

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS
*(AUDITED)***

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2017***

BETH COLLIER, TREASURER



Dave Yost • Auditor of State

Board of Education
Grandview Heights City School District
1587 West Third Avenue
Columbus, Ohio 43212

We have reviewed the *Independent Auditor's Report* of the Grandview Heights City School District, Franklin County, prepared by Julian & Grube, Inc., for the audit period July 1, 2016 through June 30, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

November 28, 2017

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**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

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Julian & Grube, Inc.

Serving Ohio Local Governments

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Independent Auditor's Report

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Grandview Heights City School District, Franklin County, Ohio, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Grandview Heights City School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Grandview Heights City School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Grandview Heights City School District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Grandview Heights City School District, Franklin County, Ohio, as of June 30, 2017, and the respective changes in the financial position and, where applicable, cash flows thereof and the budgetary comparison for the General fund thereof for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2017, on our consideration of the Grandview Heights City School 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Grandview Heights City School District's internal control over financial reporting and compliance.



Julian & Grube, Inc.
October 18, 2017

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

The management's discussion and analysis of Grandview Heights City School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the transmittal letter, the notes to the basic financial statements and basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2017 are as follows:

- In total, net position increased \$752,766. Net position of governmental activities increased \$608,755, which represents a 8.14% increase from 2016. Business-type activities net position increased \$144,011 from 2016.
- General revenues accounted for \$20,144,700 in revenue or 94.03% of governmental activities revenues. Program specific revenues in the form of charges for services and sales, operating grants and contributions accounted for \$1,279,981 or 5.97% of governmental activities revenues.
- The District had \$20,775,926 in expenses related to governmental activities; only \$1,279,981 of these expenses was offset by program specific charges for services, operating grants or contributions resulting in a net cost of \$19,495,945 for the District. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$20,144,700 was adequate to provide for these programs.
- The District's major governmental fund is the general fund. The general fund had \$19,340,033 in revenues and \$17,920,154 in expenditures and other financing uses. During fiscal 2017, the general fund's fund balance increased \$1,419,879 from a balance of \$8,587,419 to \$10,007,298.
- The business-type activities net position which include the child care and food service enterprise operations increased \$144,011 on \$788,899 in expenses and \$892,910 in revenues. The business-type activities food service operations also received \$40,000 in transfers in from governmental activities in fiscal year 2017.

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 District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The statement of net position and statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the 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 District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund is by far the most significant fund, and the only governmental fund reported as a major fund.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2017?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current fund's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net position and changes in that position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the 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 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 position and the statement of activities, the District is divided into two distinct kinds of activities:

Governmental activities - Most of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant and extracurricular activities.

Business-type activities - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided. The District's child care and food service operations are reported as business-type activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds and the analysis of the District's major and nonmajor enterprise funds begins on page 12. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's only major governmental fund is the general fund.

Governmental Funds

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

Proprietary Funds

Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match information provided in the statements for the District as a whole.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Reporting the District's Fiduciary Responsibilities

The District acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in an agency fund. The District's fiduciary activities are reported in a separate statement of assets and liabilities. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

The required supplementary information provides detailed information regarding the District's proportionate share of the net pension liability of the retirement systems and a ten year schedule of District's contributions to the retirement systems to fund pension obligations.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

The District as a Whole

The statement of net position provides the perspective of the District as a whole. The table below provides a summary of the District's net position for 2017 and 2016.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
<u>Assets</u>				
Current and other assets	\$ 24,371,737	\$ 23,110,312	\$ 555,065	\$ 393,419
Capital assets, net	<u>10,392,206</u>	<u>10,843,968</u>	<u>83,352</u>	<u>86,371</u>
Total assets	<u>34,763,943</u>	<u>33,954,280</u>	<u>638,417</u>	<u>479,790</u>
<u>Deferred outflows of resources</u>				
Pension	<u>5,558,519</u>	<u>2,528,211</u>	<u>215,661</u>	<u>73,366</u>
Total deferred outflows	<u>5,558,519</u>	<u>2,528,211</u>	<u>215,661</u>	<u>73,366</u>
<u>Liabilities</u>				
Current liabilities	2,534,209	1,966,037	137,612	141,267
Long-term liabilities:				
Due within one year	856,613	824,012	5,453	5,330
Due in more than one year:				
Net pension liability	31,172,980	25,746,622	954,834	809,446
Other amounts	<u>2,375,791</u>	<u>3,025,672</u>	<u>6,340</u>	<u>5,828</u>
Total liabilities	<u>36,939,593</u>	<u>31,562,343</u>	<u>1,104,239</u>	<u>961,871</u>
<u>Deferred inflows of resources</u>				
Property taxes and PILOTS	9,770,887	10,179,076	-	-
Pensions	<u>478,004</u>	<u>2,215,849</u>	<u>58,271</u>	<u>43,728</u>
Total deferred inflows	<u>10,248,891</u>	<u>12,394,925</u>	<u>58,271</u>	<u>43,728</u>
<u>Net Position</u>				
Net investment in capital assets	8,227,206	7,978,968	83,352	86,371
Restricted	1,493,197	1,744,234	-	-
Unrestricted (deficit)	<u>(16,586,425)</u>	<u>(17,197,979)</u>	<u>(391,784)</u>	<u>(538,814)</u>
Total net position (deficit)	<u>\$ (6,866,022)</u>	<u>\$ (7,474,777)</u>	<u>\$ (308,432)</u>	<u>\$ (452,443)</u>

Net Pension Liability and related deferred inflows and outflows of resources

The District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Under the new standards required by GASB 68, the net pension liability equals the District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
- 2 Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows as well as a net pension liability and deferred inflows/outflows related to pension.

Analysis of Net Position

Current and other assets increased as cash receipts continue to exceed cash disbursements in fiscal year 2017 resulting in increased cash and cash equivalents at year end. Long-term liabilities increased as a result of an increase in the net pension liability discussed above. Specific factors affecting the net pension liability include the District's contributions to the pension systems (STRS and SERS) subsequent to the measurement date of the liability, expected versus actual experience of the pension systems and projected versus actual earnings on pension plan investments. These factors are outside of the control of the District. The District contributes its statutorily required contributions to the pension systems; however, it's the pension systems that collect, hold and distribute pensions to District employees, not the District.

Over time, net position can serve as a useful indicator of a District's financial position. At June 30, 2017, the District's liabilities plus deferred inflows of resources exceeded assets and deferred outflows by \$7,174,454. Of this total, \$1,493,197 is restricted in use.

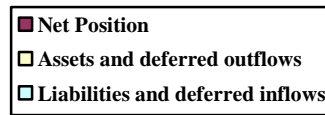
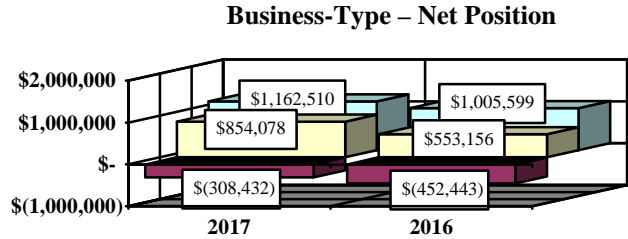
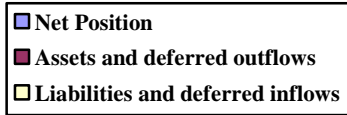
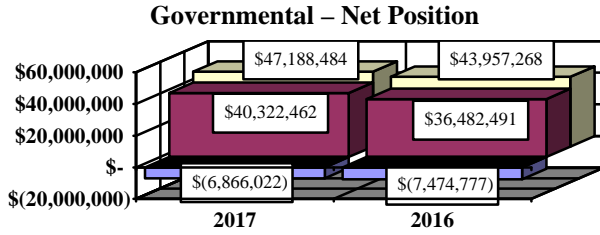
At year-end, capital assets represented 29.59% of total assets. Capital assets include land, buildings and improvements, furniture and equipment and vehicles. The net investment in capital assets at June 30, 2017, was \$8,310,558. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

A portion of the District's net position, \$1,493,197, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is a deficit of \$16,978,209. Of the unrestricted net position, a deficit of \$16,586,425 is reported in the governmental activities and a deficit of \$391,784 is reported in the business type activities.

The graphs below show the assets, liabilities plus deferred inflows and net position of the governmental activities and business-type activities at June 30, 2017 and 2016.



**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

The table below shows the change in net position for fiscal years 2017 and 2016.

Change in Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
<u>Revenues</u>						
Program revenues:						
Charges for services and sales	\$ 740,260	\$ 629,233	\$ 835,899	\$ 724,315	\$ 1,576,159	\$ 1,353,548
Operating grants and contributions	539,721	693,379	57,005	54,591	596,726	747,970
General revenues:						
Property taxes	15,440,180	14,294,171	-	-	15,440,180	14,294,171
Payments in lieu of taxes	775,283	726,423	-	-	775,283	726,423
Grants and entitlements	3,708,365	3,683,344	-	-	3,708,365	3,683,344
Investment earnings	35,867	16,659	-	-	35,867	16,659
Other	185,005	85,648	6	1,318	185,011	86,966
Total revenues	<u>21,424,681</u>	<u>20,128,857</u>	<u>892,910</u>	<u>780,224</u>	<u>22,317,591</u>	<u>20,909,081</u>
<u>Expenses</u>						
Program expenses:						
Instruction:						
Regular	9,129,388	7,962,964	-	-	9,129,388	7,962,964
Special	2,469,710	2,400,538	-	-	2,469,710	2,400,538
Other	3,072	1,427	-	-	3,072	1,427
Support services:						
Pupil	1,298,647	1,312,203	-	-	1,298,647	1,312,203
Instructional staff	1,461,748	1,520,550	-	-	1,461,748	1,520,550
Board of education	216,934	211,119	-	-	216,934	211,119
Administration	1,651,691	1,387,614	-	-	1,651,691	1,387,614
Fiscal	631,559	564,389	-	-	631,559	564,389
Business	123,346	96,470	-	-	123,346	96,470
Operations and maintenance	2,012,315	1,874,033	-	-	2,012,315	1,874,033
Pupil transportation	19,912	37,940	-	-	19,912	37,940
Central	89,695	81,161	-	-	89,695	81,161
Operation of non-instructional services	4,542	5,153	-	-	4,542	5,153
Extracurricular activities	1,540,488	1,022,786	-	-	1,540,488	1,022,786
Interest and fiscal charges	122,879	157,695	-	-	122,879	157,695
Food service	-	-	312,583	292,749	312,583	292,749
Child care	-	-	476,316	513,953	476,316	513,953
Total expenses	<u>20,775,926</u>	<u>18,636,042</u>	<u>788,899</u>	<u>806,702</u>	<u>21,564,825</u>	<u>19,442,744</u>
Transfers	<u>(40,000)</u>	<u>(40,000)</u>	<u>40,000</u>	<u>40,000</u>	<u>-</u>	<u>-</u>
Changes in net position	608,755	1,452,815	144,011	13,522	752,766	1,466,337
Net position (deficit) at beginning of year	<u>(7,474,777)</u>	<u>(8,927,592)</u>	<u>(452,443)</u>	<u>(465,965)</u>	<u>(7,927,220)</u>	<u>(9,393,557)</u>
Net position (deficit) at end of year	<u>\$ (6,866,022)</u>	<u>\$ (7,474,777)</u>	<u>\$ (308,432)</u>	<u>\$ (452,443)</u>	<u>\$ (7,174,454)</u>	<u>\$ (7,927,220)</u>

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Governmental Activities

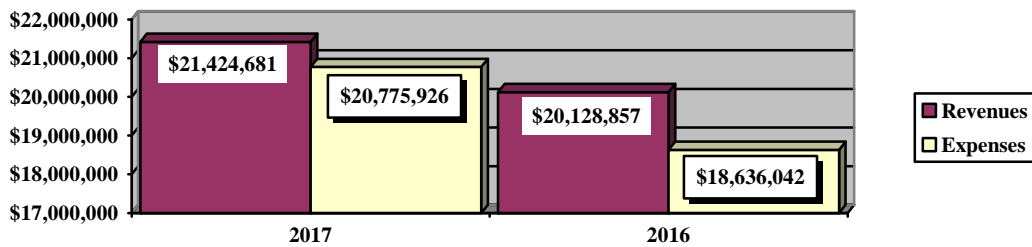
For fiscal year 2017, the net position of the District's governmental activities increased \$608,755. Total governmental expenses of \$20,775,926 were offset by program revenues of \$1,279,981 and general revenues of \$20,144,700. Program revenues supported 6.16% of the total governmental expenses.

General revenues increased \$1,338,455 primarily due to greater collections of property taxes during fiscal year 2017.

Regular instruction expense increased partially due to an increase in the net pension liability (net of related increases and decreases of deferred inflows/outflows of resources related to pensions). It also increased as a result of increased enrollment and increasing the number of kindergarten classes. The District also had three employees retire during the fiscal year and were each paid a \$50,000 onetime retirement incentive. Administration expense increased due to hiring a Director of Student Services. Extracurricular expense increased due to expenses associated with replacing the field turf in the prior year.

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2017 and 2016.

Governmental Activities - Revenues and Expenses



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2017 and 2016. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

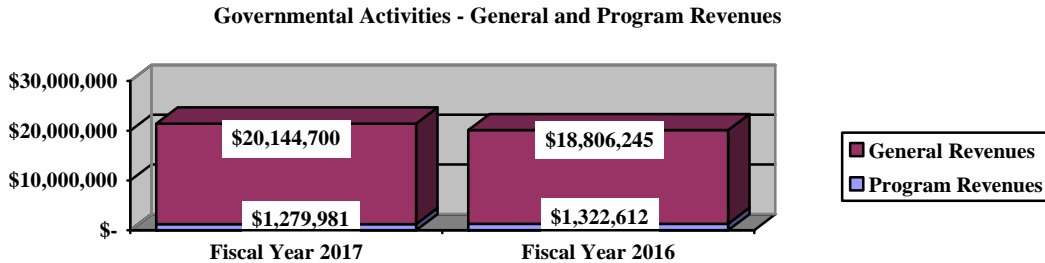
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Governmental Activities

	Total Cost of Services <u>2017</u>	Net Cost of Services <u>2017</u>	Total Cost of Services <u>2016</u>	Net Cost of Services <u>2016</u>
Program expenses:				
Instruction:				
Regular	\$ 9,129,388	\$ 8,782,973	\$ 7,962,964	\$ 7,599,900
Special	2,469,710	2,001,834	2,400,538	1,923,263
Vocational	-	(1,484)	-	(1,230)
Other	3,072	3,072	1,427	1,427
Support services:				
Pupil	1,298,647	1,298,647	1,312,203	1,305,542
Instructional staff	1,461,748	1,457,237	1,520,550	1,512,044
Board of education	216,934	216,934	211,119	211,119
Administration	1,651,691	1,651,691	1,387,614	1,387,614
Fiscal	631,559	631,252	564,389	561,842
Business	123,346	34,002	96,470	41,676
Operations and maintenance	2,012,315	1,935,690	1,874,033	1,805,135
Pupil transportation	19,912	16,534	37,940	31,548
Central	89,695	89,695	81,161	81,161
Operation of non-instructional services	4,542	(13,702)	5,153	(139,737)
Extracurricular activities	1,540,488	1,268,691	1,022,786	834,431
Interest and fiscal charges	122,879	122,879	157,695	157,695
Total expenses	<u>\$ 20,775,926</u>	<u>\$ 19,495,945</u>	<u>\$ 18,636,042</u>	<u>\$ 17,313,430</u>

The dependence upon tax revenues during fiscal year 2017 for governmental activities is apparent, as 92.97% of 2017 instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 93.84%. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio, are the primary support for District students.

The graph below presents the District's governmental activities revenue for fiscal years 2017 and 2016.



**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Business-type Activities

Business-type activities include food service operations and the child care program. These programs had revenues of \$892,910, transfers in of \$40,000 and expenses of \$788,899 for fiscal year 2017. Management reviews these programs to develop policies to allow these services to become self-supporting.

The District's largest business-type activity is child care operations. Child care operations had \$610,764 in charges for services and sales, \$2,116 in operating grants and contributions and \$6 in general revenues and had total expenses of \$476,316. Child care revenues were sufficient to support child care expenses by \$136,570.

The District's Funds

Governmental Funds

The District's governmental funds (as presented on the Balance Sheet on page 20) reported a combined fund balance of \$11,564,443, which is more than last year's fund total of \$10,272,286.

The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2017 and 2016.

	Fund Balance <u>June 30, 2017</u>	Fund Balance <u>June 30, 2016</u>	<u>Change</u>
General	\$ 10,007,298	\$ 8,587,419	\$ 1,419,879
Other governmental	<u>1,557,145</u>	<u>1,684,867</u>	<u>(127,722)</u>
Total	<u>\$ 11,564,443</u>	<u>\$ 10,272,286</u>	<u>\$ 1,292,157</u>

General Fund

The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	<u>2017 Amount</u>	<u>2016 Amount</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
<u>Revenues</u>				
Property taxes and payment in lieu of taxes	\$ 14,967,826	\$ 13,695,281	\$ 1,272,545	9.29 %
Intergovernmental	3,653,820	3,634,743	19,077	0.52 %
Investment earnings	35,867	16,659	19,208	115.30 %
Tuition and fees	298,968	329,619	(30,651)	(9.30) %
Other revenues	<u>383,552</u>	<u>210,684</u>	<u>172,868</u>	82.05 %
Total	<u>\$ 19,340,033</u>	<u>\$ 17,886,986</u>	<u>\$ 1,453,047</u>	8.12 %

Property tax and payment in lieu of taxes revenue increased primarily due to increased tax collections on the 5.9 mill tax levy approved by the voters in November 2014. Investment earnings increased due to the improving economy and increased interest rates. Other revenues increased as a result of increased rental fee collections and an increase in reimbursements. Tuition and fees revenue decreased due to the district eliminating certain school fees for the 2016-2017 school year. All other revenues remained consistent with the prior year and overall revenue increased 8.12%.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

The table that follows assists in illustrating the expenditures of the general fund.

<u>Expenditures</u>	<u>2017 Amount</u>	<u>2016 Amount</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Instruction	\$ 10,173,689	\$ 9,612,630	\$ 561,059	5.84 %
Support services	6,759,102	6,631,316	127,786	1.93 %
Extracurricular activities	761,221	745,141	16,080	2.16 %
Facilities acquisition and construction	<u>182,362</u>	<u>15,604</u>	<u>166,758</u>	<u>1,068.69 %</u>
Total	<u>\$ 17,876,374</u>	<u>\$ 17,004,691</u>	<u>\$ 871,683</u>	5.13 %

In total, expenditures increased 5.13% from 2016 primarily due to increased staff and services to meet the growing needs of students. Facilities acquisition and construction costs increased due to the District performing a facility assessment and an educational visioning and planning process.

Nonmajor Governmental Funds

The nonmajor governmental funds had \$2,285,881 in revenues and other financing sources and \$2,413,603 in expenditures. During fiscal 2017, the nonmajor governmental fund's fund balance decreased \$127,722 from \$1,684,867 to \$1,557,145.

Enterprise Funds

The District's enterprise funds reported operating revenues of \$835,905, operating expenses of \$788,899, nonoperating revenues of \$57,005, and a transfer in of \$40,000. Net position of the enterprise funds increased \$144,011 from a deficit of \$452,443 to a deficit of \$308,432. The Child Care Fund reported both a positive operating income and change in net position of \$134,454 and \$136,570, respectively. The Food Service Fund (a nonmajor enterprise fund) reported an operating loss of \$87,448 and a positive change in net position of \$7,441.

General Fund Budgeting Highlights

The 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.

For the General Fund, the final budgeted revenue was \$18,016,367. The original budgeted revenue was \$17,602,835. Actual revenue and other financing sources was \$18,733,768. The difference between the final budgeted revenues and the actual revenues and other financing sources was \$717,401.

Total actual expenditures and other financing uses on the budget basis (cash outlays plus encumbrances) were \$18,182,767. This amount was \$101,107 less than the final budgeted amounts due mainly to support services expense being less than expected. The final budgeted expenditures and other financing uses were increased \$205,890 from the original budgeted amounts to account for an anticipated increase in employee salary and wage costs. Overall, fund balance on the budget basis increased \$551,001 from the prior year.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2017, the District had \$10,475,558 invested in land, buildings and improvements, furniture and equipment and vehicles. Of this total, \$10,392,206 was reported in governmental activities and \$83,352 was reported in business-type activities. The following table shows fiscal 2017 balances compared to 2016:

Capital Assets at June 30 (Net of Depreciation)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Land	\$ 137,400	\$ 137,400	\$ -	\$ -	\$ 137,400	\$ 137,400
Buildings and improvements	8,794,477	9,094,622	-	-	8,794,477	9,094,622
Furniture and equipment	1,310,776	1,507,861	83,352	86,371	1,394,128	1,594,232
Vehicles	149,553	104,085	-	-	149,553	104,085
Total	\$ 10,392,206	\$ 10,843,968	\$ 83,352	\$ 86,371	\$ 10,475,558	\$ 10,930,339

Overall capital assets, net of accumulated depreciation, decreased \$454,781 from fiscal year 2016 to fiscal year 2017. Capital outlays of \$180,607 were less than depreciation expense of \$590,954 and disposals of \$44,434 during the year. See Note 7 to the basic financial statements for more detail on the District's capital assets.

Debt Administration

At June 30, 2017, the District has \$2,165,000 in long-term debt outstanding. Of this total, \$710,000 is due within one year and \$1,455,000 is due within greater than one year. The following table summarizes outstanding long-term debt:

Outstanding Debt, at Year End

Long Term Debt:	<u>Governmental Activities 2017</u>	<u>Governmental Activities 2016</u>
	General obligation bonds	<u>\$ 2,165,000</u>
Total	<u>\$ 2,165,000</u>	<u>\$ 2,865,000</u>

Payments of principal and interest on the general obligation bonds and note are made from the Debt Service Fund. See Note 8 to the basic financial statements for more detail on the District's long-term obligations.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Current Financial Related Activities

Grandview Yard

Nationwide Realty Investors purchased the former Big Bear property and many other adjacent properties with the intention of constructing a major redevelopment project known as Grandview Yard. In July of 2009, the District entered into a compensation agreement with the City of Grandview Heights, which included two components of funding to be paid from this project to the District from the City. First, the District is guaranteed a "hold-harmless" amount, representing compensation for lost tax revenue as a result of decreased property values from demolition done during the initial phase of the project. Secondly, the District will receive an amount equal to 11% of all real property taxes that would have been received by all political subdivisions and taxing districts on the exempt value of all the parcels of the property used for non-residential purposes and between 15% and 60% for residential units depending on the number of units and year of assessment.

Since 2010, the District has received a total of \$4,530,592 for payment in lieu of taxes from the City of Grandview Heights. Of this total amount received, \$3,185,134 is hold-harmless funding, representing no increase in overall revenue to the District. The remaining \$1,345,458 represents increased funding to the District over the five-year period since the project began. The overall increased revenue to the District is projected at approximately \$1,013,262 per year over the next five years.

State & Local Funding

The future financial stability of the District is not without challenges. Contributing to the challenge for the District is the funding received by the District from the State of Ohio. Earlier this year, the Governor and General Assembly passed the biennial state budget where Grandview Heights Schools was one of only two school districts in Franklin County that received a decrease in state funding support over the next two years. On top of previous annual losses in state funding of approximately \$800,000, we expect to lose an additional \$700,000 in annual state funding in 2017-2018 as a result of the continued phase-out of the tangible personal property tax (TPP) reimbursement to our schools. Any loss in funding support is a disappointment, but fortunately we have planned and prepared for this challenge, ever since the state of Ohio eliminated the TPP tax in 2005.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional information contact: Beth Collier, Treasurer, at Grandview Heights City School District, 1587 West 3rd Avenue, Columbus, Ohio 43212.

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**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

STATEMENT OF NET POSITION
JUNE 30, 2017

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets:			
Equity in pooled cash and cash equivalents . . .	\$ 7,676,651	\$ 510,107	\$ 8,186,758
Cash in segregated accounts	12,642	-	12,642
Receivables:			
Property taxes	15,486,932	-	15,486,932
Payment in lieu of taxes	921,092	-	921,092
Accounts	171,145	43,754	214,899
Intergovernmental	73,234	-	73,234
Prepayments	30,041	1,204	31,245
Capital assets:			
Nondepreciable capital assets	137,400	-	137,400
Depreciable capital assets, net.	10,254,806	83,352	10,338,158
Capital assets, net	<u>10,392,206</u>	<u>83,352</u>	<u>10,475,558</u>
Total assets.	<u>34,763,943</u>	<u>638,417</u>	<u>35,402,360</u>
Deferred outflows of resources:			
Pension - STRS	4,560,030	-	4,560,030
Pension - SERS	998,489	215,661	1,214,150
Total deferred outflows of resources	<u>5,558,519</u>	<u>215,661</u>	<u>5,774,180</u>
Liabilities:			
Accounts payable.	690,673	15,857	706,530
Accrued wages and benefits payable	1,505,414	44,381	1,549,795
Intergovernmental payable	86,176	551	86,727
Pension and postemployment benefits payable.	229,614	22,493	252,107
Accrued interest payable	9,030	-	9,030
Unearned revenue	660	54,330	54,990
Deposits held and due to others	12,642	-	12,642
Long-term liabilities:			
Due within one year.	856,613	5,453	862,066
Due in more than one year:			
Net pension liability (See Note 14)	31,172,980	954,834	32,127,814
Other amounts due in more than one year	2,375,791	6,340	2,382,131
Total liabilities	<u>36,939,593</u>	<u>1,104,239</u>	<u>38,043,832</u>
Deferred inflows of resources:			
Property taxes levied for the next fiscal year.	8,849,795	-	8,849,795
Payment in lieu of taxes levied for the next fiscal year	921,092	-	921,092
Pension - STRS.	399,544	-	399,544
Pension - SERS.	78,460	58,271	136,731
Total deferred inflows of resources	<u>10,248,891</u>	<u>58,271</u>	<u>10,307,162</u>
Net position:			
Net investment in capital assets	8,227,206	83,352	8,310,558
Restricted for:			
Capital projects	401,275	-	401,275
Debt service.	1,091,922	-	1,091,922
Unrestricted (deficit)	<u>(16,586,425)</u>	<u>(391,784)</u>	<u>(16,978,209)</u>
Total net position (deficit).	<u>\$ (6,866,022)</u>	<u>\$ (308,432)</u>	<u>\$ (7,174,454)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Expenses	Program Revenues	
		Charges for Services and Sales	Operating Grants and Contributions
Governmental activities:			
Instruction:			
Regular	\$ 9,129,388	\$ 314,992	\$ 31,423
Special	2,469,710	6,820	461,056
Vocational	-	-	1,484
Other	3,072	-	-
Support services:			
Pupil	1,298,647	-	-
Instructional staff	1,461,748	-	4,511
Board of education	216,934	-	-
Administration	1,651,691	-	-
Fiscal	631,559	-	307
Business	123,346	89,344	-
Operations and maintenance	2,012,315	76,625	-
Pupil transportation	19,912	-	3,378
Central	89,695	-	-
Operation of non-instructional services	4,542	-	18,244
Extracurricular activities	1,540,488	252,479	19,318
Interest and fiscal charges	122,879	-	-
Total governmental activities	20,775,926	740,260	539,721
Business-type activities:			
Child care	476,316	610,764	2,116
Food service	312,583	225,135	54,889
Total business-type activities	788,899	835,899	57,005
Totals	\$ 21,564,825	\$ 1,576,159	\$ 596,726

General revenues:

Property taxes levied for:

 General purposes

 Debt service

 Capital outlay

Payments in lieu of taxes

Grants and entitlements not restricted to specific programs

Investment earnings

Miscellaneous

Total general revenues

Transfers

Total general revenues and transfers

Change in net position

Net position (deficit) at beginning of year

Net position (deficit) at end of year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Net (Expense) Revenue
and Changes in Net Position**

Governmental Activities	Business-Type Activities	Total
\$ (8,782,973)	\$ -	\$ (8,782,973)
(2,001,834)	-	(2,001,834)
1,484	-	1,484
(3,072)	-	(3,072)
(1,298,647)	-	(1,298,647)
(1,457,237)	-	(1,457,237)
(216,934)	-	(216,934)
(1,651,691)	-	(1,651,691)
(631,252)	-	(631,252)
(34,002)	-	(34,002)
(1,935,690)	-	(1,935,690)
(16,534)	-	(16,534)
(89,695)	-	(89,695)
13,702	-	13,702
(1,268,691)	-	(1,268,691)
(122,879)	-	(122,879)
(19,495,945)	-	(19,495,945)
-	136,564	136,564
-	(32,559)	(32,559)
-	104,005	104,005
(19,495,945)	104,005	(19,391,940)
14,092,542	-	14,092,542
833,149	-	833,149
514,489	-	514,489
775,283	-	775,283
3,708,365	-	3,708,365
35,867	-	35,867
185,005	6	185,011
20,144,700	6	20,144,706
(40,000)	40,000	-
20,104,700	40,006	20,144,706
608,755	144,011	752,766
(7,474,777)	(452,443)	(7,927,220)
\$ (6,866,022)	\$ (308,432)	\$ (7,174,454)

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in pooled cash and cash equivalents . . .	\$ 6,319,246	\$ 1,357,405	\$ 7,676,651
Cash in segregated accounts	12,642	-	12,642
Receivables:			
Property taxes	14,129,709	1,357,223	15,486,932
Payment in lieu of taxes	921,092	-	921,092
Accounts	171,145	-	171,145
Interfund loans	47,104	-	47,104
Intergovernmental	26,130	47,104	73,234
Prepayments	29,871	170	30,041
Total assets	<u>\$ 21,656,939</u>	<u>\$ 2,761,902</u>	<u>\$ 24,418,841</u>
Liabilities:			
Accounts payable	\$ 418,623	\$ 272,050	\$ 690,673
Accrued wages and benefits payable	1,447,203	58,211	1,505,414
Compensated absences payable	3,834	-	3,834
Intergovernmental payable	85,332	844	86,176
Pension and postemployment benefits payable	221,264	8,350	229,614
Interfund loans payable	-	47,104	47,104
Unearned revenue	660	-	660
Deposits held and due to others	12,642	-	12,642
Total liabilities	<u>2,189,558</u>	<u>386,559</u>	<u>2,576,117</u>
Deferred inflows of resources:			
Property taxes levied for the next fiscal year . . .	8,074,228	775,567	8,849,795
Payment in lieu of taxes levied for the next fiscal year.	921,092	-	921,092
Delinquent property tax revenue not available . . .	443,822	42,631	486,453
Miscellaneous revenue not available	20,941	-	20,941
Total deferred inflows of resources	<u>9,460,083</u>	<u>818,198</u>	<u>10,278,281</u>
Fund balances:			
Nonspendable:			
Prepays	29,871	170	30,041
Restricted:			
Debt service	-	1,074,598	1,074,598
Capital improvements	-	384,998	384,998
Extracurricular	-	136,312	136,312
Assigned:			
Student instruction	14,391	-	14,391
Student and staff support	131,231	-	131,231
Extracurricular activities	22,780	-	22,780
Facilities acquisition and construction	40,089	-	40,089
Subsequent year's appropriations	732,419	-	732,419
Unassigned (deficit)	9,036,517	(38,933)	8,997,584
Total fund balances	<u>10,007,298</u>	<u>1,557,145</u>	<u>11,564,443</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 21,656,939</u>	<u>\$ 2,761,902</u>	<u>\$ 24,418,841</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2017

Total governmental fund balances		\$ 11,564,443
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		10,392,206
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.		
Delinquent property taxes receivable	\$ 486,453	
Intergovernmental receivable	20,941	
Total		507,394
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(9,030)
The net pension liability is not due and payable in the current period; therefore, liability and related deferred inflows are not reported in governmental funds.		
Deferred outflows - Pension	5,558,519	
Deferred inflows - Pension	(478,004)	
Net pension liability	(31,172,980)	
Total		(26,092,465)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds	(2,165,000)	
Compensated absences	(1,063,570)	
Total		(3,228,570)
Net position (deficit) of governmental activities		\$ (6,866,022)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
From local sources:			
Property taxes	\$ 14,192,543	\$ 1,357,082	\$ 15,549,625
Payment in lieu of taxes	775,283	-	775,283
Tuition	298,968	-	298,968
Earnings on investments	35,867	-	35,867
Extracurricular	-	252,479	252,479
Rental income	76,625	-	76,625
Contributions and donations	-	18,869	18,869
Other local revenues	306,927	19,000	325,927
Intergovernmental - state	3,589,700	162,490	3,752,190
Intergovernmental - federal	64,120	472,181	536,301
Total revenues	<u>19,340,033</u>	<u>2,282,101</u>	<u>21,622,134</u>
Expenditures:			
Current:			
Instruction:			
Regular	8,235,744	31,423	8,267,167
Special	1,935,039	402,452	2,337,491
Other	2,906	-	2,906
Support services:			
Pupil	1,184,233	-	1,184,233
Instructional staff	1,388,615	4,511	1,393,126
Board of education	216,468	-	216,468
Administration	1,587,513	-	1,587,513
Fiscal	592,423	21,833	614,256
Business	115,815	-	115,815
Operations and maintenance	1,569,661	-	1,569,661
Pupil transportation	18,167	1,745	19,912
Central	86,207	-	86,207
Extracurricular activities	761,221	628,771	1,389,992
Facilities acquisition and construction	182,362	497,085	679,447
Debt service:			
Principal retirement	-	700,000	700,000
Interest and fiscal charges	-	125,783	125,783
Total expenditures	<u>17,876,374</u>	<u>2,413,603</u>	<u>20,289,977</u>
Excess of revenues over (under) expenditures	<u>1,463,659</u>	<u>(131,502)</u>	<u>1,332,157</u>
Other financing sources (uses):			
Transfers in	-	3,780	3,780
Transfers (out)	(43,780)	-	(43,780)
Total other financing sources (uses)	<u>(43,780)</u>	<u>3,780</u>	<u>(40,000)</u>
Net change in fund balances	1,419,879	(127,722)	1,292,157
Fund balances at beginning of year	<u>8,587,419</u>	<u>1,684,867</u>	<u>10,272,286</u>
Fund balances at end of year	<u>\$ 10,007,298</u>	<u>\$ 1,557,145</u>	<u>\$ 11,564,443</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Net change in fund balances - total governmental funds	\$	1,292,157
<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.		
Capital asset additions	\$ 177,908	
Current year depreciation	(585,236)	
Total		(407,328)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(44,434)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Delinquent property tax revenue	(109,445)	
Other local revenue	(9,734)	
Intergovernmental revenue	(78,274)	
Total		(197,453)
Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. Principal payments during the year were:		
		700,000
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		
		2,904
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		(78,886)
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		1,537,060
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(2,195,265)
Change in net position of governmental activities	\$	608,755

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Property taxes	\$ 12,970,347	\$ 13,015,461	\$ 13,662,489	\$ 647,028
Payment in lieu of taxes.	736,007	1,011,941	775,283	(236,658)
Tuition.	279,423	290,195	294,334	4,139
Earnings on investments	31,019	16,311	32,674	16,363
Classroom materials and fees	4,628	-	4,875	4,875
Rental income	71,469	71,655	75,283	3,628
Contributions and donations	-	500	-	(500)
Other local revenues	62,220	15,000	65,540	50,540
Intergovernmental - state	3,386,850	3,583,242	3,567,584	(15,658)
Intergovernmental - federal	60,872	12,062	64,120	52,058
Total revenues	<u>17,602,835</u>	<u>18,016,367</u>	<u>18,542,182</u>	<u>525,815</u>
Expenditures:				
Current:				
Instruction:				
Regular	8,058,604	7,950,236	8,105,314	(155,078)
Special.	2,012,667	2,126,653	2,024,333	102,320
Other.	2,901	1,576	2,918	(1,342)
Support services:				
Pupil.	1,241,389	1,443,620	1,248,584	195,036
Instructional staff	1,433,092	1,691,571	1,441,398	250,173
Board of education	229,712	226,205	231,043	(4,838)
Administration.	1,574,784	1,453,622	1,583,912	(130,290)
Fiscal	588,489	591,563	591,900	(337)
Business	26,738	29,877	26,893	2,984
Operations and maintenance.	1,510,659	1,584,262	1,519,415	64,847
Pupil transportation	18,556	19,173	18,664	509
Central.	84,400	91,493	84,889	6,604
Extracurricular activities.	758,288	810,560	762,683	47,877
Facilities acquisition and construction	203,315	168,463	204,493	(36,030)
Total expenditures	<u>17,743,594</u>	<u>18,188,874</u>	<u>17,846,439</u>	<u>342,435</u>
Excess of revenues (under) expenditures	<u>(140,759)</u>	<u>(172,507)</u>	<u>695,743</u>	<u>868,250</u>
Other financing sources (uses):				
Refund of prior year's expenditures	-	-	2,338	2,338
Transfers in	-	-	165,054	165,054
Transfers (out).	(242,817)	(95,000)	(244,224)	(149,224)
Advances in.	-	-	24,194	24,194
Advances (out)	(91,573)	-	(92,104)	(92,104)
Total other financing sources (uses)	<u>(334,390)</u>	<u>(95,000)</u>	<u>(144,742)</u>	<u>(49,742)</u>
Net change in fund balance	(475,149)	(267,507)	551,001	818,508
Fund balance at beginning of year	5,046,960	5,046,960	5,046,960	-
Prior year encumbrances appropriated	228,136	228,136	228,136	-
Fund balance at end of year	<u>\$ 4,799,947</u>	<u>\$ 5,007,589</u>	<u>\$ 5,826,097</u>	<u>\$ 818,508</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017

	Child Care Fund	Nonmajor Enterprise Fund	Total Business-Type Activities - Enterprise Funds
Assets:			
Equity in pooled cash and cash equivalents	\$ 498,767	\$ 11,340	\$ 510,107
Receivables:			
Accounts	42,566	1,188	43,754
Prepayments	846	358	1,204
Total current assets	542,179	12,886	555,065
Noncurrent assets:			
Depreciable capital assets, net	65,563	17,789	83,352
Total assets.	607,742	30,675	638,417
Deferred outflows of resources:			
Pension - SERS	153,221	62,440	215,661
Liabilities:			
Accounts payable	15,798	59	15,857
Accrued wages and benefits	23,000	21,381	44,381
Compensated absences.	5,453	-	5,453
Pension and postemployment benefits payable.	14,733	7,760	22,493
Intergovernmental payable	334	217	551
Unearned revenue	43,777	10,553	54,330
Total current liabilities	103,095	39,970	143,065
Long-term liabilities:			
Compensated absences payable.	-	6,340	6,340
Net pension liability (See Note 14)	678,382	276,452	954,834
Total long-term liabilities	678,382	282,792	961,174
Total liabilities	781,477	322,762	1,104,239
Deferred inflows of resources:			
Pension - SERS	40,392	17,879	58,271
Net position:			
Investment in capital assets	65,563	17,789	83,352
Unrestricted (deficit)	(126,469)	(265,315)	(391,784)
Total net position (deficit)	\$ (60,906)	\$ (247,526)	\$ (308,432)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Child Care Fund	Nonmajor Enterprise Fund	Total Business-Type Activities - Enterprise Funds
Operating revenues:			
Charges for services.	\$ 610,764	\$ 225,135	\$ 835,899
Other	6	-	6
Total operating revenues	<u>610,770</u>	<u>225,135</u>	<u>835,905</u>
Operating expenses:			
Personal services.	406,836	196,376	603,212
Purchased services.	10,266	2,194	12,460
Materials and supplies	50,764	111,735	162,499
Other.	4,855	155	5,010
Depreciation	3,595	2,123	5,718
Total operating expenses.	<u>476,316</u>	<u>312,583</u>	<u>788,899</u>
Operating income (loss)	<u>134,454</u>	<u>(87,448)</u>	<u>47,006</u>
Nonoperating revenues:			
Grants and subsidies.	2,116	39,369	41,485
Federal donated commodities	-	15,520	15,520
Total nonoperating revenues.	<u>2,116</u>	<u>54,889</u>	<u>57,005</u>
Income (loss) before transfers	136,570	(32,559)	104,011
Transfer in	-	40,000	40,000
Change in net position	136,570	7,441	144,011
Net position (deficit) at beginning of year .	<u>(197,476)</u>	<u>(254,967)</u>	<u>(452,443)</u>
Net position (deficit) at end of year	<u>\$ (60,906)</u>	<u>\$ (247,526)</u>	<u>\$ (308,432)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Child Care Fund	Nonmajor Enterprise Fund	Total Business-Type Activities - Enterprise Funds
Cash flows from operating activities:			
Cash received from charges for services	\$ 581,157	\$ 224,282	\$ 805,439
Cash received from other operations	1,306	-	1,306
Cash payments for personal services	(389,734)	(194,311)	(584,045)
Cash payments for purchased services	(7,907)	(2,194)	(10,101)
Cash payments for materials and supplies	(42,037)	(95,328)	(137,365)
Cash payments for other expenses	(2,000)	(155)	(2,155)
Net cash provided by (used in) operating activities	<u>140,785</u>	<u>(67,706)</u>	<u>73,079</u>
Cash flows from noncapital financing activities:			
Cash received from grants and subsidies	2,116	39,369	41,485
Cash received from transfers in	-	40,000	40,000
Net cash provided by noncapital financing activities	<u>2,116</u>	<u>79,369</u>	<u>81,485</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	-	(2,699)	(2,699)
Net increase in cash and cash equivalents	142,901	8,964	151,865
Cash and cash equivalents at beginning of year	<u>355,866</u>	<u>2,376</u>	<u>358,242</u>
Cash and cash equivalents at end of year	<u>\$ 498,767</u>	<u>\$ 11,340</u>	<u>\$ 510,107</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ 134,454	\$ (87,448)	\$ 47,006
Adjustments:			
Depreciation	3,595	2,123	5,718
Federal donated commodities	-	15,520	15,520
Changes in assets and liabilities:			
Decrease in materials and supplies inventory	-	289	289
Decrease in inventory held for resale	-	539	539
(Increase) in accounts receivable	(9,102)	(303)	(9,405)
(Increase) in prepayments	(846)	(358)	(1,204)
(Increase) in deferred outflows - pensions	(101,217)	(41,078)	(142,295)
Increase in accounts payable	13,941	59	14,000
Increase (decrease) in accrued wages and benefits	6,086	(2,173)	3,913
Increase (decrease) in intergovernmental payable	88	(11)	77
Increase in compensated absences payable	123	512	635
(Decrease) in pension and postemployment benefits payable	(1,150)	(740)	(1,890)
Increase in net pension liability	104,622	40,766	145,388
Increase in deferred inflows - pensions	9,396	5,147	14,543
(Decrease) in unearned revenue	(19,205)	(550)	(19,755)
Net cash provided by (used in) operating activities	<u>\$ 140,785</u>	<u>\$ (67,706)</u>	<u>\$ 73,079</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2017

	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents . .	<u>\$ 80,191</u>
Liabilities:	
Due to students.	<u>\$ 80,191</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 1 - DESCRIPTION OF THE DISTRICT

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The following organizations are described due to their relationship to the District.

JOINTLY GOVERNED ORGANIZATION

Metropolitan Educational Technology Association (META) Solutions

The District is a participant in META Solutions which is a computer consortium that resulted from the mergers between Tri-Rivers Educational Computer Association (TRECA), Metropolitan Educational Council (MEC), Metropolitan Dayton Educational Cooperative Association (MDECA), Southeastern Ohio Valley Voluntary Education Cooperative (SEOVEC), and South Central Ohio Computer Association (SCOCA). META Solutions develops, implements and supports the technology and instructional needs of schools in a cost-effective manner. META Solutions provides instructional, core, technology and purchasing services for its member districts. The Board of Directors consists of the Superintendents from eleven of the member districts. During fiscal year 2017, the District paid META Solutions \$42,656 for services. Financial information can be obtained from Dave Varda, who serves as Chief Financial Officer, 100 Executive Drive, Marion, Ohio 43302.

JOINT VENTURE WITHOUT EQUITY INTEREST

The Rockbridge Academy (the "Academy")

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

The Governing Board of the Academy consists of five members appointed by each member school. The District does not have an equity interest that is explicit and measurable in the Academy; however, the District does have an ongoing financial obligation to support the Academy in meeting its financial obligations. The District did not submit any payments to the Rockbridge Academy during fiscal year 2017. Further detailed financial information may be obtained by contacting the Educational Service Center of Central Ohio at (614) 445-3750.

INSURANCE POOL

Ohio School Plan (the "Plan")

The District participates in the Plan, an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. See Note 12.A. for detailed information about the plan.

B. Fund Accounting

The District uses funds to maintain its financial records during the 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.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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 plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as fund balance. The following is the District's major governmental fund:

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

Nonmajor governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) financial resources that are restricted, committed, or assigned for the repayment of long-term obligation principal and interest and (c) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

PROPRIETARY FUNDS

Proprietary funds focus on the determination of operating income, changes in net position, financial position, and cash flows. The District's only proprietary funds are enterprise funds. Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following is the District's major enterprise fund:

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

The nonmajor enterprise fund of the District is used to account for food service operations.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net position and changes in net position. 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 District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's only fiduciary funds are agency funds. The District's agency funds account for student activities and for monies collected on behalf of and disbursed to the Ohio High School Athletic Association.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. Basis of Presentation

Government-Wide Financial Statements - The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The statement of net position presents the financial condition of the governmental and business-type activities of the District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities and for the business-type activities of the District. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include 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 District, with certain limitations. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements - During the year, the District segregates transactions related to certain 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 District at this more detailed level. The focus of governmental and enterprise 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.

D. Measurement Focus

Government-Wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the District are included on the statement of net position.

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 deferred outflows of resources and current liabilities and deferred inflows of resources 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.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses and changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary fund activities.

E. Basis of Accounting

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

Revenues Exchange and Non-exchange Transactions - Revenue resulting from exchange transactions is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recognized in the accounting period when they become both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period of the District is sixty days after year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been met. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, see Note 14 for deferred outflows of resources related the District's net pension liability.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, payments in lieu of taxes and unavailable revenue. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of June 30, 2017, but which were levied to finance fiscal year 2018 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

For the District, see Note 14 for deferred inflows of resources related to the District's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position.

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

F. Cash and Investments

To improve cash management, cash received by the District is pooled. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

During fiscal year 2017, the District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of 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 has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For fiscal year 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

Under existing Ohio statutes, interest earnings are allotted to the general fund unless the Board of Education has, by resolution, specified funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2017 amounted to \$35,867 which includes \$8,498 assigned from other District funds.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

For purposes of the statement of cash flows and for presentation on the statement of net position, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the District’s investment account at fiscal year-end is provided in Note 4.

G. Inventory

Within the basic financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories of the general fund and food service enterprise fund (a nonmajor enterprise fund) were not significant at year-end. Donated commodities are presented at their entitlement value.

H. Capital Assets and Depreciation

General capital assets are those assets not specifically related to activities reported in the proprietary funds. 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 position, but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$1,000. The 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 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>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Buildings and Improvements	5 - 50 Years	N/A
Furniture and Equipment	3 - 20 Years	3 - 20 Years
Vehicles	10 Years	N/A

I. Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds.

Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

J. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as interfund loan receivables and payables. These interfund balances between governmental funds are eliminated for reporting on the statement of net position.

K. Compensated Absences

The District has implemented the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”. Vacation benefits are accrued as a liability as the benefits are earned if the employee’s right to receive compensation is attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick and vacation leave accumulated at June 30 by those employees who are currently eligible to receive termination payments and those employees for whom it is probable they will become eligible to receive termination benefits in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees with 15 years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16. The criteria for determining the vacation and sick leave liability is derived from Board policy, negotiated agreements and state laws.

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

L. Accrued Liabilities and Long-term Debt

All accrued liabilities and long-term debt are reported in the government-wide financial statements as well as the proprietary fund financial statements. For governmental fund financial statements, the accrued liabilities are generally reported as a governmental fund liability if due for payment as of the balance sheet date regardless of whether they will be liquidated with current financial resources. However, claims for judgments, compensated absences, and net pension liabilities paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

M. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component “net investment in capital assets,” consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

N. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

Restricted - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes, but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

O. Budget Stabilization Arrangement

The District has established a budget stabilization reserve. Additions to the budget stabilization reserve can only be made by formal resolution of the Board of Education. Expenditures out of the budget stabilization reserve can only be made to offset future budget deficits. At June 30, 2017, the balance in the budget stabilization reserve was \$915,054. This amount is included in unassigned fund balance of the general fund and in unrestricted net position on the statement of net position.

P. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are charges for services for the child care fund and the food service fund (a nonmajor enterprise fund). Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. All revenues and expenses not meeting these definitions are classified as nonoperating.

Q. Budgetary Data

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

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

The appropriation resolution is subject to amendment by the Board throughout the 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 in the budgetary statements reflect the final appropriations passed by the Board during the year.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

R. Encumbrances

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

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

S. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

T. 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. Neither type of transaction occurred during fiscal year 2017.

U. Estimates

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2017, the District has implemented GASB Statement No. 77, "*Tax Abatement Disclosures*", GASB Statement No. 78, "*Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*", GASB Statement No. 80, "*Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14*" and GASB Statement No. 82, "*Pension Issues - An Amendment of GASB Statements No. 67, No. 68 and No. 73*".

GASB Statement No. 77 requires governments that enter into tax abatement agreements to disclose certain information about the agreement. GASB Statement No. 77 also requires disclosures related to tax abatement agreements that have been entered into by other governments that reduce the reporting government's tax revenues. These disclosures were incorporated in the District's fiscal year 2017 financial statements (see Note 17); however, there was no effect on beginning net position/fund balance.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 78 establishes accounting and financial reporting standards for defined benefit pensions provided to the employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan (cost-sharing pension plan) that meets the criteria in paragraph 4 of Statement 68 and that (a) is not a state or local governmental pension plan, (b) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (c) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the District.

GASB Statement No. 80 improves the financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement applies to component units that are organized as not-for-profit corporations in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the District.

GASB Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of GASB Statement No. 82 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances/net position at June 30, 2017 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
IDEA Part B	\$ 29,783
Title I	9,150
<u>Major enterprise fund</u>	
Child Care	60,906
<u>Nonmajor Enterprise fund</u>	
Food Service	247,526

The general fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances/net position resulted from adjustments for accrued liabilities. The individual fund deficits of the nonmajor governmental funds above are reported as unassigned fund balance on the governmental funds balance sheet.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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 may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

A. Cash on Hand

At June 30, 2017, the District had \$100 in undeposited cash on hand which is included on the financial statements as part of "equity in pooled cash and cash equivalents".

B. Cash in Segregated Accounts

At June 30, 2017, the District has \$12,642 in a separate depository account for a flexible spending account (FSA) clearing account held separate from the District's internal investment pool. This balance of this depository account is included in "deposits with financial institutions" below.

C. Deposits with Financial Institutions

At June 30, 2017, the carrying amount of all District deposits was \$6,619,662. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2017, \$5,982,309 of the District's bank balance of \$6,780,216 was exposed to custodial risk as discussed below, while \$797,907 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

D. Investments

As of June 30, 2017, the District had the following investment and maturity:

<u>Measurement/ Investment type</u>	<u>Measurement Value</u>	<u>Investment Maturity 6 months or less</u>
Amortized cost:		
STAR Ohio	\$ 1,659,829	\$ 1,659,829

The weighted average maturity of investments is one day.

Interest Rate Risk: Interest rate risk arises as potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: Standard & Poor's has assigned STAR Ohio an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District has no investment policy dealing with investment credit risk beyond the requirements in State statutes.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the 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 District's investment policy does not specifically address custodial credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2017:

<u>Measurement/ Investment type</u>	<u>Measurement Value</u>	<u>% of Total</u>
Amortized cost:		
STAR Ohio	\$ 1,659,829	100.00

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

E. Reconciliation of Cash and Cash Equivalents to the Statement of Net Position

The following is a reconciliation of cash and cash equivalents as reported in the note above to cash and cash equivalents as reported on the statement of net position as of June 30, 2017:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 6,619,662
Investments	1,659,829
Cash on hand	<u>100</u>
 Total	 <u>\$ 8,279,591</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 7,689,293
Business-type activities	510,107
Agency funds	<u>80,191</u>
 Total	 <u>\$ 8,279,591</u>

NOTE 5 - RECEIVABLES

Receivables at June 30, 2017 consisted of property taxes, payments in lieu of taxes, accounts (billings for user charged services and student fees) and intergovernmental grants and entitlements. 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.

A summary of the principal items of receivables reported on the statement of net position follows:

	Governmental activities	Business-type activities
Property taxes	\$ 15,486,932	\$ -
Intergovernmental	73,234	-
Accounts	171,145	43,754
Payments in lieu of taxes	<u>921,092</u>	<u>-</u>
 Total	 <u>\$ 16,652,403</u>	 <u>\$ 43,754</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the District fiscal year runs from July through June. First half tax collections are received by the 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 and public utility property. Real property tax revenues received in calendar year 2017 represent the collection of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed values as of January 1, 2016, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2017 represent the collection of calendar year 2016 taxes. Public utility real and personal property taxes received in calendar year 2017 became a lien on December 31, 2015, were levied after April 1, 2016, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Franklin County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2017, are available to finance fiscal year 2017 operations. The amount available as an advance at June 30, 2017 was \$5,611,659 in the general fund, \$333,214 in the debt service fund (a nonmajor governmental fund) and \$205,811 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2016 was \$5,646,228 in the general fund, \$338,680 in the debt service fund (a nonmajor governmental fund) and \$209,322 in the permanent improvement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2017 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 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

On the accrual basis of accounting, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis of accounting the revenue has been reported as a deferred inflow.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2017 taxes were collected are:

	2016 Second Half Collections		2017 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 300,321,670	96.53	\$ 302,336,060	96.44
Public utility personal	<u>10,791,570</u>	<u>3.47</u>	<u>11,154,870</u>	<u>3.56</u>
Total	<u>\$ 311,113,240</u>	<u>100.00</u>	<u>\$ 313,490,930</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 105.15		\$ 110.05	

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	<u>Balance 06/30/16</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 06/30/17</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 137,400	\$ -	\$ -	\$ 137,400
Total capital assets, not being depreciated	<u>137,400</u>	<u>-</u>	<u>-</u>	<u>137,400</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	17,665,188	-	-	17,665,188
Furniture and equipment	5,419,584	112,458	(579,883)	4,952,159
Vehicles	<u>213,880</u>	<u>65,450</u>	<u>(16,096)</u>	<u>263,234</u>
Total capital assets, being depreciated	<u>23,298,652</u>	<u>177,908</u>	<u>(595,979)</u>	<u>22,880,581</u>
<i>Less: accumulated depreciation:</i>				
Buildings and improvements	(8,570,566)	(300,145)	-	(8,870,711)
Furniture and equipment	(3,911,723)	(265,109)	535,449	(3,641,383)
Vehicles	<u>(109,795)</u>	<u>(19,982)</u>	<u>16,096</u>	<u>(113,681)</u>
Total accumulated depreciation	<u>(12,592,084)</u>	<u>(585,236)</u>	<u>551,545</u>	<u>(12,625,775)</u>
Governmental activities capital assets, net	<u>\$ 10,843,968</u>	<u>\$ (407,328)</u>	<u>\$ (44,434)</u>	<u>\$ 10,392,206</u>

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 7 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 356,319
Special	481
<u>Support services:</u>	
Pupil	49,895
Instructional staff	18,224
Administration	461
Fiscal	1,114
Business	7,531
Operations and maintenance	102,586
Operation of non-instructional	4,542
Extracurricular activities	<u>44,083</u>
Total depreciation expense	<u>\$ 585,236</u>

	<u>Balance</u> <u>06/30/16</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/17</u>
Business-Type activities:				
<i>Capital assets, being depreciated:</i>				
Furniture and equipment	\$ 194,151	\$ 2,699	\$ -	\$ 196,850
Total capital assets, being depreciated	<u>194,151</u>	<u>2,699</u>	<u>-</u>	<u>196,850</u>
<i>Less: accumulated depreciation:</i>				
Furniture and equipment	<u>(107,780)</u>	<u>(5,718)</u>	<u>-</u>	<u>(113,498)</u>
Total accumulated depreciation	<u>(107,780)</u>	<u>(5,718)</u>	<u>-</u>	<u>(113,498)</u>
Business-Type activities capital assets, net	<u>\$ 86,371</u>	<u>\$ (3,019)</u>	<u>\$ -</u>	<u>\$ 83,352</u>

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 8 - LONG-TERM OBLIGATIONS

The changes in the District's long-term obligations during the year consist of the following:

	<u>Balance</u> <u>07/01/16</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>06/30/17</u>	<u>Amount</u> <u>Due in</u> <u>One Year</u>
<u>Governmental activities:</u>					
Series 2001 refunding bonds:					
Current interest	\$ 1,975,000	\$ -	\$ (500,000)	\$ 1,475,000	\$ 495,000
Series 1996 construction bonds:					
Current interest	890,000	-	(200,000)	690,000	215,000
Net pension liability:					
STRS	22,251,394	4,500,791	-	26,752,185	-
SERS	<u>3,495,228</u>	<u>925,567</u>	<u>-</u>	<u>4,420,795</u>	<u>-</u>
Total net pension liability	<u>25,746,622</u>	<u>5,426,358</u>	<u>-</u>	<u>31,172,980</u>	<u>-</u>
Compensated absences	<u>984,684</u>	<u>546,860</u>	<u>(464,140)</u>	<u>1,067,404</u>	<u>146,613</u>
Total governmental activities	<u>\$ 29,596,306</u>	<u>\$ 5,973,218</u>	<u>\$ (1,164,140)</u>	<u>\$ 34,405,384</u>	<u>\$ 856,613</u>
<u>Business-type activities:</u>					
Compensated absences	\$ 11,158	\$ 5,965	\$ (5,330)	\$ 11,793	\$ 5,453
Net pension liability:					
SERS	<u>809,446</u>	<u>145,388</u>	<u>-</u>	<u>954,834</u>	<u>-</u>
Total business-type activities	<u>\$ 820,604</u>	<u>\$ 151,353</u>	<u>\$ (5,330)</u>	<u>\$ 966,627</u>	<u>\$ 5,453</u>

All general obligation bonds will be paid from property taxes in the debt service fund (a nonmajor governmental fund).

Compensated absences in the governmental activities will be paid from the general fund and compensated absences in the business-type activities will be paid from the child care fund and the food service fund (a nonmajor enterprise fund).

See Note 14 for further information on the District's net pension liability. The District pays obligations related to employee compensation from the fund benefitting from their service.

Series 2001 Refunding Bonds

On November 1, 2001, the District issued \$8,559,989 of general obligation bonds. The bond issue included serial, term and capital appreciation bonds in the amounts of \$5,880,000, \$2,485,000 and \$194,989, respectively. The bonds advance refunded \$8,560,000 of outstanding 1995 School Facilities Construction and Improvement Bonds. The bonds were issued for a 24 year period with final maturity at December 1, 2019. The 1995 bonds are defeased and are not reported in the accompanying basic financial statements. At June 30, 2017, \$690,000 of the refunded bonds were outstanding.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 8 - LONG-TERM OBLIGATIONS - (Continued)

The term bonds were issued at \$2,485,000. The term bonds that mature on December 1, 2019 are subject to mandatory sinking fund redemption on December 1, 2015 and on each December 1 thereafter at 100 percent of the principal amount thereof, plus accrued interest, to the date of redemption according to the following schedule:

<u>December 1</u>	<u>Principal Amount to be Redeemed</u>
2017	\$ 495,000
2018	490,000
2019	490,000

Series 1996 Construction Bonds

Voted general obligation bonds in the amount of \$3,060,000 were issued in accordance with Chapter 133 of the ORC on January 1, 1996 with an average annual interest rate of 5.31%. The purpose of the bond issue was to complete the construction of the new multipurpose facility, renovate school buildings, improve school sites and implement technology improvements. The bonds are scheduled to be repaid over a 23 year period with the final payment due on December 1, 2019. A dedicated tax estimated by the Franklin County Auditor to average 5.52 mills is being collected to repay this debt and the series 2001 refunding bonds described above.

Future Debt Service Requirements

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2016, are as follows:

<u>Fiscal Year Ending,</u>	<u>General Obligation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 710,000	\$ 90,635	\$ 800,635
2019	720,000	54,893	774,893
2020	<u>735,000</u>	<u>18,436</u>	<u>753,436</u>
Total	<u>\$ 2,165,000</u>	<u>\$ 163,964</u>	<u>\$ 2,328,964</u>

Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2017, are a voted debt margin of \$27,123,782 (including available funds of \$1,074,598) and an unvoted debt margin of \$313,491.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 9 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of GAAP, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented 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 the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis); and,
- (d) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ 551,001
Net adjustment for revenue accruals	685,663
Net adjustment for expenditure accruals	(252,646)
Net adjustment for other sources/uses	24,462
Funds budgeted elsewhere	6,094
Adjustment for encumbrances	405,305
GAAP basis	\$ 1,419,879

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the uniform school supplies fund and the public school support fund.

NOTE 10 - SET-ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 10 - SET-ASIDES - (Continued)

The following cash-basis information describes the change in the fiscal year-end set-aside amount for capital improvements. Disclosure of this information is required by State statute.

	<u>Capital Improvements</u>
Set-aside balance June 30, 2016	\$ -
Current year set-aside requirement	184,930
Current year offsets	<u>(184,930)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2018	<u>\$ -</u>
Set-aside balance June 30, 2017	<u>\$ -</u>

NOTE 11 - INTERFUND TRANSACTIONS

A. Interfund loans receivable/payable consisted of the following at June 30, 2017, as reported on the fund statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General Fund	Nonmajor governmental funds	<u>\$ 47,104</u>

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. Interfund balances between governmental funds are eliminated on the government-wide financial statements.

B. Interfund transfers for the fiscal year ended June 30, 2017, consisted of the following, as reported on the fund statements:

	<u>Amount</u>
<u>Transfers from General Fund to:</u>	
Nonmajor governmental funds	\$ 3,780
Nonmajor enterprise funds	<u>40,000</u>
Total	<u>\$ 43,780</u>

Interfund transfers represent the use of unrestricted revenues collected in the general fund that are used to finance various programs accounted for in other funds in accordance with budgetary authorizations. The transfer was made from the general fund to support food service operations.

Interfund transfers between governmental funds are eliminated for reporting on the statement of activities. Interfund transfers between governmental funds and enterprise funds are reported on the statement of activities. All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 12 - RISK MANAGEMENT

A. Property, Liability, and Fleet

The District is exposed to various risks of loss related to torts, theft or damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2017, the District contracted with the Ohio School Plan (the "Plan") for general liability insurance with a \$2,000,000 single occurrence limit and a \$4,000,000 aggregate limit with a \$10,000 deductible. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a fifteen member Board consisting of superintendents, treasurers, and a member of the Harcum-Schuett Insurance Agency, Inc., and a member of the Hylant Group, Inc. The Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Harcum-Schuett Insurance Agency serves as the sales and marketing representative which establishes agreements between the Plan and its members. Financial information can be obtained from Harcum-Schuett Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

The District also contracted with the Hanover Insurance Group, member of Citizens Insurance Company of America, and Wright Specialty/Caitlin Insurance Company to provide property and fleet insurance requiring deductibles ranging from \$250 to \$2,500 depending on the type of property.

Insurance settlements have not exceeded insurance coverage for each of the past three fiscal years and there has been no significant reduction in coverage from the prior year.

B. Workers' Compensation

The District participates in the State Workers' Compensation system that provides coverage for accidents and injuries to employees while on the job. The premium is based on a rate per \$100 of salaries and is calculated as part of a state-wide group rating plan for workers' compensation insurance coverage sponsored by the Ohio School Board's Association.

C. Employee Health Insurance

The District offers employee group health insurance from Aetna, dental insurance from Delta Dental Plan, and life insurance from the American United Life Insurance Company with a portion of health insurance premiums being paid by employees. Insurance settlements have not exceeded insurance coverage for each of the past three fiscal years as there has been no significant reductions in coverage from prior year.

NOTE 13 - CONTINGENCIES

A. Grants

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2017, if applicable, cannot be determined at this time.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 13 - CONTINGENCIES - (Continued)

B. Litigation

The District is not party to legal proceedings to legal proceedings that, in the opinion of management, would have a material impact on the financial statements.

C. Foundation Funding

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2016-2017 school year, traditional Districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2017 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

NOTE 14 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the District's obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *pension and postemployment benefits payable* on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

Plan Description –District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the entire 14 percent was allocated to pension, death benefits, and Medicare B and no portion of the employer contribution rate was allocated to the Health Care Fund.

The District’s contractually required contribution to SERS was \$339,381 for fiscal year 2017. Of this amount, \$8,545 is reported as pension and postemployment benefits payable.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan Description - State Teachers Retirement System (STRS)

Plan Description –District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS 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. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2017, plan members were required to contribute 14 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The District’s contractually required contribution to STRS was \$1,257,961 for fiscal year 2017. Of this amount, \$139,636 is reported as pension and postemployment benefits payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.07543990%	0.08051284%	
Proportion of the net pension liability current measurement date	<u>0.07344680%</u>	<u>0.07992165%</u>	
Change in proportionate share	<u>(0.00199310)%</u>	<u>(0.00059119)%</u>	
Proportionate share of the net pension liability	\$ 5,375,629	\$ 26,752,185	\$ 32,127,814
Pension expense	\$ 490,526	\$ 1,782,657	\$ 2,273,183

Of the District’s total pension expense of \$2,273,183, \$2,195,265 is reported in the governmental activities and \$77,918 is reported in the business-type activities.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 72,504	\$ 1,080,918	\$ 1,153,422
Net difference between projected and actual earnings on pension plan investments	443,411	2,221,151	2,664,562
Changes of assumptions	358,853	-	358,853
District contributions subsequent to the measurement date	<u>339,381</u>	<u>1,257,961</u>	<u>1,597,342</u>
Total deferred outflows of resources	<u>\$ 1,214,149</u>	<u>\$ 4,560,030</u>	<u>\$ 5,774,179</u>
Deferred inflows of resources			
Difference between District contributions and proportionate share of contributions/change in proportionate share	<u>\$ 136,731</u>	<u>\$ 399,544</u>	<u>\$ 536,275</u>

\$1,597,342 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Of the total contributions made subsequent to the measurement date, \$1,537,060 relates to governmental activities and \$60,282 relates to business-type activities. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2018	\$ 163,262	\$ 399,689	\$ 562,951
2019	162,943	399,689	562,632
2020	284,369	1,252,007	1,536,376
2021	<u>127,463</u>	<u>851,140</u>	<u>978,603</u>
Total	<u>\$ 738,037</u>	<u>\$ 2,902,525</u>	<u>\$ 3,640,562</u>

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal (level percent of payroll)

For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, with 120% of male rates and 110% of female rates used. The RP-2000 Disabled Mortality Table with 90% for male rates and 100% for female rates set back five years is used for the period after disability retirement. Special mortality tables are used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an experience study that was completed June 30, 2015. As a result of the actuarial experience study, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	<u>10.00</u>	3.00
 Total	 <u>100.00 %</u>	

Discount Rate - The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
District's proportionate share of the net pension liability	\$ 7,116,997	\$ 5,375,629	\$ 3,918,030

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return *</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	<u>1.00</u>	3.00
Total	<u>100.00 %</u>	<u>7.61 %</u>

* 10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.50% and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 35,551,481	\$ 26,752,185	\$ 19,329,461

Changes Between Measurement Date and Report Date - In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to District's NPL is expected to be significant.

NOTE 15 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 15 - POSTEMPLOYMENT BENEFITS – (Continued)

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2017, none of the employer contribution was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2017, this amount was \$23,500. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the District's surcharge obligation was \$41,102.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2017, 2016, and 2015 were \$41,102, \$37,894, and \$58,246, respectively. The fiscal year 2017 amount has been reported as pension and postemployment benefits payable. The full amount has been contributed for fiscal years 2016 and 2015.

B. State Teachers Retirement System

Plan Description – The District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2017, STRS Ohio did not allocate any employer contributions to the Health Care Stabilization Fund. The District's did not make any contributions for health care for the fiscal years ended June 30, 2017, 2016 and 2015.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 16 - OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District’s commitments for encumbrances (less amounts already included in payables) in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General	\$ 182,717
Nonmajor governmental	<u>123,954</u>
 Total	 <u>\$ 306,671</u>

NOTE 17 - TAX ABATEMENTS ENTERED INTO BY OTHER GOVERNMENTS

Other governments entered into property tax abatement agreements with property owners under the Ohio Community Reinvestment Area (“CRA”) program with the taxing districts of the District. The CRA program is a directive incentive tax exemption program benefiting property owners who renovate or construct new buildings. Under this program, the other governments designated areas to encourage revitalization of the existing housing stock and the development of new structures. Within the taxing districts of the District, the City of Grandview Heights has entered into such agreements. Under these agreements, the District’s property taxes were reduced by \$807,383. The District received \$775,283 from the City of Grandview Heights to help offset forgone property tax revenue.

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REQUIRED SUPPLEMENTARY INFORMATION

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST FOUR FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.07344680%	0.07543990%	0.07746000%	0.07746000%
District's proportionate share of the net pension liability	\$ 5,375,629	\$ 4,304,674	\$ 3,920,206	\$ 4,606,298
District's covered-employee payroll	\$ 2,286,529	\$ 2,271,138	\$ 2,250,837	\$ 2,299,668
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	235.10%	189.54%	174.17%	200.30%
Plan fiduciary net position as a percentage of the total pension liability	62.98%	69.16%	71.70%	65.52%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST FOUR FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.07992165%	0.08051284%	0.08213870%	0.08213870%
District's proportionate share of the net pension liability	\$ 26,752,185	\$ 22,251,394	\$ 19,978,974	\$ 23,798,824
District's covered-employee payroll	\$ 8,529,836	\$ 8,400,164	\$ 8,392,308	\$ 8,626,892
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	313.63%	264.89%	238.06%	275.87%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	72.10%	74.70%	69.30%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 339,381	\$ 320,114	\$ 299,336	\$ 311,966
Contributions in relation to the contractually required contribution	<u>(339,381)</u>	<u>(320,114)</u>	<u>(299,336)</u>	<u>(311,966)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 2,424,150	\$ 2,286,529	\$ 2,271,138	\$ 2,250,837
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	13.18%	13.86%

2013	2012	2011	2010	2009	2008
\$ 318,274	\$ 278,167	\$ 320,538	\$ 300,780	\$ 262,128	\$ 251,832
<u>(318,274)</u>	<u>(278,167)</u>	<u>(320,538)</u>	<u>(300,780)</u>	<u>(262,128)</u>	<u>(251,832)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,299,668	\$ 2,068,156	\$ 2,550,024	\$ 2,221,418	\$ 2,663,902	\$ 2,564,481
13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,257,961	\$ 1,194,177	\$ 1,176,023	\$ 1,091,000
Contributions in relation to the contractually required contribution	<u>(1,257,961)</u>	<u>(1,194,177)</u>	<u>(1,176,023)</u>	<u>(1,091,000)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 8,985,436	\$ 8,529,836	\$ 8,400,164	\$ 8,392,308
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	14.00%	13.00%

2013	2012	2011	2010	2009	2008
\$ 1,121,496	\$ 1,188,304	\$ 1,152,421	\$ 1,235,851	\$ 1,177,032	\$ 1,160,360
<u>(1,121,496)</u>	<u>(1,188,304)</u>	<u>(1,152,421)</u>	<u>(1,235,851)</u>	<u>(1,177,032)</u>	<u>(1,160,360)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 8,626,892	\$ 9,140,800	\$ 8,864,777	\$ 9,506,546	\$ 9,054,092	\$ 8,925,846
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (g) mortality among disable member was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal year 2014-2017.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017. See the notes to the basic financial statements for the methods and assumptions in this calculation.



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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Grandview Heights City School District, Franklin County, Ohio, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Grandview Heights City School District's basic financial statements and have issued our report thereon dated October 18, 2017.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Grandview Heights City School District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Grandview Heights City School District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Grandview Heights City School District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Board of Education
Grandview Heights City School District

Compliance and Other Matters

As part of reasonably assuring whether the Grandview Heights City School 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, opining 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Grandview Heights City School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Grandview Heights City School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Julian & Grube, Inc.
October 18, 2017



Dave Yost • Auditor of State

GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 12, 2017**