, and 2003 were \$1,034,075, \$893,506, and \$1,026,232 respectively; 70 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003. Contributions to the DC and Combined Plans for fiscal year 2005 were \$19,612 made by the School District and \$37,219 made by the plan members. \$312,149 represents the unpaid contribution for fiscal year 2005.

NOTE 11 - POSTEMPLOYMENT BENEFITS

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

STRS Ohio retirees who participated in the DB Plan or the Combined Plan are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2005, 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 \$81,053 for fiscal year 2005.

STRS Ohio pays health care benefits from the Health Care Reserve Fund. At June 30, 2004, (the latest information available) 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.

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 11 - POSTEMPLOYMENT BENEFITS (Continued)

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2005, employer contributions to fund health care benefits were 3.43 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 2005, the minimum pay has been established as \$27,400. For the School District, the amount to fund health care benefits, including surcharge, during the 2005 fiscal year equaled \$85,053.

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, (the latest information available) 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.

NOTE 12 - EMPLOYEE BENEFITS

A. Compensated Absences

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

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.

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 13 – CAPITALIZED LEASES

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

The agreements provide for minimum annual rental payments as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2006	\$120,698	\$11,341
2007	75,846	5,335
2008	25,480	845
2009	4,085	123
Total	<u>\$226,109</u>	<u>\$17,644</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. Principal payments in fiscal year 2005 totaled \$138,983 in the governmental funds.

Property under Capital Lease	\$556,585
Less: Accumulated Depreciation	<u>(270,886)</u>
Total June 30, 2005	<u>\$285,699</u>

NOTE 14 - NOTES PAYABLE

A summary of the note transactions for the year ended June 30, 2005 follows:

	<u>Outstanding 6/30/2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding 6/30/2005</u>
Building Fund:				
3.0% Library Improvement Note	<u>0</u>	<u>4,950,000</u>	<u>4,950,000</u>	<u>0</u>
Total Notes Outstanding	<u>\$0</u>	<u>\$4,950,000</u>	<u>\$4,950,000</u>	<u>\$0</u>

The bond anticipation notes were issued on behalf of the Granville Public Library for expanding and renovating the Library. The notes were retired upon the issuance of bonds during fiscal year 2005.

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 15 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2005 were as follows:

	Principal Outstanding 6/30/2004	Additions	Deductions	Principal Outstanding 6/30/2005	Due in One Year
School Improvement Refunding Bond 1994 2.6% - 4.65%	\$2,531,838	\$0	\$675,000	\$1,856,838	\$675,000
School Improvement Serial Bonds - 2002 2.5% - 4.75%	2,130,000	0	285,000	1,845,000	290,000
Term Bonds - 2002 5.0% - 5.5%	18,685,000	0	0	18,685,000	0
School Improvement Capital Appreciation Bonds 2002 4.65% - 5.11%					
Original Issue	29,782			29,782	0
Accretion	39,603	26,145	0	65,748	0
School Improvement Serial Bonds - 2004 2.0% - 4.5%	6,855,000	0	0	6,855,000	30,000
Term Bonds - 2004 5.0%	2,950,000	0	0	2,950,000	0
School Improvement Capital Appreciation Bonds 2004 27.67% -31.13%					
Original Issue	65,000	0	0	65,000	0
Accretion	1,723	20,997	0	22,720	0
School Improvement 2004 Serial/ Term Bonds Premium	430,584	0	17,282	413,302	0
Library Improvement Serial Bonds - 2005 3.0% - 4.0%	0	1,050,000	0	1,050,000	75,000
Term Bonds - 2005 4.0% - 5.0%	0	4,125,000	0	4,125,000	0
2005 Serial/ Term Bonds Premium	0	182,024	1,034	180,990	0
Energy Conservation Bond 1994 5.75% - 5.9%	47,000	0	47,000	0	0
Total Long-Term Bonds	33,765,530	5,404,166	1,025,316	38,144,380	1,070,000
Capital Leases	365,092	0	138,983	226,109	120,698
Compensated Absences	517,271	41,603	53,079	505,795	89,819
Total General Long-Term Obligations	\$34,647,893	\$5,445,769	\$1,217,378	\$38,876,284	\$1,280,517

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 15 - LONG-TERM OBLIGATIONS (Continued)

School Improvement General Obligation Refunding Bonds - On October 15, 1993, Granville Exempted Village School District issued \$7,536,838 in School Improvement General Obligation Refunding Bonds with an interest rate varying from 2.6 percent to 4.65 percent to advance refund \$7,540,000 of outstanding 1990 school improvement bonds with an average interest rate of 10 percent. The proceeds of the refunding were deposited in an irrevocable trust with Park National Bank to provide for all future debt service payments. As a result, the 1990 Series bonds are considered to be defeased and the liability for those bonds has been removed from the balance sheet. The 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
2006	\$675,000	\$266,647
2007	183,094	503,111
2008	160,684	506,166
2009	141,986	516,836
2010	129,343	530,971
2011-2015	496,710	2,752,699
2016	70,021	269,989
Total	<u>\$1,856,838</u>	<u>\$5,346,419</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:

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)**

NOTE 15 - LONG-TERM OBLIGATIONS (Continued)

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
	\$7,475,000

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

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

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. The maturity amount of the bonds is \$2,175,000. The fiscal year 2005 accretion amount is \$26,145.

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 15 - LONG-TERM OBLIGATIONS (Continued)

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

Fiscal Year Ending June 30,	Principal	Interest
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	375,000	997,276
2011-2015	238,644	5,839,682
2016-2020	2,146,138	5,981,237
2021-2025	7,230,000	3,579,750
2026-2029	9,320,000	1,012,002
Total	<u>\$20,559,782</u>	<u>\$21,534,408</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 2005, issuance costs of \$8,300 were amortized. The bonds were issued for a twenty-four year period with final maturity at December 1, 2028.

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

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

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

The capital appreciation bonds will mature December 1, 2011 through 2014. These bonds were purchased at a discount at the time of issuance and, at maturity all compound interest is paid and the bond holder collects the face value. However, since interest is technically earned and compounded semi-annually, the value of the bond increases. The maturity amount of the bonds is \$735,000. The fiscal year 2005 accretion amount is \$20,997.

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 15 - LONG-TERM OBLIGATIONS (Continued)

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

Fiscal Year Ending June 30,	Principal	Interest
2006	\$30,000	\$413,136
2007	155,000	411,286
2008	290,000	406,546
2009	400,000	398,356
2010	520,000	386,076
2011-2015	215,000	2,543,055
2016-2020	2,315,000	1,674,267
2021-2025	2,995,000	1,068,816
2026-2029	2,950,000	339,500
Total	<u>\$9,870,000</u>	<u>\$7,641,038</u>

On April 6, 2005, the School District issued \$5,175,000 in general obligation Library Improvement Bonds to pay off the 2005 bond anticipation notes outstanding, on behalf of the Granville Public Library. The School District received \$5,357,024 in bond proceeds, which includes \$182,024 in premium. Issuance costs associated with the bond issue were \$128,124 and are deferred. For fiscal year 2005, issuance costs of \$728 were amortized. The bonds were issued for a twenty-six year period with final maturity at December 1, 2031.

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

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
2014	\$150,000

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

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

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
2016	\$160,000

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

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 15 - LONG-TERM OBLIGATIONS (Continued)

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

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
2018	\$175,000

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

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

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
2020	\$195,000

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

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

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
2022	\$215,000

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

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

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
2024	\$245,000

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

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 15 - LONG-TERM OBLIGATIONS (Continued)

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

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

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

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

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

Fiscal Year	Principal	Interest
Ending June 30,		
2006	\$75,000	\$237,737
2007	150,000	234,362
2008	100,000	230,612
2009	40,000	228,512
2010	135,000	225,719
2011-2015	700,000	1,055,789
2016-2020	845,000	891,100
2021-2025	1,085,000	652,875
2026-2030	1,390,000	343,750
2031-2032	655,000	33,125
Total	\$5,175,000	\$4,133,581

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. The Energy Conservation Bonds were paid off during fiscal year 2005.

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

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 15 - LONG-TERM OBLIGATIONS (Continued)

The School District's overall legal debt margin at June 30, 2005, was \$19,073,063, with an unvoted debt margin of \$602,038. The School District was approved as a special needs district by the Ohio Department of Education. This approval was granted based on projected tax valuation growth figures submitted by the School District to the Ohio Department of Education which is used to calculate the legal debt margin.

NOTE 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 2005 were \$93,804. Financial statements for LACA can be obtained from their fiscal agent the Career and Technology Education Centers of Licking County, 150 Price Road, Newark, OH 43055.

B. Career and Technology Education Centers of Licking County

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

C. Metropolitan Educational Council

The School District participates in the Metropolitan Educational Council (MEC), a jointly governed organization. The organization is composed of over 100 members which includes school districts, joint vocational schools, educational service centers, and libraries covering 24 counties in Central Ohio. The MEC helps its members purchase services, insurances, supplies, and other items at a discounted rate. The governing board of MEC is composed of either the superintendent, a designated representative or a member of the board of education for each participating school district in Franklin County (18 school districts) and one representative from each county. Each year, the participating school districts pay a membership fee to MEC to cover the costs of administering the program. The School District's membership payment to MEC for fiscal year 2005 was \$846. Financial information may be obtained from the Metropolitan Educational Council, Denise Music, who serves as fiscal officer, at 6100 Channingway Blvd., Suite 604, Columbus, OH 43232.

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

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 2005. 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 2005, the Board consisted of fourteen members. In fiscal year 2005, Granville Exempted Village School District obtained active membership privileges and paid a membership fee of \$507. 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.

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.

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 17 - INSURANCE PURCHASING POOL (Continued)

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 2005. Financial information can be obtained from the Granville Schools Education Foundation, Norman Kennedy, who serves as Treasurer, at P.O. Box 417, 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, 2005.

B. Litigation

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

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.

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 20 - SET-ASIDE CALCULATIONS AND FUND RESERVES (Continued)

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

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

	Textbooks	Capital Acquisition
Set-aside Cash Balance as of June 30, 2004	(\$1,211,773)	(\$30,761,018)
Current Year Set-aside Requirement	305,594	305,594
Current Year Offsets	0	(615,515)
Qualifying Disbursements	(537,712)	(242,574)
Total	(\$1,443,891)	(\$31,313,513)
Balance Carried Forward to FY 2005	(\$1,443,891)	(\$30,842,281)
Cash Balances to Carry Forward to FY 2005	\$0	\$0

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

NOTE 21 – INTERFUND TRANSFERS AND BALANCES

Transfers made during fiscal year 2005 were \$14,463 from the Miscellaneous Federal Grants special revenue fund to the General Fund for Federal Emergency Management Agency grant monies received for the reimbursement of fiscal year 2005 expenses related to storm damage.

At June 30, 2005, the General Fund made an advance to the Collaborative Literacy and Language Instruction Project special revenue fund, in the amount of \$18,557, to subsidize a negative cash balance.

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 22 – ACCOUNTABILITY AND COMPLIANCE

Legal Compliance

The following funds had expenditures plus encumbrances in excess of appropriations contrary to section 5705.41, Revised Code.

	<u>Excess</u>
<u>Special Revenue Fund:</u>	
Collaborative Language and Literacy Instruction Project/ Title VI-B - Federal	\$24,388
Miscellaneous State Grants	857
 <u>Debt Service Fund</u>	
Bond Retirement Fund	70,403

The following fund had appropriations in excess of estimated resources plus available balances for the year ended June 30, 2005:

	<u>Resources</u>	<u>Appropriations</u>	<u>Excess</u>
<u>Special Revenue Fund:</u>			
Data Communications Support	\$0	\$12,000	(\$12,000)

At the time the original appropriation measure was passed, the School District had appropriations exceeding estimated resources available for expenditures which is contrary to section 5705.39, R.C.

The School District had deficit cash balances of \$24,348 and \$857 in the Collaborative Language and Literacy Instruction Project/ Title VI-B - Federal and Collaborative Language and Literacy Instruction Project - State special revenue funds at fiscal year end which is contrary to section 5705.10, R.C.

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

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

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
LICKING COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2005**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Expenditures
U.S. DEPARTMENT OF EDUCATION				
<i>Passed Through Ohio Department of Education:</i>				
Special Education Grants to States				
Collaborative Language and Literacy Instruction Project	6B-II-2004	84.027	\$181,654	\$179,042
	6B-II-2005		380,950	399,507
IDEA Part B	6B-SF-2005		323,440	323,505
Total Special Education Grants to States			<u>886,044</u>	<u>902,054</u>
Title I Grants to Local Educational Agencies	C1-S1-2005	84.010	69,493	69,493
	C1-S1-2004		0	1,410
Total Title I Grants to Local Educational Agencies			<u>69,493</u>	<u>70,903</u>
Safe and Drug Free Schools and Communities	DR-S1-2004	84.186	0	1,123
	DR-S1-2005		7,200	7,200
Total Safe and Drug Free Schools and Communities			<u>7,200</u>	<u>8,323</u>
Innovative Educational Program Strategies	C2-S1-2004	84.298	(1,893)	3,489
	C2-S1-2005		12,272	12,272
Total Innovative Educational Program Strategies			<u>10,379</u>	<u>15,761</u>
Education Technology State Grants	TJ-S1-2004	84.318	0	405
	TJ-S1-2005		1,847	1,847
Total Education and Technology State Grants			<u>1,847</u>	<u>2,252</u>
Advanced Placement Program	AV-TF-2004	84.330	104	104
Improving Teacher Quality State Grants	TR-S1-2004	84.367	(3,958)	12,141
	TR-S1-2005		44,008	44,008
Total Improving Teacher Quality State Grants			<u>40,050</u>	<u>56,149</u>
Total U.S. Department of Education			<u>1,015,117</u>	<u>1,055,546</u>
Total			<u>\$1,015,117</u>	<u>\$1,055,546</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, 2005**

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 - TRANSFERS BETWEEN YEARS

The Improving Teacher Quality, CFDA# 84.367 and Innovative Educational Program Strategies, CFDA #84.298 had transfers of funds between grant years that were allowed by the Ohio Department of Education. These transfers are reflected on the Schedule.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS 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, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 15, 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated November 15, 2005, we reported another matter involving internal control over financial reporting we did not deem a reportable condition.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2005-001 and 2005-002. In a separate letter to the District's management dated November 15, 2005, we reported other matters related to noncompliance we deemed immaterial.

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

We intend this report solely for the information and use of the audit committee, management, the Board of Education, federal awarding agencies, and pass-through entities. It is not intended for 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

November 15, 2005



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON 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 apply to its major federal program for the year ended June 30, 2005. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its major federal program. 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe 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 Granville Exempted Village School District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2005. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that OMB Circular A-133 requires us to report, which is described in the accompanying schedule of findings and questioned costs as item 2005-003.

Internal Control Over Compliance

The District's management 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 directly and materially affect a major federal program 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.

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

We intend this report solely for the information and use of the audit committee, management, the Board of Education, federal awarding agencies, and pass-through entities. It is not intended for 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

November 15, 2005

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
LICKING COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COST
OMB CIRCULAR A -133 § .505
JUNE 30, 2005**

1. SUMMARY OF AUDITOR'S RESULTS

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

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
LICKING COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2005
(Continued)**

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

Finding Number	2005-001
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Finding for Recovery - Repaid Under Audit

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a “proper public purpose” rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. **Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper “Public Purpose”** states that the Auditor of State’s Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect. The Bulletin further states that the Auditor of State’s Office does not view the expenditure of public funds for alcoholic beverages as a proper public purpose and will issue findings for recovery for such expenditures as manifestly arbitrary and incorrect.

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 \$464.87 for the reasons noted below.

Check		Reimbursement Description		
Number	Date	Alcohol	Travel	Meals/Supplies
47017	July 1, 2004	\$38.35	\$233.53	\$66.52
48269	October 29, 2004	0.00	0.00	96.29
49737	March 11, 2005	7.00	0.00	23.18
Total Reimbursement by Type:		\$45.35	\$233.53	\$185.99
Grand Total:		\$464.87		

The \$45.35 reimbursement was for receipts which included alcoholic purchases. Purchases of alcohol have been determined not to be a “proper public purpose” as described in Auditor of State Bulletin 2003-005.

The \$233.53 was a result of two invoices being submitted for the same hotel room twice. One hotel room was reimbursed twice to Mr. Pallante and another hotel room was reimbursed to Mr. Pallante as well as another employee.

The \$185.99 is a result of several meal and supply invoices in which errors were made in the calculation of the reimbursement resulting in more reimbursement to Mr. Pallante than the actual meal or supply cost. For example, Mr. Pallante was reimbursed twice for the same purchase of Norton Internet Security because he submitted the original receipt and then later submitted the rebate receipt. Mr. Pallante also submitted two different receipts for the same meal, one including alcoholic purchases and one without the alcoholic purchases.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of such expenditure. Seward v. National Surety Co., 120 Ohio St. 47 (1929); 1980 Op. Att’y Gen. No. 80-074; Ohio Rev. Code Section 9.39; State, ex. rel. Village of Linndale v. Masten, 18 Ohio St. 3d 228 (1985).

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
LICKING COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2005
(Continued)**

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

Finding for Recovery - Repaid Under Audit (Continued)

Finding Number	2005-001 (Continued)
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In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Dan Pallante, CLLIP Director, Brett Griffith, Treasurer of Granville Exempted Village School District, and Ohio Farmers Insurance Company, Mr. Griffith's bonding company, jointly and severally, in the amount of four hundred sixty-four dollars and eighty-seven cents (\$464.87), and in favor of Granville Exempted Village School District.

However, on November 7, 2005, the Granville Exempted Village School District accepted check number 8936 in the amount of \$464.87 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, 2005.

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. These forms were not used by Mr. Pallante for requested reimbursements.
- 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 while conducting business on behalf of the District

Finding Number	2005-002
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Non-Compliance Citation - Appropriations Exceeding Total Certified 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. At the time the original appropriation measure was passed, the School District had appropriations exceeding total certified resources available for expenditures in the following funds:

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
LICKING COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2005
(Continued)**

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

Finding Number	2005-002 (Continued)
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Non-Compliance Citation - Appropriations Exceeding Total Certified Resources (Continued)

Fund	Certified Resources	Appropriations	Variance
Public School Support (018)	\$36,514	\$150,000	(\$113,486)
District Managed Student Act. (300)	64,969	175,000	(110,031)
Auxillary Services (401)	23,817	150,000	(126,183)
Management Information Syst. (432)	0	7,000	(7,000)
Data Communications (451)	0	12,000	(12,000)
School Net (452)	3,050	3,500	(450)
Ohio Reads (459)	0	4,000	(4,000)
Student Reading Intervention (460)	0	3,876	(3,876)
Vocational Ed. Program (461)	0	19,000	(19,000)
Miscellaneous State Grants (499)	780	285,824	(285,044)
Title VI-B/CLLIP (516)	25,658	905,094	(879,436)
Title I (572)	0	73,088	(73,088)
Title VI (573)	651	10,377	(9,726)
Drug Free Schools (584)	199	7,200	(7,001)
Title IIA (590)	0	56,299	(56,299)
Miscellaneous Federal Grants (599)	0	1,934	(1,934)

As of June 30, 2005, the District had appropriations exceeding estimated resources available for expenditures in the following fund:

Fund	Certified Resources	Appropriations	Variance
Data Communications (451)	\$0	\$12,000	(\$12,000)

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.

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
LICKING COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2005
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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Finding Number	2005-003
CFDA Title and Number	Special Education Grants to States - CFDA # 84.027
Federal Award Number / Year	6B-II-2004 6B-II-2005
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

NonCompliance Finding - Questioned Cost

Ohio Revised Code Section 3313.24 states, in part, that the board of education of each local, exempted village or city school district shall fix the compensation of its treasurer, which shall be paid from the general fund of the district.

In addition, **Ohio Revised Code Sections 3313.29 and 3313.31** respectively state, in part, that the treasurer of each board of education shall keep an account of all school funds of the district and shall be responsible for the financial affairs of the district, subject to the direction of the district board of education.

During fiscal year 2005, \$8,900 of the Treasurer's annual salary was paid directly from Collaborative Language and Literacy Instruction Project (CLLIP), special education funds. This amount is not an allowable cost under State law and is therefore considered a questioned cost.

To comply with the Ohio Revised Code, the Treasurer's salary should be paid solely from the General Fund. In addition, the Board of Education should ensure that the Treasurer's annual salary has been fixed and approved within the Treasurer's contract. The Board of Education should also approve any subsequent amendments to this amount as evidenced by the minute records. Recognizing that administrative time is devoted to federal programs, the Board can apply for an indirect cost rate with the Ohio Department of Education. If approved, the General Fund could be reimbursed from federal funds to offset a portion of the Treasurer's associated administrative costs.

Furthermore, **Title 2 of the Code of Federal Regulations, Part 225, Appendix B, Section 8** provides in part that compensation for personnel services is allowable to the extent it satisfies the specific requirements of the Circular; that total compensation for individual employees is reasonable for the service rendered and conforms to the established policy of the governmental unit; and it is supported as provided in subsection 'h' of the CFR.

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
LICKING COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2005
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)
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NonCompliance Finding - Questioned Cost

Title 2 of the Code of Federal Regulations Part 225, Appendix B, subsection 8.h.5 provides in part that salaries and wages shall be based on documented payrolls approved by a responsible official. The distribution of salaries and wages to awards must be supported by personnel activity reports unless a substitute system has been approved in writing by the cognizant agency. Whether employees are charged in whole or in part to a federal award, personnel activity reports must:

- Reflect an after-the-fact determination of actual activity of each employee. Budget estimates do not qualify for support.
- Account for the total activity for which employees are compensated and which is required in fulfillment of their obligations to the organization.
- Be signed by the individual employee, or by a responsible supervisory official having first hand knowledge of the activities performed by the employee, that the distribution of activities represents a reasonable estimate of actual work performed.
- Be prepared at least monthly and must coincide with one or more pay periods.

During fiscal year 2005, the District paid \$2,310 each (totaling \$4,620) to two assistants in the Treasurer's Office for administrative services related to the Collaborative Language and Literacy Instruction Project (CLLIP), based on an arbitrarily determined amount. The District did not provide detailed, after-the-fact, personnel activity reports to support these charges nor was evidence provided that a substitute system was approved, and is therefore considered a questioned cost.

We recommend the District require individuals who charge federal grants, in whole or in part, complete and maintain time and effort reports which document time spent working on the federal program. Monthly, an individual responsible for monitoring the cost allocated to the program should review the time and effort records for comparison to the cost charged to the program. Any variance between the allocated costs to the actual time spent meeting cost objectives should be adjusted. The final cost charged to the program should be reflective of the actual cost objectives demonstrated on the time and effort reports.

The \$13,520 in questioned costs noted above, together, represent a violation of Allowable Cost Principles under the United States Office of Management and Budget Circular A-87, Attachment A, Part C. To avoid the potential loss of future grant funds, the District should follow the recommended procedures to attain compliance.

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
LICKING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2005**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2004-001	Finding for Recovery	No	Reissued as Finding 2005-001
2004-002	Appropriations Exceeding Estimated Resources	No	Reissued as Finding 2005-002



**Auditor of State
Betty Montgomery**

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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
FEBRUARY 9, 2006**