



**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
LICKING COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

Board of Education
Granville Exempted Village School District
Licking County
Box 417
Granville, Ohio 43023

We have audited the accompanying general-purpose financial statements of the Granville Exempted Village School District, Licking County, Ohio, (the District) as of and for the year ended June 30, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 1999, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 9, 2000 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO
Auditor of State

February 9, 2000

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**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1999**

	Governmental Fund Types				Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects		Agency	General Fixed Assets	
Assets and Other Debits:								
Assets:								
Equity in Pooled Cash and Cash Equivalents	\$3,203,747	\$349,459	\$858,622	\$564,992	\$50,538	\$0	\$0	\$5,027,358
Receivables:								
Property Taxes	7,801,143	102,031	646,711	309,938	0	0	0	8,859,823
Materials and Supplies Inventory	5,166	0	0	0	0	0	0	5,166
Prepaid Items	6,217	0	0	0	0	0	0	6,217
Restricted Assets:								
Cash and Cash Equivalents	183,250	0	0	0	0	0	0	183,250
Fixed Assets	0	0	0	0	0	22,258,705	0	22,258,705
Other Debits:								
Amount Available in Debt Service Fund	0	0	0	0	0	0	896,304	896,304
Amount to be Provided from General Government Resources	0	0	0	0	0	0	9,541,460	9,541,460
Total Assets and Other Debits	\$11,199,523	\$451,490	\$1,505,333	\$874,930	\$50,538	\$22,258,705	\$10,437,764	\$46,778,283
Liabilities, Fund Equity and Other Credits:								
Liabilities:								
Accounts Payable	29,824	5,943	0	0	1,977	0	0	37,744
Accrued Salaries Payable	896,747	7,340	0	0	0	0	0	904,087
Intergovernmental Payable	182,005	279	0	0	0	0	66,380	248,664
Due to Students	0	0	0	0	48,561	0	0	48,561
Deferred Revenue	7,289,484	101,419	609,029	290,675	0	0	0	8,290,607
Compensated Absences Payable	3,761	0	0	0	0	0	495,134	498,895
Capital Leases Payable	0	0	0	0	0	0	67,952	67,952
School Facilities Loan Payable	0	0	0	0	0	0	4,099,460	4,099,460
Energy Conservation Bonds Payable	0	0	0	0	0	0	267,000	267,000
General Obligation Bonds Payable	0	0	0	0	0	0	5,441,838	5,441,838
Total Liabilities	8,401,821	114,981	609,029	290,675	50,538	0	10,437,764	19,904,808
Fund Equity and Other Credits:								
Investment in General Fixed Assets	0	0	0	0	0	22,258,705	0	22,258,705
Fund Balances:								
Reserved for Encumbrances	557,409	51,083	0	202,847	0	0	0	811,339
Reserved for Property Taxes	355,400	0	29,500	15,100	0	0	0	400,000
Reserved for Inventory	5,166	0	0	0	0	0	0	5,166
Reserved for Budget Stabilization	133,108	0	0	0	0	0	0	133,108
Reserved for Bus Purchase Allowance	50,142	0	0	0	0	0	0	50,142
Unreserved, Undesignated	1,696,477	285,426	866,804	366,308	0	0	0	3,215,015
Total Fund Equity and Other Credits	2,797,702	336,509	896,304	584,255	0	22,258,705	0	26,873,475
Total Liabilities, Fund Equity and Other Credits	\$11,199,523	\$451,490	\$1,505,333	\$874,930	\$50,538	\$22,258,705	\$10,437,764	\$46,778,283

See accompanying notes to the general purpose financial statements

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR FISCAL YEAR ENDED JUNE 30, 1999**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Revenues:					
Property Taxes	\$7,249,912	\$57,846	\$691,068	\$288,571	\$8,287,397
Intergovernmental	2,791,676	326,771	81,543	84,393	3,284,383
Interest	275,887	0	0	31,015	306,902
Tuition and Fees	122,414	0	0	0	122,414
Rent	4,629	0	0	0	4,629
Extracurricular Activities	0	222,188	0	0	222,188
Gifts and Donations	26,300	87,932	0	0	114,232
Miscellaneous	78	0	0	0	78
Total Revenues	10,470,896	694,737	772,611	403,979	12,342,223
Expenditures:					
Current:					
Instruction:					
Regular	5,444,091	156,839	0	0	5,600,930
Special	464,905	45,775	0	0	510,680
Vocational	114,595	0	0	0	114,595
Other	91,131	0	0	0	91,131
Support Services:					
Pupils	512,681	109,156	0	0	621,837
Instructional Staff	524,024	10,769	0	0	534,793
Board of Education	43,456	0	0	0	43,456
Administration	729,106	4,331	0	0	733,437
Fiscal	357,454	0	16,732	0	374,186
Business	6,324	756	0	0	7,080
Operation and Maintenance of Plant	1,043,968	0	0	0	1,043,968
Pupil Transportation	600,772	0	0	0	600,772
Extracurricular Activities	86,889	149,194	0	0	236,083
Capital Outlay	111,578	0	0	1,080,152	1,191,730
Debt Service:					
Principal Retirement	28,383	0	567,911	0	596,294
Interest and Fiscal Charges	6,185	0	208,665	0	214,850
Total Expenditures	10,165,542	476,820	793,308	1,080,152	12,515,822
Excess of Revenues Over (Under) Expenditures	305,354	217,917	(20,697)	(676,173)	(173,599)
Other Financing Sources (Uses):					
Proceeds From Loan	0	0	0	506,574	506,574
Proceeds From Sale of Fixed Assets	2,350	0	0	0	2,350
Inception of Capital lease	10,410	0	0	0	10,410
Total Other Financing Sources (Uses)	12,760	0	0	506,574	519,334
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	318,114	217,917	(20,697)	(169,599)	345,735
Fund Balances at Beginning of Year - Restated (Note 3)	2,479,588	118,592	917,001	753,854	4,269,035
Fund Balances at End of Year	\$2,797,702	\$336,509	\$896,304	\$584,255	\$4,614,770

See accompanying notes to the general purpose financial statements

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property Taxes	\$7,547,391	\$7,547,391	\$0	\$0	\$57,235	\$57,235
Intergovernmental	2,873,515	2,793,350	(80,165)	331,556	331,107	(449)
Interest	259,749	284,483	24,734	0	0	0
Tuition and Fees	122,680	122,414	(266)	0	0	0
Rent	4,629	4,629	0	0	0	0
Extracurricular Activities	0	0	0	210,606	222,188	11,582
Gifts and Donations	27,200	27,200	0	88,132	87,932	(200)
Miscellaneous	78	78	0	0	0	0
Total Revenues	10,835,242	10,779,545	(55,697)	630,294	698,462	68,168
Expenditures:						
Current:						
Instruction:						
Regular	5,560,113	5,505,728	54,385	193,411	192,985	426
Special	469,499	460,464	9,035	81,880	45,402	36,478
Vocational	125,505	125,203	302	0	0	0
Other	126,893	111,098	15,795	0	0	0
Support Services:						
Pupils	547,130	544,337	2,793	109,887	108,534	1,353
Instructional Staff	538,925	522,999	15,926	32,385	11,471	20,914
Board of Education	151,501	146,501	5,000	0	0	0
Administration	773,816	757,508	16,308	30,810	4,495	26,315
Fiscal	387,627	358,477	29,150	0	0	0
Business	15,136	15,136	0	6,235	756	5,479
Central	0	0	0	15,089	10,834	4,255
Operation and Maintenance of Plant	1,362,948	1,204,398	158,550	0	0	0
Pupil Transportation	661,272	631,703	29,569	0	0	0
Extracurricular Activities	86,804	86,752	52	174,190	172,947	1,243
Capital Outlay	192,619	192,619	0	0	0	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	10,999,788	10,662,923	336,865	643,887	547,424	96,463
Excess of Revenues Over (Under) Expenditures	(164,546)	116,622	281,168	(13,593)	151,038	164,631
Other Financing Sources/(Uses):						
Proceeds From Loan	0	0	0	0	0	0
Proceeds From Sale of Fixed Assets	2,350	2,350	0	0	0	0
Advances - In	52,093	52,093	0	0	0	0
Advances - Out	0	0	0	(52,759)	(52,093)	666
Total Other Financing Sources/(Uses)	54,443	54,443	0	(52,759)	(52,093)	666
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(110,103)	171,065	281,168	(66,352)	98,945	165,297
Fund Balances at Beginning of Year	2,033,140	2,033,140	0	184,107	184,107	0
Prior Year Encumbrances Appropriated	599,476	599,476	0	14,053	14,053	0
Fund Balances (Deficit) at End of Year	\$2,522,513	\$2,803,681	\$281,168	\$131,808	\$297,105	\$165,297

See accompanying notes to the general purpose financial statements

(Continued)

Debt Service Fund			Capital Projects Funds			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$725,824	\$725,824	\$0	\$301,112	\$301,112	\$0	\$8,574,327	\$8,631,562	\$57,235
81,543	81,543	0	282,085	84,393	(197,692)	3,568,699	3,290,393	(278,306)
0	0	0	30,351	31,015	664	290,100	315,498	25,398
0	0	0	0	0	0	122,680	122,414	(266)
0	0	0	0	0	0	4,629	4,629	0
0	0	0	0	0	0	210,606	222,188	11,582
0	0	0	0	0	0	115,332	115,132	(200)
0	0	0	0	0	0	78	78	0
<u>807,367</u>	<u>807,367</u>	<u>0</u>	<u>613,548</u>	<u>416,520</u>	<u>(197,028)</u>	<u>12,886,451</u>	<u>12,701,894</u>	<u>(184,557)</u>
0	0	0	0	0	0	5,753,524	5,698,713	54,811
0	0	0	0	0	0	551,379	505,866	45,513
0	0	0	0	0	0	125,505	125,203	302
0	0	0	0	0	0	126,893	111,098	15,795
0	0	0	0	0	0	657,017	652,871	4,146
0	0	0	147,775	64,723	83,052	719,085	599,193	119,892
0	0	0	0	0	0	151,501	146,501	5,000
0	0	0	0	0	0	804,626	762,003	42,623
19,476	16,732	2,744	14,209	14,209	0	421,312	389,418	31,894
0	0	0	0	0	0	21,371	15,892	5,479
0	0	0	0	0	0	15,089	10,834	4,255
0	0	0	0	0	0	1,362,948	1,204,398	158,550
0	0	0	0	0	0	661,272	631,703	29,569
0	0	0	0	0	0	260,994	259,699	1,295
0	0	0	1,790,793	1,208,804	581,989	1,983,412	1,401,423	581,989
567,911	567,911	0	0	0	0	567,911	567,911	0
208,665	208,665	0	0	0	0	208,665	208,665	0
<u>796,052</u>	<u>793,308</u>	<u>2,744</u>	<u>1,952,777</u>	<u>1,287,736</u>	<u>665,041</u>	<u>14,392,504</u>	<u>13,291,391</u>	<u>(1,101,113)</u>
<u>11,315</u>	<u>14,059</u>	<u>2,744</u>	<u>(1,339,229)</u>	<u>(871,216)</u>	<u>468,013</u>	<u>(1,506,053)</u>	<u>(589,497)</u>	<u>916,556</u>
0	0	0	506,574	506,574	0	506,574	506,574	0
0	0	0	0	0	0	2,350	2,350	0
0	0	0	0	0	0	52,093	52,093	0
0	0	0	0	0	0	(52,759)	(52,093)	666
<u>0</u>	<u>0</u>	<u>0</u>	<u>506,574</u>	<u>506,574</u>	<u>0</u>	<u>508,258</u>	<u>508,924</u>	<u>666</u>
11,315	14,059	2,744	(832,655)	(364,642)	468,013	(997,795)	(80,573)	917,222
844,563	844,563	0	156,379	156,379	0	3,218,189	3,218,189	0
0	0	0	570,408	570,408	0	1,183,937	1,183,937	0
<u>\$855,878</u>	<u>\$858,622</u>	<u>\$2,744</u>	<u>(\$105,868)</u>	<u>\$362,145</u>	<u>\$468,013</u>	<u>\$3,404,331</u>	<u>\$4,321,553</u>	<u>\$917,222</u>

See accompanying notes to the general purpose financial statements

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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in the late 1800's. The School District serves an area of approximately 48 square miles. It is located in Licking County, and includes all of the Village of Granville and Granville Township as well as portions of the Cities of Newark and Heath and portions of Newark, Newton, McKean, St. Albans and Union Townships. The School District is the 368th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by 46 non-certificated employees, 116 certificated full-time personnel and 7 administrative employees who provide services to 1737 full-time equivalent students. The School District currently operates 3 instructional buildings, 1 administrative building, and 1 garage.

Reporting Entity:

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

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

The following activities are included within the reporting entity:

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

The School District is associated with six organizations, four of which are defined as jointly governed organizations, one as an insurance purchasing pool, and one as a related organization. These organizations include the Licking Area Computer Association, Licking County Joint Vocational School, Metropolitan Educational Council, Central Ohio Special Education Regional Resource Center, the Ohio School Board Association Workers' Compensation Group Rating Plan, and the Granville Schools Charitable Foundation Incorporated. These organizations are presented in Notes 15,16, and 17 to the general purpose financial statements.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

A. Basis Of Presentation - Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental and fiduciary.

Governmental Fund Types:

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds and trust funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

General Fund

The general fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund

The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis Of Presentation - Fund Accounting (Continued)

Capital Projects Funds

The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds).

Fiduciary Fund Type:

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The only fiduciary funds of the School District are agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups:

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group

This account group is established to account for all fixed assets of the School District.

General Long-Term Obligations Account Group

This account group is established to account for all long-term obligations of the School District.

B. Measurement Focus and Basis of Accounting

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

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting (Continued)

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

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2000 operations, have been recorded as deferred revenue.

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

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Licking County Budget Commission for rate determination.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process (Continued)

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 1999.

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

Encumbrances:

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for the governmental funds.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process (Continued)

Lapsing of Appropriations:

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

D. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Cash and Cash Equivalents" on the balance sheet.

During fiscal year 1999, investments were limited to STAR Ohio.

STAR Ohio is an investment pool managed by the State Treasurers' Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 1999.

Following Ohio statutes, the Board of Education has, by resolution, specified funds to receive an allocation of interest earnings. Interest is credited to the general and capital projects funds. Interest revenue credited to the general fund during fiscal year 1999 amounted to \$275,887, which includes \$89,384 assigned from other School District funds.

For the presentation of the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

E. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues for the purchase of buses, and amounts required by statute to be set aside by the School District to create a reserve for budget stabilization. See Note 21 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

F. Estimates

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Inventory

Inventories of governmental funds are stated at cost on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 1999, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

I. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred fifty dollars. The School District does not have any infrastructure.

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 capitalized. Improvements are capitalized.

Assets in the general fixed assets account group are not depreciated.

J. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred.

The School District currently participates in several State and Federal programs, categorized as follows:

Entitlements

- General Fund*
- State Foundation Program
- State Property Tax Relief
- School Bus Purchase Reimbursement

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Intergovernmental Revenues (Continued)

Non-Reimbursable Grants

Special Revenue Funds

- Eisenhower
- Auxiliary Services
- Education Management Information Systems
- Chapter 1
- Chapter 2
- Title VI
- Title VI-B
- Drug-Free Schools
- Library Automation
- Professional Development Block Grant
- School Health Grant

Non-Reimbursable Grants

Special Revenue Funds

- Venture Capital Grant

Capital Projects Funds

- School Net
- School Net Plus
- Data Communication Support

Reimbursable Grants

General Fund

- Driver Education

Grants and entitlements received in governmental funds amounted to approximately 27 percent of the School District's governmental fund revenue during the 1999 fiscal year.

K. Interfund Assets/Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables" and "interfund payables".

L. Compensated Absences

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Compensated Absences (continued)

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

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group.

M. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgements, compensated absences, contractually required pension contributions, and early retirement incentives that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than two months after fiscal year-end are considered not to have used current available financial resources. Bonds, loans and capital leases are reported as a liability of the general long-term obligations account group until due.

N. Fund Balance Reserves

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

O. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Total - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

3. RESTATEMENT OF PRIOR YEAR FUND EQUITY

An error in the calculation of compensated absences and capital leases resulted in the following restatement of account group balances:

	<u>Amount at 6/30/98</u>	<u>Restated Amount</u>
General long-Term Obligations Account Group	\$10,408,648	\$10,443,161

The reclassification of the Data Communication Support Fund from a Capital Projects Fund to a Special Revenue Fund resulted in the following restatement of fund balances:

	<u>Amount at 6/30/98</u>	<u>Restated Amount</u>
Capital Projects Funds	\$764,444	\$753,854
Special Revenue Funds	108,002	118,592

4. ACCOUNTABILITY AND COMPLIANCE

A. Accountability

The following funds had a deficit fund balance as of June 30, 1999:

	<u>Deficit Fund Balance</u>
<u>Special Revenue Funds:</u>	
Chapter I	(\$4,614)
Bennett Foundation Grant	(10)
Elementary Art Grant	(22)

The deficits in the special revenue funds are the result of the recognition of payables in accordance with Generally Accepted Accounting Principles. The deficits noted above did not exist on the budget basis of accounting. The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

B. Compliance

The School Building Assistance Fund had appropriations in excess of estimated resources plus available balances for the fiscal year ended June 30, 1999 contrary to Ohio Revised Code Section 5705.39.

<u>Fund Type/Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Excess</u>
Capital Project Funds:			
School Building Assistance	\$502,953	\$896,493	\$393,540

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

4. ACCOUNTABILITY AND COMPLIANCE (Continued)

B. Compliance (Continued)

The following accounts had expenditures plus encumbrances in excess of appropriations contrary to Section 5705.41(B), Ohio Revised Code:

	<u>Excess</u>
<u>Special Revenue Funds:</u>	
Principals Fund	\$15,080
District Managed Activities	\$26,909

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

5. BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual-All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and GAAP basis are that:

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

5. BUDGETARY BASIS OF ACCOUNTING (Continued)

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

Excess of Revenues and Other Financing Sources
Over (Under) Expenditures
All Governmental Fund Types

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	\$318,114	\$217,917	(\$20,697)	(\$169,599)
Revenue Accruals	308,649	3,725	34,756	12,541
Expenditure Accruals	68,193	(18,250)	0	(4,737)
Prepaid Items	6,217	0	0	0
Advances - In	52,093	0	0	0
Advances - Out	0	(52,093)	0	0
Encumbrances	(582,201)	(52,354)	0	(202,847)
Budget Basis	<u>\$171,065</u>	<u>\$98,945</u>	<u>\$14,059</u>	<u>(\$364,642)</u>

6. DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current two 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 pass book accounts.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

6. DEPOSITS AND INVESTMENTS (Continued)

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

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

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

Cash On Hand: At year end, the School District had \$1,115 in undeposited cash on hand which is included on the balance sheet of the School District as part of "cash and cash equivalents".

Deposits: At fiscal year end, the carrying amount of the School District's deposits was (\$264,394), which excludes investments in STAR Ohio at 6/30/99, and the bank balance was \$262,054. Of the bank balance, \$103,017 was covered by federal depository insurance and \$159,037 was uninsured and uncollateralized. The District did have adequate pooled collateral from the bank to cover deposits. The securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, however, noncompliance with federal requirements required by the bank and the District could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

6. DEPOSITS AND INVESTMENTS (Continued)

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

	Fair Value
STAR Ohio	<u>\$5,473,887</u>

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	\$5,210,608	\$0
Cash On Hand	(\$1,115)	0
Investments:		
STAR Ohio	<u>(5,473,887)</u>	<u>5,473,887</u>
GASB Statement 3	<u>\$(264,394)</u>	<u>\$5,473,887</u>

7. PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 1999 for real and public utility property taxes represents collections of calendar 1998 taxes. Property tax payments received during calendar 1999 for tangible personal property (other than public utility property) is for calendar 1999 taxes.

1999 real property taxes are levied after April 1, 1999, on the assessed value as of January 1, 1999, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 1999 public utility property taxes became a lien December 31, 1998, are levied after April 1, 1999 and are collected in 2000 with real property taxes.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

7. PROPERTY TAXES (Continued)

1999 tangible personal property taxes are levied after April 1, 1998, on the value as of December 31, 1998. Collections are made in 1999. Tangible personal property assessments are twenty-five percent of true value.

Real property taxes are payable annually or semi-annually. 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.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The assessed values upon which fiscal year 1999 taxes were collected are:

	1998 Second- Half Collections		1999 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$197,197,510	90.49%	\$205,614,590	91.35%
Public Utility	9,071,620	4.16	9,690,790	4.3
Tangible Personal Property	11,647,690	5.35	9,781,340	4.35
Total Assessed Value	<u>\$217,916,820</u>	<u>100.00%</u>	<u>\$225,086,720</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$69.00		\$69.00	

The School District receives property taxes from Licking County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 1999, are available to finance fiscal year 1999 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. Also intended to finance current fiscal year operations is the June 30 personal property tax settlement that was not received until July, 1999 in the amount of \$156,259 in the General Fund, \$612 in the School Facility Maintenance Special Revenue Fund, \$8,182 in the Bond Retirement Debt Service Fund, and \$4,163 in the Permanent Improvement Capital Projects Fund. The amount available as an advance at June 30, 1999, was \$355,400 in the General Fund, \$29,500 in the Bond Retirement Debt Service Fund, and \$15,100 in the Permanent Improvement Capital Projects Fund. The amount available as an advance at June 30, 1998 was \$647,500 in the General Fund, \$62,000 in the Bond Retirement Fund Debt Service Fund, and \$27,500 in the Permanent Improvement Capital Projects Fund.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

8. FIXED ASSETS

A summary of the changes in general fixed assets during fiscal year 1999 follows:

Asset Category	Balance at 6/30/98	Additions	Deletions	Balance at 6/30/99
Land and Improvements	\$807,189	\$116,129	\$0	\$923,318
Buildings and Improvements	17,800,424	795,030	0	18,595,454
Furniture, Fixtures and Equipment	1,503,398	393,887	0	1,897,285
Vehicles	749,388	115,819	(22,559)	842,648
Totals	<u>\$20,860,399</u>	<u>\$1,420,865</u>	<u>(\$22,559)</u>	<u>\$22,258,705</u>

9. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 1999, the School District contracted with Utica National Insurance Group, through the Metropolitan Educational Council, for property, crime, freight, and inland marine coverage insurance; Hartford Steam Boiler for boiler and machinery insurance; Nationwide Mutual Insurance for general and employee benefits liability insurance with an additional umbrella policy coverage, and for fleet insurance. Coverages provided are as follows:

Building and Contents-replacement cost (\$1,000 deductible)	\$22,780,260
Extra Expense (\$1,000 deductible)	250,000
Inland Marine Coverage	
Contractor Equipment (\$250 deductible)	50,000
Musical Instruments (\$250 deductible)	75,000
Audio/Visual Equipment (\$250 deductible)	50,000
Equipment (\$250 deductible)	255,000
Data/Media (\$250 deductible)	55,000
Extra Expense (250 deductible)	55,000
Valuable Papers and Records (\$250 deductible)	50,000
Public Employee Dishonesty (\$250 deductible)	50,000
Freight Insurance (\$1,000 deductible)	50,000
Boiler and Machinery (\$1,000 deductible)	25,000,000
Business Interruption/Extra Expense (12 hour deductible)	6,250,000
Automobile Liability (\$500 deductible for collision)	1,000,000
Uninsured Motorists (\$500 deductible for collision)	1,000,000
General Liability	
Per occurrence	1,000,000
Aggregate Per Year	5,000,000
Commercial Umbrella Liability Policy for General and Automobile Liability (\$10,000 deductible)	
Per occurrence	2,000,000
Aggregate Per Year	2,000,000
Employee Benefit Liability	100,000

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

9. RISK MANAGEMENT (Continued)

In fiscal year 1999, the School District participated in the Metropolitan Educational Council (MEC), a regional council of governments that helps member school districts receive discounted rates on various items such as their life, property, boiler and machinery, inland marine, crime, and freight insurances, services, supplies, and other items. The MEC is composed of over 100 members which includes school districts, joint vocational schools, educational service centers, and libraries covering 24 counties in Central Ohio. The governing board of MEC is composed of either the superintendent, a designated representative or a member of the board of education for each participating school district in Franklin County (18 school districts) and one representative from each county.

For fiscal year 1999, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

10. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The Granville Exempted Village School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the Granville Exempted Village School District is required to contribute at an actuarially determined rate. The current rate for The Granville Exempted Village School District is 14 percent of the annual covered payroll. A portion of The Granville Exempted Village School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 1999, 7.7 percent of the annual covered salary was the portion used to fund pension obligations. For fiscal year 1998, 9.02 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' retirement board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$70,866, \$74,632, and \$77,647, respectively; 42.95 percent has been contributed for fiscal year 1999 and 100 percent has been contributed for the fiscal years 1998 and 1997. \$40,432 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

10. DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System

The Granville Exempted Village School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

For fiscal year ended June 30, 1999 plan members are required to contribute 9.3 percent of their annual covered salaries. The Granville Exempted Village School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. For fiscal year 1998, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The Granville Exempted Village School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$223,937, \$494,554, and \$542,628, respectively; 24.35 percent has been contributed for fiscal year 1999 and 100 percent has been contributed for the fiscal years 1998 and 1997. \$169,416 represents the unpaid contribution for fiscal year 1999 and is recorded as a liability within the respective funds.

11. POSTEMPLOYMENT BENEFITS

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the School District, this amount equaled \$298,583 for fiscal year 1999.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1998, (the latest information available) the balance in the fund was \$2.156 million. For year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000 and STRS had 91,999 eligible benefit recipients.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

11. POSTEMPLOYMENT BENEFITS (Continued)

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For fiscal year ended June 30, 1999, employer contributions to fund health care benefits were 6.30 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. In addition SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, prorated for partial credit service. For fiscal year 1999, the minimum pay was established at \$12,400. For the Granville Exempted Village School District, the amount contributed to fund health care benefits, including the surcharge, during the 1999 fiscal year equaled \$75,354.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for the maintenance of the asset target level for the health care fund. The target level for the health care reserve is 125 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1998 (the latest information available), were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, SERS had net assets available for the payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

12. EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 199 days for all personnel. Upon retirement, payment is made for one-third of accrued, but unused sick leave credit to a maximum of 43 days for classified and certified employees.

B. Health Care Benefits

The School District provides health, drug, and dental insurance for all eligible employees through Anthem Blue Cross and Blue Shield of Ohio. The School District pays medical and drug monthly premiums for certified staff of \$588.34 for family coverage and \$206.41 for single coverage. The School District pays the total monthly premium for dental insurance coverage of \$65.30 for family and \$24.96 for single employees. The School District also provides vision insurance to its employees through Vision Plus. The School District pays the total premium for vision coverage which is \$26.30 for family coverage and \$9.14 for single coverage.

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Metropolitan Educational Council. Premiums are paid from the same funds that pay the employees' salaries. It should be noted that the employee pays approximately 28% of the cost for health care coverages, while the District pays approximately 72%.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

13. CAPITAL LEASES - LESSEE DISCLOSURE

The School District has entered into capitalized leases for copiers and library automation equipment. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

General fixed assets acquired by lease have been capitalized in the general fixed asset account group in the amount of \$149,540. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligation account group. Principal payments in fiscal year 1999 totaled \$28,383 in the governmental funds. The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 1999.

Fiscal Year Ending June 30,	GLTOAG
2000	34,726
2001	30,456
2002	7,416
2003	1,872
Total	74,470
Less: Amount Representing Interest	(6,518)
Present Value of Net Minimum Lease Payments	\$67,952

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

14. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 1999 were as follows:

	Restated Principal Outstanding 6/30/98	Additions	Deductions	Principal Outstanding 6/30/99
School Improvement Refunding Bond 1994 2.6% - 4.65%	\$5,921,838	\$0	\$480,000	\$5,441,838
Energy Conservation Bond 1994 5.75% - 5.9%	302,000	0	35,000	267,000
Total Long-Term Bonds and Loans	6,223,838	0	515,000	5,708,838
Capital Leases	85,925	10,410	28,383	67,952
Classroom Facilities Loan	3,645,797	506,574	52,911	4,099,460
Pension Obligation	58,430	66,380	58,430	66,380
Compensated Absences	429,171	84,196	18,233	495,134
Total General Long-Term Obligations	<u>\$10,443,161</u>	<u>\$667,560</u>	<u>\$672,957</u>	<u>\$10,437,764</u>

School Improvement General Obligation Refunding Bonds - On October 15, 1993, Granville Exempted Village School District issued \$7,536,838 in School Improvement General Obligation Refunding Bonds with an interest rate varying from 2.6% to 4.65% to advance refund \$7,540,000 of outstanding 1990 school improvement bonds with an average interest rate of 10 percent. The proceeds of the refunding were deposited in an irrevocable trust with Park National Bank to provide for all future debt service payments. As a result, the 1990 Series bonds are considered to be defeased and the liability for those bonds has been removed from the balance sheet. As of June 30, 1999, \$7,423,400 in investments remained with the escrow agent to retire outstanding bonds in the amount of \$5,445,000.

Energy Conservation Bond - On October 4, 1994, Granville Exempted Village School District issued \$402,100 in unvoted general obligation bonds for the purpose of providing energy conservation measures for the School District, under the authority of Ohio Revised Code Sections 133.06(G) and 3313.372. The bonds were issued for a ten year period with final maturity during fiscal year 2005. The bonds will be retired from the debt service fund. The bonds may be called at the discretion of the District beginning March 1, 2000, at a price not greater than 101%.

The Bonds maturing on and after March 1, 2001 are subject to prior redemption, by and at the sole option of the Board of education of the District, either in whole or in part (as selected by that Board) on any date on or after March 1, 2000, in integral multiples of \$1,000, at the following redemption prices (expressed as percentages of the principal amount redeemed), plus accrued interest to the redemption date:

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

14. LONG-TERM OBLIGATIONS (Continued)

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

Capital leases will be paid from the General Fund. Compensated absences and the pension obligation will be paid from the fund from which the employees' salaries are paid.

Classroom Facilities Loan - In fiscal year 1999, the School District received \$506,574 in note proceeds through this program established by the State Department of Education for the purpose of constructing a senior high school building. The total amount approved for construction purposes was \$4,484,343. Construction has been completed and the District does not anticipate the receipt of any other revenue associated with this project. As a requirement of the loan, the School District was required to pass a ½ mill levy which will be used in part to repay the loan. The levy is in effect for twenty-three years or until the loan with the State is repaid. One - half of the proceeds of this ½ mil levy will be used for maintenance, and if the remaining amount over the twenty three year period is not enough to retire the total amount of the debt outstanding, the outstanding amount at that time will be forgiven. The levy was passed in March, 1996.

The School District's overall legal debt margin was \$15,415,771 with an unvoted debt margin of \$225,087 at June 30, 1999.

Principal and interest requirements to retire the refunding improvement bonds and the energy conservation bonds outstanding at June 30, 1999, are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2000	550,000	187,863	737,863
2001	585,000	164,898	749,898
2002 -2006	3,392,000	650,859	4,042,859
2007 - 2011	735,166	2,598,490	3,333,656
2012 - 2016	446,672	2,481,279	2,927,951
Total	\$5,708,838	\$6,083,389	\$11,792,227

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

15. JOINTLY GOVERNED ORGANIZATIONS

A. Licking Area Computer Association

The School District is a participant in the Licking Area Computer Association (LACA) which is a computer consortium. LACA is an association which services thirteen entities within the boundaries of Licking and Muskingum Counties. These entities consist of public school districts, private schools, and educational service centers. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of LACA consists of the superintendents from all participating districts. The continued existence of LACA is not dependent on the School District's continued participation and no equity interest exists. The LACA constitution states that any school district withdrawing from the Association prior to dissolution forfeits their claim to the Association's fixed assets. The School District's payment for accounting services for fiscal year 1999 was \$26,636. Financial statements for LACA can be obtained from their fiscal agent - the Licking County Joint Vocational School District, 150 Price Road, Newark, OH 43055.

B. Licking County Joint Vocational School

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

C. Metropolitan Educational Council

The School District participates in the Metropolitan Educational Council (MEC), a jointly governed organization. The organization is composed of over 135 members which includes school districts, joint vocational schools, educational service centers, and libraries covering 24 counties in Central Ohio. The MEC helps its members purchase services, insurances, supplies, and other items at a discounted rate. The governing board of MEC is composed of either the superintendent, a designated representative or a member of the board of education for each participating school district in Franklin County (18 school districts) and one representative from each county. Each year, the participating school districts pay a membership fee to MEC to cover the costs of administering the program. The School District's membership payment to MEC for fiscal year 1999 was \$675. Financial information may be obtained from the Metropolitan Educational Council, Denise Music, who serves as fiscal officer, at 6100 Channingway Blvd., Suite 604, Columbus, OH 43232.

D. Central Ohio Special Education Regional Resource Center

The Central Ohio Educational Resource Center (COSERRC) provides special education services at a regional level and assists school districts in complying with the mandates of P.L. 101-476 and P.L. 99-457 for educating children with disabilities. The Granville School District has a cooperative agency agreement with COSERRC. There is no financial commitment by the School District for its participation in the projects.

The District is represented on the governing board by a district member. Further information may be obtained by contacting the Central Ohio Special Education Regional Resource Center at 470 Glenmont Avenue, Columbus, Ohio 43214.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

16. INSURANCE PURCHASING POOL

Ohio School Board Association Workers' Compensation Group Rating Plan

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

17. RELATED ORGANIZATION

Granville Schools Charitable Foundation, Incorporated

The Granville Schools Charitable Foundation, authorized under Ohio Revised Code Chapter 1702, is an independent nonprofit corporation created in 1994. The Foundation's purpose is to improve the education for the students of Granville Schools. The Foundation is governed by a Board of Trustees appointed by the Granville Exempted Village School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the School District for operational subsidies. The School District has no ability to impose its will on the organization nor does a burden/benefit relationship exist. The School District made no contributions to the Foundation during fiscal year 1999. Financial information can be obtained from the Granville Schools Charitable Foundation, Brett Griffith, who serves as Treasurer, at P.O. Box 417, Granville, Ohio 43023.

18. STATE SCHOOL FUNDING DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The court stayed the effect of its ruling for one year to allow the Ohio General Assembly to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 1999, the School district received \$1,710,462 in school foundation support for its General Fund.

In addition, the Court declared the classroom facilities program unconstitutional, because, in the Court's opinion, the program had not been sufficiently funded by the State. The classroom facilities program provided money to build schools and furnish classrooms. As of June 30, 1999, the School District had received a total of \$4,152,371 under this loan program.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the Ohio General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. At this time, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional. As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under these programs and on its financial operations.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

19. CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 1999.

B. Litigation

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

20. SET-ASIDE CALCULATIONS AND FUND RESERVES

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

21. SET-ASIDE CALCULATIONS AND FUND RESERVES (Continued)

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

	Textbooks	Capital Acquisition	Budget Stabilization	Totals
Set-aside Cash Balance as of June 30, 1998	\$0	\$0	\$48,243	\$48,243
Current Year Set-aside Requirement	169,730	169,730	84,865	424,325
Current Year Offsets	(24,758)	(270,769)	0	(295,527)
Qualifying Disbursements	(503,443)	(820,088)	0	(1,323,531)
Total	(\$358,471)	(\$921,127)	\$133,108	(\$1,146,490)
Cash Balance Carried Forward to FY 2000	<u>\$0</u>	<u>\$0</u>	<u>\$133,108</u>	<u>\$133,108</u>
Amount restricted for bus purchases				<u>50,142</u>
Total Restricted Assets				<u>\$183,250</u>

Although the School district had offsets and qualifying disbursements during the year that reduced the set-aside amounts to below zero, these extra amounts may not be used to reduce set-aside requirements of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year.



STATE OF OHIO
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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

Board of Education
Granville Exempted Village School District
Licking County
P.O. Box 417
Granville, Ohio 43023

We have audited the financial statements of Granville Exempted Village School District, Licking County, Ohio (the District) as of and for the year ended June 30, 1999, and have issued our report thereon dated February 9, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings at items 1999-10645-001 and 1999-10645-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated February 9, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 1999-10645-003.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of District in a separate letter dated February 9, 2000.

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

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

JIM PETRO
Auditor of State

February 9, 2000

**SCHEDULE OF FINDINGS
JUNE 30, 1999**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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1999-10645-001	
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Ohio Rev. Code Section 5705.41(B) states a School District should not make an expenditure unless it has been properly appropriated.

Expenditures exceeded appropriations in the funds indicated below:

Fund	Appropriations	Actual Expenditures	Variance
Principals Fund	\$95,864	\$110,944	(\$15,080)
District Managed Activities Fund	\$146,038	\$172,947	(\$26,909)

The Treasurer should monitor appropriations and expenditures throughout the year.

1999-10645-002	
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Ohio Rev. Code Section 5705.39 states total appropriations from each fund should not exceed the total estimated revenue.

Appropriations exceeded estimated resources in the School Building Assistance Fund as indicated below.

Fund	Estimated Resources	Appropriations	Variance
School Building Assistance Fund	\$502,953	\$896,493	(\$393,540)

The Treasurer should monitor appropriations compared to the estimated resources throughout the year.

**SCHEDULE OF FINDINGS
JUNE 30, 1999
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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1999-10645-003	
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Fixed Asset Listing

The District should maintain an up to date listing of all fixed assets. The listing should be maintained by the Treasurer, and include a description of the asset, acquisition price, inventory tag number, date of acquisition, and location. Yearly additions and deletions should be identified along with source documentation for purchases and sales of fixed assets.

Although the District had a complete inventory appraisal in 1996, the District Treasurer had not updated the listing with yearly additions and deletions. The District could not locate a current master fixed asset listing.

In order to effectively monitor the fixed assets owned by the District, the Treasurer should update the fixed asset listing yearly. Fixed assets should be tracked as they are purchased to assure completeness and accuracy of the fixed asset schedules.



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GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

LICKING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 16, 2000**