



**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
LICKING COUNTY**

REGULAR AUDIT

FISCAL YEAR ENDED JUNE 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
LICKING COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

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

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, 2001, 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose 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 Granville Exempted Village School District, Licking County, Ohio as of June 30, 2001, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2001 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

JIM PETRO
Auditor of State

November 28, 2001

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Granville Exempted Village School District, Ohio
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 2001

	Governmental Fund Types				Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
<u>Assets and Other Debits:</u>								
<u>Assets:</u>								
Cash and Cash Equivalents	\$3,005,108	\$380,788	\$11,479,133	\$29,522,625	\$58,254	\$0	\$0	\$44,445,908
Cash and Cash Equivalents in Segregated Accounts	0	1,501	0	0	0	0	0	1,501
<u>Receivables:</u>								
Property Taxes	8,455,869	120,300	1,809,996	369,911	0	0	0	10,756,076
Accounts	4,050	1,847	0	4,850	0	0	0	10,747
Intergovernmental	4,515	8,755	0	2,000	0	0	0	15,270
Accrued Interest	18,428	0	0	0	0	0	0	18,428
Interfund	2,270	0	0	0	0	0	0	2,270
Materials and Supplies Inventory	1,544	0	0	0	0	0	0	1,544
Prepaid Items	6,310	0	0	0	0	0	0	6,310
<u>Restricted Assets:</u>								
Cash and Cash Equivalents	68,315	0	0	0	0	0	0	68,315
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0	0	23,966,313	0	23,966,313
<u>Other Debits:</u>								
Amount Available in Debt Service Fund	0	0	0	0	0	0	11,636,437	11,636,437
Amount to be Provided from General Government Resources	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	14,911,205	14,911,205
Total Assets and Other Debits	\$11,566,409	\$513,191	\$13,289,129	\$29,899,386	\$58,254	\$23,966,313	\$26,547,642	\$105,840,324

(Continued)

Granville Exempted Village School District, Ohio
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 2001

	Governmental Fund Types				Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
<u>Liabilities, Fund Equity and Other Credits:</u>								
<u>Liabilities:</u>								
Accounts Payable	\$74,020	\$10,453	\$0	\$19,788	\$0	\$0	\$0	\$104,261
Contracts Payable	0	3,234	0	356,954	0	0	0	360,188
Retainage Payable	0	12,921	0	14,436	0	0	0	27,357
Accrued Salaries and Benefits Payable	1,196,125	1,925	0	0	0	0	0	1,198,050
Intergovernmental Payable	203,117	27	0	0	0	0	105,721	308,865
Interfund Payable	0	2,270	0	0	0	0	0	2,270
Due to Students	0	0	0	0	58,254	0	0	58,254
Deferred Revenue	7,710,744	116,210	1,652,692	338,827	0	0	0	9,818,473
Accrued Interest Payable	0	0	0	321,386	0	0	0	321,386
Notes Payable	0	0	0	20,000,000	0	0	21,220,000	41,220,000
Compensated Absences Payable	29,611	0	0	0	0	0	493,661	523,272
Capital Leases Payable	0	0	0	0	0	0	154,422	154,422
Energy Conservation Bonds Payable	0	0	0	0	0	0	187,000	187,000
General Obligation Bonds Payable	0	0	0	0	0	0	4,386,838	4,386,838
Total Liabilities	9,213,617	147,040	1,652,692	21,051,391	58,254	0	26,547,642	58,670,636
<u>Fund Equity and Other Credits:</u>								
Investment in General Fixed Assets	0	0	0	0	0	23,966,313	0	23,966,313
<u>Fund Balances:</u>								
Reserved for Encumbrances	100,358	125,738	0	3,086,729	0	0	0	3,312,825
Reserved for Budget Stabilization	48,243	0	0	0	0	0	0	48,243
Reserved for Bus Purchase Allowance	20,072	0	0	0	0	0	0	20,072
Reserved for Inventory	1,544	0	0	0	0	0	0	1,544
Reserved for Property Taxes	688,700	10,300	149,600	31,400	0	0	0	880,000
Unreserved, Undesignated	1,493,875	230,113	11,486,837	5,729,866	0	0	0	18,940,691
Total Fund Equity and Other Credits	2,352,792	366,151	11,636,437	8,847,995	0	23,966,313	0	47,169,688
Total Liabilities, Fund Equity and Other Credits	\$11,566,409	\$513,191	\$13,289,129	\$29,899,386	\$58,254	\$23,966,313	\$26,547,642	\$105,840,324

See accompanying notes to the general purpose financial statements.

Granville Exempted Village School District, Ohio
 Combined Statement of Revenues, Expenditures
 and Changes in Fund Balances
 All Governmental Fund Types
 For the Fiscal Year Ended June 30, 2001

	Governmental Fund Types			Capital Projects	Totals (Memorandum Only)
	General	Special Revenue	Debt Service		
Revenues:					
Property Taxes	\$7,873,328	\$94,083	\$1,309,233	\$352,026	\$9,628,670
Intergovernmental	3,562,967	703,678	149,600	143,987	4,560,232
Interest	439,137	3,990	67,666	485,003	995,796
Tuition and Fees	119,957	0	0	0	119,957
Rent	5,675	0	0	0	5,675
Gifts and Donations	450	136,680	0	0	137,130
Extracurricular Activities	0	232,718	0	0	232,718
Miscellaneous	41,029	290	0	4,850	46,169
Total Revenues	12,042,543	1,171,439	1,526,499	985,866	15,726,347
Expenditures:					
Current:					
Instruction:					
Regular	6,872,770	321,231	0	28,500	7,222,501
Special	585,013	45,167	0	0	630,180
Vocational	102,397	0	0	0	102,397
Adult/Continuing	0	725	0	0	725
Other	138,278	21,583	0	0	159,861
Support Services:					
Pupils	609,029	283,256	0	0	892,285
Instructional Staff	708,100	117,538	0	0	825,638
Board of Education	74,638	0	0	0	74,638
Administration	1,063,645	84,069	0	0	1,147,714
Fiscal	342,370	18,921	17,928	5,334	384,553
Business	4,164	2,760	0	0	6,924
Operation and Maintenance of Plant	1,225,304	35,458	0	2,501	1,263,263
Pupil Transportation	879,154	0	0	0	879,154
Central	23,891	30,229	0	10,383	64,503
Operation of Non-Instructional Services	0	192	0	0	192
Extracurricular Activities	197,295	160,394	0	0	357,689
Capital Outlay	0	22,195	0	3,756,647	3,778,842
Debt Service:					
Principal Retirement	29,633	0	613,591	0	643,224
Interest and Fiscal Charges	12,501	0	164,898	321,386	498,785
Total Expenditures	12,868,182	1,143,718	796,417	4,124,751	18,933,068
Excess of Revenues Over (Under) Expenditures	(825,639)	27,721	730,082	(3,138,885)	(3,206,721)
Other Financing Sources (Uses):					
Proceeds from Sale of Long-Term Notes	0	0	0	21,236,950	21,236,950
Operating Transfers In	0	0	10,016,950	0	10,016,950
Operating Transfers Out	0	0	0	(10,016,950)	(10,016,950)
Total Other Financing Sources (Uses)	0	0	10,016,950	11,220,000	21,236,950
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(825,639)	27,721	10,747,032	8,081,115	18,030,229
Fund Balances at Beginning of Year	3,182,053	338,430	889,405	766,880	5,176,768
Decrease in Reserve for Inventory	(3,622)	0	0	0	(3,622)
Fund Balances at End of Year	\$2,352,792	\$366,151	\$11,636,437	\$8,847,995	\$23,203,375

See accompanying notes to the general purpose financial statements.

Granville Exempted Village School District, Ohio
 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, 2001

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property Taxes	\$7,519,372	\$7,519,372	\$0	\$83,640	\$83,640	\$0
Intergovernmental	3,470,183	3,565,167	94,984	707,391	709,302	1,911
Interest	499,500	431,834	(67,666)	3,990	3,990	0
Tuition and Fees	121,109	121,109	0	0	0	0
Rent	5,675	5,675	0	0	0	0
Gifts and Donations	450	450	0	136,900	136,881	(19)
Extracurricular Activities	0	0	0	230,219	232,171	1,952
Miscellaneous	39,865	39,865	0	2,538	290	(2,248)
Total Revenues	11,656,154	11,683,472	27,318	1,164,678	1,166,274	1,596
Expenditures:						
Current:						
Instruction:						
Regular	7,580,126	6,752,140	827,986	418,283	379,681	38,602
Special	627,923	559,752	68,171	55,822	52,908	2,914
Vocational	117,332	104,454	12,878	0	0	0
Adult/Continuing	0	0	0	1,110	1,625	(515)
Other	197,547	176,385	21,162	36,485	36,249	236
Support Services:						
Pupils	677,060	592,717	84,343	329,012	294,493	34,519
Instructional Staff	779,237	679,137	100,100	162,773	154,879	7,894
Board of Education	88,202	73,808	14,394	0	0	0
Administration	1,195,905	1,064,182	131,723	94,181	92,344	1,837
Fiscal	394,245	344,843	49,402	21,155	18,999	2,156
Business	4,300	4,164	136	4,195	2,760	1,435
Operation and Maintenance of Plant	1,518,434	1,352,105	166,329	65,767	45,634	20,133
Pupil Transportation	981,191	873,151	108,040	250	0	250
Central	26,071	21,276	4,795	30,229	30,229	0
Operation of Non-Instructional Services	0	0	0	7,555	5,482	2,073
Extracurricular Activities	206,443	181,345	25,098	162,912	162,901	11
Capital Outlay	0	0	0	54,900	40,595	14,305
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	14,394,016	12,779,459	1,614,557	1,444,629	1,318,779	125,850
Excess of Revenues Over (Under) Expenditures	(2,737,862)	(1,095,987)	1,641,875	(279,951)	(152,505)	127,446
Other Financing Sources:						
Proceeds from Sale of Notes	0	0	0	0	0	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	(2,737,862)	(1,095,987)	1,641,875	(279,951)	(152,505)	127,446
Fund Balances at Beginning of Year	3,613,883	3,613,883	0	135,045	135,045	0
Prior Year Encumbrances Appropriated	389,501	389,501	0	246,777	246,777	0
Fund Balances at End of Year	\$1,265,522	\$2,907,397	\$1,641,875	\$101,871	\$229,317	\$127,446

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)
\$1,183,773	\$1,183,773	\$0	\$336,236	\$336,236	\$0	\$9,123,021	\$9,123,021	\$0
149,600	149,600	0	143,179	143,987	808	4,470,353	4,568,056	97,703
0	67,666	67,666	389,164	485,003	95,839	892,654	988,493	95,839
0	0	0	0	0	0	121,109	121,109	0
0	0	0	0	0	0	5,675	5,675	0
0	0	0	0	0	0	137,350	137,331	(19)
0	0	0	0	0	0	230,219	232,171	1,952
0	0	0	0	0	0	42,403	40,155	(2,248)
<u>1,333,373</u>	<u>1,401,039</u>	<u>67,666</u>	<u>868,579</u>	<u>965,226</u>	<u>96,647</u>	<u>15,022,784</u>	<u>15,216,011</u>	<u>193,227</u>
0	0	0	187,325	179,901	7,424	8,185,734	7,311,722	874,012
0	0	0	0	0	0	683,745	612,660	71,085
0	0	0	0	0	0	117,332	104,454	12,878
0	0	0	0	0	0	1,110	1,625	(515)
0	0	0	0	0	0	234,032	212,634	21,398
0	0	0	3,600	3,587	13	1,009,672	890,797	118,875
0	0	0	8,184	5,834	2,350	950,194	839,850	110,344
0	0	0	0	0	0	88,202	73,808	14,394
0	0	0	0	0	0	1,290,086	1,156,526	133,560
17,928	17,928	0	5,435	5,334	101	438,763	387,104	51,659
0	0	0	0	0	0	8,495	6,924	1,571
0	0	0	29,770	30,178	(408)	1,613,971	1,427,917	186,054
0	0	0	106,970	106,970	0	1,088,411	980,121	108,290
0	0	0	61,968	43,911	18,057	118,268	95,416	22,852
0	0	0	0	0	0	7,555	5,482	2,073
0	0	0	0	0	0	369,355	344,246	25,109
0	0	0	15,864,685	6,516,184	9,348,501	15,919,585	6,556,779	9,362,806
613,591	613,591	0	0	0	0	613,591	613,591	0
164,898	164,898	0	0	0	0	164,898	164,898	0
<u>796,417</u>	<u>796,417</u>	<u>0</u>	<u>16,267,937</u>	<u>6,891,899</u>	<u>9,376,038</u>	<u>32,902,999</u>	<u>21,786,554</u>	<u>11,116,445</u>
536,956	604,622	67,666	(15,399,358)	(5,926,673)	9,472,685	(17,880,215)	(6,570,543)	11,309,672
10,016,950	10,016,950	0	31,220,000	31,220,000	0	41,236,950	41,236,950	0
10,553,906	10,621,572	67,666	15,820,642	25,293,327	9,472,685	23,356,735	34,666,407	11,309,672
857,562	857,562	0	469,776	469,776	0	5,076,266	5,076,266	0
0	0	0	300,457	300,457	0	936,735	936,735	0
<u>\$11,411,468</u>	<u>\$11,479,134</u>	<u>\$67,666</u>	<u>\$16,590,875</u>	<u>\$26,063,560</u>	<u>\$9,472,685</u>	<u>\$29,369,736</u>	<u>\$40,679,408</u>	<u>\$11,309,672</u>

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**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

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. It is staffed by 53 non-certificated employees, 122 certificated full-time personnel and 9 administrative employees who provide services to 1849 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. This activity is reflected in a special revenue fund for financial reporting purposes.

The School District is associated with seven organizations, four of which are defined as jointly governed organizations, two as insurance purchasing pools, 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, the Metropolitan Educational Council Group insurance Pool, and the Granville Schools Charitable Foundation Incorporated. These organizations are presented in Notes 19, 20, and 21 to the general purpose financial statements.

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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).

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis Of Presentation - Fund Accounting (Continued)

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.

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

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting (Continued)

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On a modified accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 7.) Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied, provided the revenue is available. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis.

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2001, but which were levied to finance fiscal year 2002 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On a modified accrual basis, receivables that will not be collected within the available period have also been reported 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 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.

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process (Continued)

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.

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 2001.

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 are the legal levels 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 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 treasurer allocates appropriations among functions and objects within a fund during the fiscal year. 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.

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process (Continued)

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.

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, except for some construction monies, 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. The Class Size Reduction special revenue fund expended more than their equity interest in the pooled bank account at June 30, 2001. The general fund made an advance to the Class Size Reduction fund to eliminate the negative cash balance. The general fund has an interfund receivable for the amount advanced and the Class Size Reduction fund with the negative cash balance has an interfund payable for the same amount on the combined balance sheet.

The School District has segregated bank accounts for the athletic account monies held separate from the School District's central bank account. This checking account is presented on the combined balance sheet as "cash and cash equivalents in segregated accounts" since it is not required to be deposited into the School District treasury.

During fiscal year 2001, investments were limited to STAR Ohio, repurchase agreements, and federal agency securities.

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

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2001. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2001.

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Cash and Cash Equivalents (Continued)

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2001 amounted to \$439,137, which includes \$49,482 assigned from other School District funds.

For purposes of the combined statement of cash flows and for presentation of the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments.

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 23 for additional information regarding set-asides.

F. Receivables and Payables

Receivables and payables to be recorded on the School District's financial statements are recorded to the extent that the amounts are determined material and substantiated not only by supporting documentation, but also, by a reasonable, systematic method of determining their existence, completeness, valuation, and in the case of receivables, collectibility.

G. 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.

H. 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.

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2001, 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.

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. 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.

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.

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.

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, notes, loans and capital leases are reported as a liability of the general long-term obligations account group until due.

Under Ohio law, a debt retirement fund must be created and used for the payment of bond anticipation notes. Generally accepted accounting principles requires the reporting of the liability in the funds that received the proceeds. To comply with GAAP reporting requirements, the activity of the School District's debt service fund has been split amount the appropriate funds. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.

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.

3. CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE

Changes in Accounting Principles For fiscal year 2001, the School District has implemented GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and GASB Statement No. 36, "Reporting for Certain Shared Nonexchange Revenues." The implementation of GASB Statements 33 and 36 had no effect on fund balance at June 30, 2000.

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

4. ACCOUNTABILITY AND COMPLIANCE

A. Accountability

The following fund had a deficit fund balance as of June 30, 2001:

<u>Special Revenue Funds:</u>	<u>Deficit</u>
Class Size Reduction	Fund Balance
	(\$3,407)

The deficit in the special revenue fund is the result of the recognition of payables in accordance with Generally Accepted Accounting Principles. 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 District approves annual appropriations at the fund level. The following fund had expenditures plus encumbrances in excess of appropriations contrary to Section 5705.41, Revised Code:

Fund Type/Fund	Appropriations	Actual Expenditures and Encumbrances	Excess
Special Revenue Fund:			
Class Size Reduction	\$12,583	\$14,853	\$2,270

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).

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(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 and Other Financing Uses
All Governmental Fund Types

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	(\$825,639)	\$27,721	\$10,747,032	\$8,081,115
Revenue Accruals	(346,109)	(5,166)	(125,460)	(20,640)
Expenditure Accruals	241,735	(23,589)	0	691,917
Note Proceeds	0	0	10,016,950	9,983,050
Prepaid Items	52	0	0	0
GASB 31	(12,962)	0	0	0
Negative Cash Balances	2,270	(2,270)	0	0
Transfers-(In) Out	0	0	(10,016,950)	10,016,950
Encumbrances	(155,334)	(149,201)	0	(3,459,065)
Budget Basis	<u>(\$1,095,987)</u>	<u>(\$152,505)</u>	<u>\$10,621,572</u>	<u>\$25,293,327</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.

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

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

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

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

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

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

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

Deposits: At fiscal year end, the carrying amount of the School District's deposits was (\$310,090) and the bank balance was \$217,608. Of the bank balance, \$195,000 was covered by federal depository insurance and \$22,608 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

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

	Category 2	Carrying and Fair Value
Star Ohio	\$0	\$43,891,785
Repurchase Agreements	420,124	420,124
Federal Home Loan Bank Note	513,905	513,905
Total	\$934,029	\$44,825,814

The federal agency security matures in May 2002.

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

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

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

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	\$44,515,724	\$0
Investments of the Cash Management Pool:		
STAR Ohio	(43,891,785)	43,891,785
Repurchase Agreements	(420,124)	420,124
Federal Home Loan Bank Note	(513,905)	513,905
GASB Statement 3	(\$310,090)	\$44,825,814

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 2001 for real and public utility property taxes represents collections of calendar 2000 taxes. Property tax payments received during calendar 2001 for tangible personal property (other than public utility property) is for calendar 2001 taxes.

2001 real property taxes are levied after April 1, 2001, on the assessed value as of January 1, 2001, 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. 2001 public utility property taxes became a lien December 31, 2000, are levied after April 1, 2001 and are collected in 2002 with real property taxes.

2001 tangible personal property taxes are levied after April 1, 2000, on the value as of December 31, 2000. Collections are made in 2001. 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.

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

7. PROPERTY TAXES (Continued)

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 2001 taxes were collected are:

	2000 Second- Half Collections		2001 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$233,749,020	92.23%	\$241,344,050	92.64%
Public Utility	9,268,780	3.66	9,583,630	3.68
Tangible Personal Property	10,426,910	4.11	9,596,020	3.68
Total Assessed Value	<u>\$253,444,710</u>	<u>100.00%</u>	<u>\$260,523,700</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$71.00		\$75.50	

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, 2001, are available to finance fiscal year 2001 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, 2001 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 were levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. The amount available as an advance is recognized as revenue. Also intended to finance current fiscal year operations is the June 30 personal property tax settlement that was not received until July, 2001 in the amount of \$62,915 in the General Fund, \$495 in the School Facility Maintenance Special Revenue Fund, \$7,704 in the Bond Retirement Debt Service Fund, and \$1,684 in the Permanent Improvement Capital Projects Fund. The amount available as an advance at June 30, 2001, was \$688,700 in the General Fund, \$10,300 in the School Facility Maintenance Special Revenue Fund, \$149,600 in the Bond Retirement Debt Service Fund, and \$31,400 in the Permanent Improvement Capital Projects Fund.

8. RECEIVABLES

Receivables at June 30, 2001, consisted of property taxes, accounts (rent, billings for user charged services, and student fees), accrued interest, and intergovernmental grants. 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 fiscal year guarantee of federal funds.

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

8. RECEIVABLES (Continued)

A summary of the principal items of intergovernmental receivables follows:

	Amounts
General Fund	
Telecom E-Rate Reimbursement	\$4,515
Special Revenue Funds	
Chapter II	2,050
Class Size Reduction	6,705
Total Special Revenue Funds	8,755
Capital Projects Funds	
School Net Funding	2,000
Total Intergovernmental Receivables	\$15,270

9. FIXED ASSETS

A summary of the changes in general fixed assets during fiscal year 2001 follows:

Asset Category	Balance at 6/30/00	Additions	Deletions	Balance at 6/30/01
Land and Improvements	\$888,206	\$1,396,579	\$0	\$2,284,785
Buildings and Improvements	17,041,065	74,275	0	17,115,340
Furniture, Fixtures and Equipment	1,762,266	490,249	0	2,252,515
Vehicles	856,861	102,086	0	958,947
Construction in Progress	0	1,354,726	0	1,354,726
Totals	\$20,548,398	\$3,417,915	\$0	\$23,966,313

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

10. 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 2001, the School District contracted with Utica National Insurance Group, through the Metropolitan Educational Council, for property, electronic equipment, commercial articles, valuable papers, contractor equipment, and crime insurance and through Nationwide Mutual Insurance for general liability insurance and fleet insurance. Coverage provided is as follows:

Building and Contents-replacement cost (\$1,000 deductible)	\$25,527,431
Inland Marine Coverage	
Contractor Equipment (\$250 deductible)	500,000
Musical Instruments (\$250 deductible)	500,000
Audio/Visual Equipment (\$250 deductible)	50,000
Equipment (\$100 deductible)	375,000
Data/Media (\$100 deductible)	65,000
Extra Expense (\$100 deductible)	50,000
Valuable Papers and Records (\$100 deductible)	100,000
Accounts Receivable (\$0 deductible)	50,000
Depositors Forger	100,000
Public Employee Dishonesty	100,000
Money & Sec-Inside	25,000
Money & Sec-Outside	25,000
Fleet Insurance (\$100 deductible)	1,000,000
Uninsured Motorists	1,000,000
General Liability	
Per occurrence	1,000,000
Aggregate Per Year	5,000,000
Fire Damage	100,000
Medical Expense	5,000
Employers Liability	1,000,000
Commercial Umbrella Liability Policy for	
General Liability	
Per occurrence	3,000,000
Aggregate Per Year	3,000,000

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

In fiscal year 2001, the School District participated in the Metropolitan Educational Council (MEC), an insurance purchasing pool (Note 20). MEC helps member school districts receive discounted rates on various items such as their life, property, boiler and machinery, inland marine, crime, and freight insurances, services, supplies, and other items. 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.

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

10. RISK MANAGEMENT (Continued)

For fiscal year 2001, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 20). 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.

11. 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 School District is required to contribute at an actuarially determined rate. The current rate for the School District is 14 percent of the annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2001, 4.2 percent of the annual covered salary was the portion used to fund pension obligations. For fiscal year 2000, 5.5 percent was used to fund the 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, 2001, 2000, and 1999 were \$61,532, \$63,019, and \$70,866, respectively; 46 percent has been contributed for fiscal year 2001 and 100 percent has been contributed for the fiscal years 2000 and 1999. \$33,354 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the general long-term obligations account group.

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

11. 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, 2001 plan members are required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year 2000, the portion used to fund pension obligations was 6 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 School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$619,365, \$316,291, and \$223,937, respectively; 84 percent has been contributed for fiscal year 2001 and 100 percent has been contributed for the fiscal years 2000 and 1999. \$99,552 represents the unpaid contribution for fiscal year 2001 and is recorded as a liability within the respective funds.

12. POSTEMPLOYMENT BENEFITS

The 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, 2001, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$293,383 for fiscal year 2001.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2000, (the latest information available) the balance in the fund was \$3.419 million. For year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 eligible benefit recipients.

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

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

12. 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, 2001, employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase from 1.3 percent for fiscal year 2000. 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 2001, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2001 fiscal year equaled \$163,976.

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 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2000 (the latest information available), were \$140,696,340 and the target level was \$211.0 million. At June 30, 2000, SERS had net assets available for the payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

13. 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 staff for family and single coverage. The School District pays the total monthly premium for dental insurance coverage for family and single employees. The School District also provides vision insurance to its employees through Vision Plus. The School District pays the total premium for vision coverage for family and single coverage.

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

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

14. CAPITAL LEASES - LESSEE DISCLOSURE

The School District has entered into capitalized leases for a copier 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 \$186,729. 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 2001 totaled \$29,633 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, 2001.

Fiscal Year Ending June 30,	GLTOAG
2002	\$49,517
2003	44,773
2004	43,726
2005	42,903
Total	180,919
Less: Amount Representing Interest	(26,497)
Present Value of Net Minimum Lease Payments	\$154,422

15. CONTRACT OBLIGATIONS

As of June 30, 2001, the School District had contractual purchase commitments for nine projects. The amount for each contractor is as follows:

Contractor	Fund	Purchase Commitments	Amounts Paid as of 6/30/01	Amounts Remaining on Contracts
George J. Igel, Co.	Building	\$543,968	\$258,111	\$285,857
Columbus Coal & Lime	Building	74,311	0	74,311
Layton Excavating	Building	141,703	52,883	88,820
Quandel	Building	1,450,000	296,000	1,154,000
Mark Knapp Crawfis	Building	1,250,094	52,430	1,197,664
Squires and Dempsey	Building	30,000	0	30,000
Gandes & Associates	Building	20,000	0	20,000
Redskin Transport	Building	43,005	0	43,005
Robertson Construction	Building	147,605	129,782	17,823
Total		\$3,700,686	\$789,206	\$2,911,480

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

16. NOTES PAYABLE

A summary of the note transactions for the year ended June 30, 2001 follows:

	Outstanding 06/30/00	Additions	Retired	Outstanding 06/30/01
Capital Projects Fund:				
4.87% School Improvement Bond	\$0	\$10,000,000	\$0	\$10,000,000
3.60% School Improvement Bond	0	10,000,000	0	10,000,000
Total	\$0	\$20,000,000	\$0	\$20,000,000

The notes were bond anticipation notes, backed by the full faith and credit of Granville Exempted Village School District. The notes mature on July 17, 2001 and May 2, 2002.

17. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2001 were as follows:

	Principal Outstanding 6/30/00	Additions	Deductions	Principal Outstanding 6/30/01
School Improvement Refunding Bond 1994 2.6% - 4.65%	\$4,931,838	\$0	\$545,000	\$4,386,838
Energy Conservation Bond 1994 5.75% - 5.9%	227,000	0	40,000	187,000
Notes Payable 2001 4.87%	0	21,220,000	0	21,220,000
Total Long-Term Notes And Bonds	5,158,838	21,220,000	585,000	25,793,838
Capital Leases	184,055	0	29,633	154,422
Classroom Facilities Loan	4,239,364	0	4,239,364	0
Pension Obligation	88,836	105,721	88,836	105,721
Compensated Absences	496,546	99,541	102,426	493,661
Total General Long-Term Obligations	\$10,167,639	\$21,425,262	\$5,045,259	\$26,547,642

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

17. LONG-TERM OBLIGATIONS (Continued)

School Improvement General Obligation Refunding Bonds - On October 15, 1993, Granville Exempted Village School District issued \$7,536,838 in School Improvement General Obligation Refunding Bonds with an interest rate varying from 2.6% 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, 2001, \$6,707,602 in investments remained with the escrow agent to retire outstanding bonds in the amount of \$4,386,838.

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

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

Redemption Redemption Dates (inclusive)	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 - The School District received loan 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. During fiscal year 2001, the School District repaid \$28,591 to the State, the remaining \$4,210,773 was forgiven by the State and, due to legislative changes, no future repayment will be required.

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

17. LONG-TERM OBLIGATIONS (Continued)

The School District's overall legal debt margin was \$15,873,675 with an unvoted debt margin of \$260,524 at June 30, 2001.

Principal and interest requirements to retire the refunding improvement bonds and the energy conservation bonds outstanding at June 30, 2001, are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2002	\$620,000	\$140,050	\$760,050
2003	670,000	112,462	782,462
2004	705,000	82,183	787,183
2005 -2007	1,580,094	819,275	2,399,369
2008 - 2010	432,013	1,553,971	1,985,984
2011 - 2013	328,553	1,654,124	1,982,677
2014 - 2015	168,157	1,098,574	1,266,731
2016	70,021	269,989	340,010
Total	<u>\$4,573,838</u>	<u>\$5,730,628</u>	<u>\$10,304,466</u>

18. INTERFUND ACTIVITY

Interfund balances at June 30, 2001, consist of the following individual fund receivables and payables:

<u>Interfund Receivable/Payable</u>	<u>Receivable</u>	<u>Payable</u>
General Fund	\$2,270	\$0
Special Revenue Fund: Class Size Reduction	0	2,270
Total All Funds	<u>\$2,270</u>	<u>\$2,270</u>

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

19. JOINTLY GOVERNED ORGANIZATIONS

A. Licking Area Computer Association

The School District is a participant in the Licking Area Computer Association (LACA) which is a computer consortium. LACA is an association which services thirteen entities within the boundaries of Licking and Muskingum Counties. These entities consist of public school districts, private schools, and educational service centers. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of LACA consists of the superintendents from all participating districts. The continued existence of LACA is not dependent on the School District's continued participation and no equity interest exists. The LACA constitution states that any school district withdrawing from the Association prior to dissolution forfeits their claim to the Association's fixed assets. The School District's total payments to LACA for fiscal year 2001 was \$71,725. 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 2001 was \$739. Financial information may be obtained from the Metropolitan Educational Council, Denise Music, who serves as fiscal officer, at 6100 Channingway Blvd., Suite 604, Columbus, OH 43232.

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

19. JOINTLY GOVERNED ORGANIZATIONS (Continued)

D. Central Ohio Special Education Regional Resource Center

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

The School District has one representative on the governing board. Further information may be obtained by contacting the Central Ohio Special Education Regional Resource Center at 470 Glenmont Avenue, Columbus, Ohio 43214.

20. INSURANCE PURCHASING POOL

A. 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.

B. Metropolitan Educational Council Group Insurance Pool

The School District participates in the Metropolitan Educational Council (MEC), an insurance purchasing pool. The MEC helps its members purchase services, insurances, supplies, and other items at a discounted rate. The organization is composed of over 135 members which includes school districts, joint vocational schools, educational service centers, and libraries covering 24 counties in Central Ohio. The governing board of MEC is composed of either the superintendent, a designated representative or a member of the board of education for each participating school district in Franklin County (18 school districts) and one representative from each county. Each year, the participating school districts pay a membership fee to MEC to cover the costs of administering the program.

21. 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 2001. Financial information can be obtained from the Granville Schools Charitable Foundation, Norman Kennedy, who serves as Treasurer, at P.O. Box 417, Granville, Ohio 43023.

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

22. 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, 2001.

B. Litigation

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

23. 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 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
Set-aside Cash Balance as of June 30, 2000	(\$285,049)	\$0	\$48,243
Current Year Set-aside Requirement	300,942	300,942	0
Current Year Offsets	0	(960,540)	0
Qualifying Disbursements	(575,703)	(2,487,313)	0
Total	(\$559,810)	(\$3,146,911)	\$48,243
Balance Carried Forward to FY 2002	(\$559,810)	(\$1,973,291)	\$48,243
Cash Balances to Carry Forward to FY 2002	\$0	\$0	\$48,243

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

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

The School District had qualifying disbursements and offsets during the fiscal year that reduced the textbook and capital improvements set-aside amounts below zero. The extra amounts in the textbooks and capital acquisition set asides may be used to reduce the set-aside requirements in future fiscal years. The total reserve balance for the three set-asides at the end of the fiscal year was \$48,243.

24. STATE SCHOOL FUNDING DECISION

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- ◆ A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- ◆ Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of November 26, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this decision and the reconsideration will have on its future State funding and on its financial operations.

25. SUBSEQUENT EVENT NOTE

On September 12, 2001, the School District issued School Improvement Bonds, Series 2001, for \$21,220,000. The purpose of the bonds is to retire the \$21,220,000 School Improvement bond anticipation notes maturing December 6, 2001.

On August 16, 2001, the District awarded contracts totaling \$2,895,916 for the high school west wing addition.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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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 43023-0417

We have audited the 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, 2001, and have issued our report thereon dated November 28, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated November 28, 2001.

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 general-purpose 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 general-purpose financial statements. The reportable condition is described in the accompanying schedule of findings as item 2001-10645-001.

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 general-purpose 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 the District in a separate letter dated November 28, 2001.

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

JIM PETRO
Auditor of State

November 28, 2001

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
LICKING COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2001**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2001-10645-001
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Sales Potential and Summary Forms

Prior to each student and/or District managed fund raiser, field trip, sale, etc., a Sales Project Potential Form should to be completed and approved by the Building Principal and Superintendent. A Sales Project Potential Form is used to document the type of sale or fund raiser, projected sales/profit, and a final summary of actual cash activity from the project. These forms should be signed and approved by the activity advisor and principal and be submitted to the treasurer for review.

Sales Project Potential Forms are not used and completed for student activity projects.

To assure projects are monitored by District management, Sales Project Potential Forms should be completed for student activity projects and be signed and approved. All forms should be submitted for the Treasurer's office for review.

**GRANVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
LICKING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2001**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer</u> Valid; <i>Explain:</i>
2000-10645-001	Revised Code 5705.41(B), expenditures exceeded appropriations.	Yes	N/A.



STATE OF OHIO
OFFICE OF THE AUDITOR

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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
DECEMBER 27, 2001**