



**Auditor of State
Betty Montgomery**

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of Grandview Heights City School District, Franklin County, Ohio, (the District) as of and for the year ended June 30, 2002, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of Grandview Heights City School District, as of June 30, 2002, and the respective changes in financial position and the cash flows, where applicable, thereof and the respective budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 18, during the year ended June 30, 2002, the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2003, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

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

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

BETTY MONTGOMERY
Auditor of State

March 14, 2003

Grandview Heights City School District
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2002
Unaudited

Financial Highlights

The District's net assets are \$3,772,479 as of June 30, 2002 according to the Statement of Net Assets. This represents an increase of \$563,265 over last year. The increase in net assets is due primarily to the reduction of liabilities including those associated with general obligation bonds. The District's cash and cash equivalents have decreased \$436,336.

The District, on May 7, 2002 failed an incremental operating tax levy for 9.8 mills to begin collection in January 2003, plus 4 mills to begin collection in January 2004, plus 4 mills to begin collection in January 2005. The purpose of the operating tax levy was to provide resources to maintain the District's existing programs. In preparation for the opening of school with a balanced budget in the fall, 2002, the District reduced staff that require teaching certificates and staff in non-teaching areas. The number of full-time equivalent certificated staff positions was reduced by six to 99.02. The number of teacher assistants was reduced by six to 15. One elementary principal position was eliminated leaving 7 administrators.

Subsequently, voters in the District on November 5, 2002 passed a 10.7 mill continuing property tax levy to begin collection in January 2003. Based on the District's current five-year forecast, it is expected that the passage of this levy will keep the District solvent through the 2005-06 school year. More detailed information regarding the passage of this levy is contained in the final portion of this MD&A.

The General Fund reported a positive fund balance of \$1,169,727 according to the Balance Sheet. The General Fund cash and investments and restricted cash and cash equivalents have decreased \$368,122 since last year. The decrease in cash is due primarily to flat revenues while expenditures continued to increase.

Reporting the District as a Whole

The Statement of Net Assets and Statement of Activities

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the District as a whole and about its activities in a manner that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector corporations. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the District's net assets and changes in them. The change in net assets provides the reader a tool to assist in determining whether the District's financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors such as property tax base, current property tax laws, student enrollment growth, and facility conditions in arriving at their conclusion regarding the overall health of the District.

Reporting the District's Most Significant Funds

Fund Financial Statements

Our analysis of the District's major funds appear on the fund financial statements beginning with the Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances. These provide detailed information about the most significant funds—not the District as a whole. Some funds are required to be established by State statute, while many other funds are established by the District to help manage money for particular purposes and compliance with various grant provisions. The District's three types of funds, governmental, proprietary, and fiduciary, use different accounting approaches as further described in the notes to the financial statements.

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Governmental Funds

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

Proprietary Funds

Proprietary funds use the accrual basis of accounting, the same as on the entity-wide statements, therefore the statements will essentially match the business-type activities portion of the entity-wide statements.

Fiduciary Funds

The District is the trustee, or fiduciary, for a small High School scholarships fund, outdoor education, and CORE team. All of the District's fiduciary activities are reported in the Statement of Net Assets, Fiduciary Funds and the Statement of Changes in Fiduciary Net Assets. We exclude these activities from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$3,772,479 according to the Statement of Net Assets at the close of the most recent fiscal year.

The largest portion of the District's net assets (49%) reflects its investment in capital assets less depreciation and any related debt used to acquire those assets that is still outstanding. The District uses capital assets to provide services; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A comparative analysis of fiscal year 2002 to 2001 follows from the Statements of Net Assets:

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Net Assets

	Governmental Activities		Business-Type Activities		Total	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
Current Assets	\$13,608,625	\$13,017,050	\$107,464	\$117,523	\$13,716,089	\$13,134,573
Capital Assets	<u>13,224,539</u>	<u>13,207,935</u>	<u>41,695</u>	<u>35,654</u>	<u>13,266,234</u>	<u>13,243,589</u>
Total Assets	26,833,164	26,224,985	149,159	153,177	26,982,323	26,378,162
Current Liabilities	10,777,742	10,313,641	60,905	59,329	10,838,647	10,372,970
Long Term Liabilities	<u>12,371,197</u>	<u>12,795,978</u>	<u>0</u>	<u>0</u>	<u>12,371,197</u>	<u>12,795,978</u>
Total Liabilities	23,148,939	23,109,619	60,905	59,329	23,209,844	23,168,948

Net Assets:

Invested in Capital						
Assets, net of debt	1,887,419	1,443,642	41,695	35,654	1,929,114	1,479,296
Restricted	1,184,432	1,037,562	0	0	1,184,432	1,037,562
Unrestricted	<u>612,374</u>	<u>634,162</u>	<u>46,559</u>	<u>58,194</u>	<u>658,933</u>	<u>692,356</u>
Total Net Assets	<u>\$3,684,225</u>	<u>\$3,115,366</u>	<u>\$88,254</u>	<u>\$93,848</u>	<u>\$3,772,479</u>	<u>\$3,209,214</u>

A portion of the District's net assets (33%) represents resources subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets may be used to meet the District's ongoing activities.

Changes in Net Assets

	Governmental Activities <u>2002</u>	Business-Type Activities <u>2002</u>	Total <u>2002</u>
Revenues			
Total Program Revenues	\$710,417	\$465,679	\$1,176,096
Total General Revenues	<u>12,933,645</u>	<u>0</u>	<u>12,933,645</u>
Total Revenues	<u>13,644,062</u>	<u>465,679</u>	<u>14,109,741</u>
Expenses			
Instruction	7,865,402	0	7,865,402
Support Services	3,817,929	0	3,817,929
Extracurricular Activities	540,035	0	540,035
Facilities Services	261,773	0	261,773
Interest & Fiscal Charges	590,064	0	590,064
Food Service	0	255,703	247,229
Child Care	<u>0</u>	<u>215,570</u>	<u>215,570</u>
Total Expenses	<u>13,075,203</u>	<u>471,273</u>	<u>13,546,476</u>
Change in Net Assets	<u>\$568,859</u>	<u>(\$5,594)</u>	<u>\$563,265</u>

Governmental Activities

Net assets of the District's governmental activities increased by \$568,859 and unrestricted net assets reflect a positive balance of \$612,374. The increase in net assets is due primarily to the reduction of liabilities including those associated with general obligation bonds.

The property tax laws in Ohio create the need periodically to seek voter approval for additional operating funds. Tax revenues generated from voted tax levies do not increase as a result of inflation. An operating levy is approved

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for a fixed millage rate, but the rate is reduced for inflation with the effect of providing the District the same amount of tax dollars as originally approved. Therefore, school districts such as ours that are dependent upon property taxes as a primary source of revenue must periodically return to the ballot and ask voters for additional resources to maintain current programs. Since the District must rely heavily on voter approval of operating tax issues, management of the resources is of paramount concern to the District's administration and the voting public. The District uses a five-year cash financial forecast to estimate revenues and control expenditures to assure tax levy revenues can maintain operations for a significant period of time. The current forecast reflects an immediate need for additional operating resources from the November 5, 2002, local school district property tax ballot issue.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The table below reflects the cost of program services and the net cost of those services after taking into account the program revenues for the governmental activities. General revenues including tax revenue, investment earnings and unrestricted State entitlements must support the net cost of program services.

	<u>Total Cost of Services 2002</u>	<u>Net Cost of Services 2002</u>
Program Expenses		
Instruction		
Regular	\$6,135,601	\$5,821,269
Special	1,646,962	1,580,897
Vocational	82,839	82,839
Support Services		
Pupils	938,397	821,150
Instructional Staff	597,484	571,444
Board of Education	13,885	13,885
Administration	962,246	958,195
Fiscal	289,621	289,621
Business	30,988	(2,193)
Operation & Maintenance	909,775	909,775
Pupil Transportation	10,512	10,512
Central	65,021	65,021
Extracurricular	540,035	390,773
Facilities Services	261,773	261,773
Interest & Fiscal Charges	<u>590,064</u>	<u>590,064</u>
Total Expenses	<u>\$13,075,203</u>	<u>\$12,364,786</u>

73% of total revenues for governmental activities come from local taxes. The reliance on general revenues to support governmental activities is indicated by the net services column reflecting the need for \$12,364,786 of support.

Business-Type Activities

Business-type activities include food service and child care. These programs had a decrease in net assets of \$5,594 for the fiscal year. The decrease was primarily due to the food service operations.

The District's Funds

The District's governmental funds reported a combined fund balance of \$2,350,930 which is below last years total of \$2,703,409 according to the Balance Sheet, Governmental Funds. The schedule below indicates the fund balance and the total change in fund balance by fund type as of June 30, 2002 and 2001.

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	Fund Balance <u>June 30, 2002</u>	Fund Balance <u>June 30, 2001</u>	Increase <u>(Decrease)</u>
General	\$1,169,727	\$1,487,668	(\$317,941)
Debt Service	988,936	856,712	132,224
Other Governmental	<u>192,267</u>	<u>359,029</u>	<u>(166,762)</u>
Total	<u>\$2,350,930</u>	<u>\$2,703,409</u>	<u>(\$352,479)</u>

General Fund

The District's General Fund fund balance decrease is due to many factors. The tables that follow assist in illustrating the financial activities and balance of the General Fund.

	2002 <u>Amount</u>	2001 <u>Amount</u>	Percent <u>Change</u>
Revenues			
Taxes	\$8,459,256	\$8,972,995	(5.8)%
Interest Earnings	187,961	229,789	(18.2)%
Intergovernmental – State	2,626,793	2,010,025	30.8%
Other Revenue	<u>111,649</u>	<u>110,326</u>	1.2%
Total	<u>\$11,385,659</u>	<u>\$11,323,135</u>	0.0%

The property tax revenue is down \$546,301 due to a reduction in the District's personal property tax base and the reduction across the State in public utility personal property tax rates for electricity and natural gas. Interest earnings are down \$41,828 and the declining interest rate environment will continue to hamper interest earnings. State revenue is up \$618,213 due to an increase in the State's school foundation program and the receipt of a temporary public utility personal property tax reimbursement scheduled to cease after August, 2006.

As the table below indicates, the largest portion of General Fund expenditures is for instruction.

	2002 <u>Amount</u>	2001 <u>Amount</u>	Percent <u>Change</u>
Expenditures by Function			
Instruction	\$7,140,824	\$6,912,766	3.3%
Support Services	3,727,928	3,542,777	5.2%
Extracurricular	490,374	413,428	18.6%
Facilities Services	33,346	33,087	0.8%
Capital Outlay	159,002	117,064	35.8%
Debt Service	<u>142,413</u>	<u>42,771</u>	233.0%
Total	<u>\$11,693,887</u>	<u>\$11,061,893</u>	5.7%

Expenditures are up \$631,994 or 5.7% over the prior year mostly due to salary and benefit increases, including increased health insurance premiums, associated with existing staff. Expenditures exceeded revenues during the fiscal year resulting in a decrease to fund balance and contributing to the erosion of the fiscal stability of the District.

Other Funds

The District's debt service fund balance increased by \$132,224 due to smaller interest payments associated with the refinancing of the 1995 renovation and construction bonds on November 1, 2001. The primary revenues of the fund are property taxes, calculated by the county auditor, state rollback and homestead reimbursements, and personal property tax state reimbursements. The expenses of the fund include debt principal and interest payments as well as county auditor and treasurer fees. The increased fund balance will be used to make upcoming debt payments.

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Other governmental funds consist of special revenue and capital projects funds. The decrease in fund balance of \$166,762 is primarily due to the spending down of resources available in the Permanent Improvement Fund and various state and federal grant funds.

General Fund Budget Information

The District's budget is prepared in accordance with Ohio law and is based on the cash basis of accounting, utilizing cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund. Changes are made to the District's budget as changes in revenues and spending patterns are experienced.

The District increased its General Fund property tax revenue estimates to reflect the receipt of advances from the August, 2002 real property tax settlement and the loss of property taxes due to the deregulation of natural gas and electric utilities in Ohio. General Fund state revenue estimates were increased to reflect the receipt of state reimbursements to offset the local tax losses associated with the utility deregulation. The District decreased its total General Fund expenditure estimate by \$45,877—less than one half of one percent difference from the original estimate.

The District uses the five-year forecast as the original document from which to form the operating budget. After updating the forecast for changes in revenue and expenditure assumptions, the operating budget begins at the school level. Each school in the District receives a per pupil allocation augmented with resources for special education students in the specific buildings. Budgets are reviewed periodically to ensure management becomes aware of any variations during the year.

Capital Assets

The District has \$13,266,234 invested in capital assets net of depreciation, with \$13,224,539 attributed to governmental activities. Detailed information regarding capital asset activity is included in the notes to the basic financial statements.

Debt

On June 30, 2002, the District had \$11,234,989 in outstanding bonds. The District paid \$455,000.00 in principal on bonds outstanding and \$596,313 in interest payments during the 2002 fiscal year. Detailed information regarding long term debt is included in the notes to the basic financial statements.

Under current state statutes, the District's general obligation bonded debt issues are subject to a legal limitation based on 9% of the total taxable valuation of real and personal property. As of June 30, 2002, the District's general obligation debt was below the legal limit.

Restrictions and Other Limitations

In December, 1991, the Ohio Coalition for Equity and Adequacy of School Funding filed suit in Perry County Common Pleas Court seeking a determination that Ohio's system of school funding is unconstitutional. On July 1, 1994 Judge Linton D Lewis ruled in favor of the plaintiffs and on August 28, 1995 the Fifth District Court of Appeals overturned the lower court ruling. On March 24, 1997 the Ohio Supreme Court rendered its decision essentially upholding the original common pleas court decision in this case and ordered the General Assembly to create a new funding system for Ohio's schools. The Ohio Supreme Court left no doubt that significant change must follow.

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The General Assembly had until March 24, 1998 to have the new funding system in place. Two parts of a three-pronged package to respond to the deadline passed the general assembly in 1997 (SB-55 and HB-412) and are now law. The third part, the funding mechanism, failed to pass on two different attempts. First, the governor's proposal to raise \$1.1 billion through a one-percent increase in the state sales tax, failed to pass the legislature who could have put it in place. Second, following an extension of the March 24, 1998 deadline, a statewide ballot issue for a one-cent increase in the state sales tax failed to pass on May 5, 1998.

The two bills that passed the legislature deal with student performance (SB- 55) and school district fiscal set asides (HB-412). Senate Bill 55 deals with proficiency test preparation and remediation/intervention for those students not proficient in any of the five content areas (writing, reading, math, citizenship and science) and a required summer school for fourth graders not passing the reading proficiency exam. In addition, this legislation requires that districts increase the number of Carnegie units for graduation to 21.

House Bill 412 required that every school district in Ohio set aside 3% of its targeted General Fund revenues to be spent on textbooks and instructional materials. Traditionally, the Grandview Heights School District has spent almost 3% of its targeted revenues on these items. HB-412 also required school districts to set aside 3% of its targeted General Fund Revenues on capital improvements and maintenance. The Grandview Heights School District also spends about 3% of its targeted revenues on these items. Finally, HB-412 required school districts to set aside 5% of its targeted General Fund revenues for a budget reserve fund. Subsequent legislation lessened the set asides for textbooks and instructional materials and capital improvements and maintenance and eliminated the requirement for a budget reserve fund. However, the Grandview Heights School District has chosen to continue its reserve for budget stabilization as recommended through its strategic planning process.

Senate Bill 55, House Bill 412, and House Bill 650 (the FY-99 education budget bill), along with Senate Bill 102 which established a system for distributing State dollars for school facilities, were submitted by the State of Ohio to the Perry County Common Pleas Court as the proposed remedy to the DeRolph funding decision in August, 1998. On February 26, 1999, Judge Lewis held that the State failed to meet its burden of proof to demonstrate that the State provided a systematic overhaul of its unconstitutional system of school funding.

On May 11, 2000, the Ohio Supreme Court upheld Judge Lewis' determination when it released its decision on the second appeal of the court case. By a 4-3 vote, the Court said that the State had not produced an overhaul of the school funding system and gave the legislature more time to get the job done. The Court acknowledged an attempt on the part of the legislature to address the issue. The one area where the State received the most approval was the issue of facilities although the Court cited that children are still in buildings that are unsafe, unsanitary, and not conducive to learning. Their opinion stated, "Overreliance on local property taxes was one of the factors that rendered the school funding scheme deficient, yet this aspect of the former system persists in the state's current funding plan, wholly unchanged." The Court gave the State another year to address the situation and devise a remedy for the funding of education in Ohio.

In June, 2001 arguments were again presented to the Court describing the State's progress during the previous year. Substitute House Bill 94 is the biennial budget bill for 2001-02 and 2002-03 fiscal years that represents a significant part of the State's argument that it had satisfied the requirements of the DeRolph court case. While increasing the basic aid per pupil in the State school foundation formula and decreasing the number of State grant funds available to school districts, Substitute House Bill 94 contains the following items: Excess Cost Aid; Charge-off Supplement (AKA Gap Aid); Parity Aid; and other solutions to reappraisal phantom revenue. Because of its high property tax valuation per pupil and the wealth of its residents compared to the rest of the State of Ohio, the Grandview Heights School District is not eligible for any of the special funding mechanisms in the revamped state school foundation formula.

On September 6, 2001, in a 4-3 decision the Ohio Supreme Court identified aspects of the school funding plan that require modification if the plan is to be considered constitutional, including:

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- 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.

On September 17, 2001, the State of Ohio filed a motion asking 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. In November, 2001, the court granted the request for reconsideration, but also ordered the parties to participate in a settlement conference with a court appointed mediator. On March 21, 2002, the mediator issued his final report indicating that the conference was unable to produce a settlement. The case is not under reconsideration by the Court.

Historically small increases in basic State aid to school districts, the creation of special equity funds in recent State budgets, and the recent creation of special funding mechanisms for which the Grandview Heights School District is not eligible demonstrate that a "leveling down" has, since 1991, re-directed money from Grandview to those districts identified as less wealthy. No significant increase in State funding is anticipated for the School District.

Specific types of school district revenues in Ohio are under greater jeopardy each year. House Bill 283 (1999) eliminates the inventory value only of the tangible personal property tax valuation. Business machinery, equipment and inventory were valued at 25% of true value for personal property tax purposes. Essentially, beginning with calendar collection year 2002 and continuing for the next 25 years, the valuation of the inventory portion only is reduced by 1% each year until it is gone. Based on information received in 1999 from the Education Tax Policy Institute with the assistance of Levin & Driscoll, it is estimated that the annual loss of tangible personal property tax revenue from inventory is about \$45,000 for this School District. The cumulative loss of over \$1 million is significant and is the equivalent of about one mill of local property taxes every four years.

Senate Bill 3 (1999) was signed by Governor Taft in July 1999. Ohio's electric restructuring bill deregulates the generation of electricity in Ohio beginning with tax year 2001 (2002 collection year). Electricity delivery will continue to be regulated. For example, in the Columbus area, American Electric Power Company continues to be the company responsible for the delivery of electricity to consumers. Public utility personal property taxes continue to be levied on 88% of the valuation of electric transmission equipment of investor-owned companies. However, consumers are free to choose their electricity generating company. The deregulation affects the taxation of electric generating equipment. Under the old system, public utility personal property taxes were levied on 100% of the valuation of electric generating equipment of investor-owned companies. 70% of the tax valuation remained in the local school district where the equipment was located and 30% was apportioned to school districts that were serviced by the equipment. Under the new system, public utility personal property taxes are levied on 25% of the valuation of electric generating equipment of investor-owned companies. 100% of the now reduced tax valuation remains in the local school district where the equipment is located and none is apportioned to school districts serviced by the equipment. Therefore, public utility tax valuation is reduced in school districts that house electric generating equipment and it is eliminated in school districts that do not house electric generating equipment. Public utility real property taxes continue to be levied on 35% of the valuation.

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Senate Bill 3 (1999) includes a new kilowatt hour consumption tax to be collected from the consumers of electricity (instead of the generators of electricity) for the purpose of replacing a portion of lost revenues to school districts. The collection of this replacement tax began on May 1, 2001. The Ohio Department of Taxation calculated losses of public utility personal property tax to jurisdictions and certified these amounts to county auditors in October, 2001. The public utility personal property tax reductions, the simultaneous elimination of the 4.75% gross receipts tax, and the addition of the new kilowatt hour consumption tax are structured to be revenue neutral. "Hold harmless" payments, based on the lost revenue calculations, are distributed by county auditors twice each year, in the final property tax settlements, for collection years 2002 through 2006. For collection years 2007 through 2016, school districts that have a tax loss that is less than the additional state aid they have received during that time period, above inflation, will no longer directly receive any hold harmless payments. (It has been estimated that fewer than a half dozen school districts will be eligible for the continuation of any direct reimbursements after August, 2006.) After collection year 2016, any money remaining in the state's School District Replacement Fund each year will be distributed to every district in the state on a per pupil basis. S.B. 3 calls for a property tax study committee to be put together January 1, 2011, to study the compensation of the school districts from the changes made to the assessment rate and apportionment of electric property. Their report is to be issued by June 30, 2011. In theory, consumers of electricity, including school districts, are seeing reductions in their expenditures for electricity due to open market competition. It is estimated that the Grandview Heights School District will receive semi-annual hold-harmless payments from the state for \$213,560 through August, 2006. At that time, these payments will stop thereby creating a significant financial challenge for the District.

Since May, 1997 when the Grandview Heights School District's largest taxpayer, Big Bear Stores, relocated or eliminated 140 full-time jobs including many of its top management positions, their financial difficulties have been the subject of various articles. The Big Bear parent company, Penn Traffic, announced significant financial losses and on March 1, 1999, filed petitions for relief under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code") in the United States Bankruptcy Court in the District of Delaware. In a March 1, 1999 press release issued by Penn Traffic, Company Chairman Gary Hirsch said, "Our company will emerge from the debt restructuring process with an excellent capital structure and the financial flexibility to resume investing in and growing our business...we expect Penn Traffic to emerge as a prosperous and successful company." More articles during 2001 have described the increasingly fierce competition in the grocery business in the central Ohio area particularly since the opening of the first three Giant Eagle supermarkets. More stores are expected to open and further decrease the grocery market share of existing companies.

The recent downturn in the economy has affected the School District. The District has lost thousands of dollars in local personal property tax revenues from its three largest taxpayers during the past few years. The Big Bear personal property tax valuation was \$10,749,930 in October, 1999 yielding an estimated School District tax revenue of \$825,594. The personal property tax valuation decreased to \$6,720,290 by October, 2001 yielding an estimated School District tax revenue of \$516,118—a decrease of \$309,476. The Highlights for Children personal property tax valuation was \$1,195,245 in October, 1999 yielding an estimated School District tax revenue of \$91,794. The personal property tax valuation decreased when the company left the District to \$174,600 by October, 2001 yielding an estimated School District tax revenue of \$13,409—a decrease of \$78,385. The Columbia Gas System Service Corporation (now NiSource) personal property tax valuation was \$3,345,758 in October, 1999 yielding estimated School District tax revenue of \$256,954. The personal property tax valuation decreased to \$2,374,630 by October, 2001 yielding an estimated School District tax revenue of \$182,371—a decrease of \$74,583. The loss of these significant commercial tax revenues represents an immediate financial challenge to the District and a long-term challenge in that the burden of support of the District increasingly shifts to local residential taxpayers.

City officials of Grandview Heights have indicated their desire to continue to work closely with the business community to provide valuable services to them. City officials are communicating with and, where possible, involving the School District as a partner when considering activities that may enhance the economic status of the community. When Big Bear closed its management operations in Grandview, DPEC, a computer software design firm, quickly moved in bringing fewer employees than Big Bear had removed, but going a long way toward making up the loss of municipal tax revenue for the City of Grandview Heights. Since their arrival in 1998, DPEC has grown to become the one of the School District's largest personal property taxpayers. City officials are encouraging the company, whose name has been changed to Mind Leaders, to continue to expand in Grandview Heights.

Grandview Heights City School District
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2002
Unaudited
(Continued)

The City of Grandview Heights established a Community Reinvestment Area (CRA) effective January 5, 1998. Tax abatements can be extended through community reinvestment programs for improvements to existing real property. The Board of Education entered its only revenue sharing agreement under the CRA with the City of Grandview Heights on July 9, 1998. The revenue sharing agreement facilitates the abatement of property taxes by the City of Grandview for Style-Line, Inc. located at 901 West Third Avenue. Under the agreement, for any year in which the School District would have received real property tax payments derived from improvements to that property but for the City granting the tax exemption for the improvements, the City shall pay the School District an amount equal to the abated taxes. With this "hold-harmless" arrangement between the School District and the City, the School District is not expected to suffer any loss of revenues and may experience an increase in future revenues for an undetermined amount.

Improvements have been made to Goodale Boulevard in the City's industrial area. The final phase of the Goodale improvement project was completed in the summer of 2001. These improvements include the resurfacing of the street, new street lights, sidewalks, and improvements to the storm sewer. The \$1.6 million project was paid for by the City of Grandview Heights with \$800,000 in federal grants, a \$500,000 zero interest loan from the state, and a combination of state and county revenue proceeds from license plates, drivers licenses, and the gasoline tax.

As part of the installation of a flood wall by the City of Columbus along the Scioto River, the U.S. Army Corps of Engineers early in 2001 completed its flood plain investigation. The results of the study include the removal of all of the industrial area of the City of Grandview Heights from the 100-year flood flow from the Scioto River. The Army Corps study essentially replaces the FEMA flood plain studies from the 1950's that included the Grandview Heights industrial area in the Scioto flood plain. The Army Corps calculations are more precise than the straight line methods previously used by FEMA. Official approval of the revised Scioto River Flow study is still required by FEMA and is expected in the near future. Owners would benefit if their property was no longer part of the flood plain for a variety of reasons. They would no longer be required to purchase expensive flood insurance when seeking federally backed mortgages. Building codes would no longer have stringent flood requirements that increase the cost of major renovations and new construction. The property would become more valuable. These changes would make it more cost-effective for companies to invest in the commercial properties located in Grandview Heights.

The Grandview Heights School District is located on the near northwest side of Columbus in central Ohio. The Columbus City Council approved the Columbus Urban Commercial Overlay (CUCO) to regulate commercial development in unique, older, central city commercial areas such as Grandview Avenue between First and Third Avenues. There are two objectives. First, protect, re-establish and retain the unique aesthetic and architectural character of central city commercial areas characterized by pedestrian oriented development patterns. Second, encourage investment in compatibly designed development including retail display windows, side and rear parking, minimum setbacks, and other pedestrian oriented site design elements. Grandview's proximity to downtown Columbus and its solid residential base have supported a retail revival within the city during the past several years. Restaurants, shops and galleries have made Grandview Avenue one of Central Ohio's most popular shopping and dining venues. The floodwall project adjacent to Grandview that removes the Scioto Peninsula and most of the Franklinton neighborhoods of Columbus from the flood plain was completed in 2000. This, along with the relocation and expansion of the Center of Science and Industry at Central High School in 1998, the expansion of Veterans Memorial Auditorium, and the construction of the Nationwide Arena completed in 2000 at the Ohio Penitentiary site may cause additional redevelopment and an expansion of downtown Columbus. Grandview Heights is becoming known as the "Gateway to the Arena District." This may influence more linkages between Grandview and nearby downtown Columbus to the south along Grandview, McKinley, and Central Avenues and to the east from Dublin Road across the new Souder bridge connector. The completion in 2001 of the Watermark Island office complex to the immediate south of Grandview is an indication that the Grandview Area is becoming recognized for its convenient location.

Grandview Heights City School District
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2002
Unaudited
(Continued)

Improvements to the State Route 315 and I-670 highway system called the Spring-Sandusky interchange will provide better access to the freeway system from Grandview Heights by 2004. These improvements will also better connect Grandview Heights to Downtown Columbus, interstates 71 and 70, and place the city within a ten minute drive from Columbus International Airport. The retail development near Grandview Heights called the Lennox Town Center provides the area with regional shopping and entertainment opportunities. This helps eliminate the need for Grandview residents to travel to more congested areas of the region for these services.

The local communities of Grandview Heights and Marble Cliff traditionally provide a high level of support for their School District. Many community members are involved with the District and work with the locally elected school board to set standards for students and faculty members. Time is set aside at the beginning of every school board meeting to recognize outstanding achievement and contributions on the part of students and faculty members and to hear from members of the community. Of the seventeen Grandview Heights School District money issues considered by voters since 1968, all but two were approved.

The School District, on May 7, 2002 failed an incremental operating tax levy for 9.8 mills to begin collection in January 2003, plus 4 mills to begin collection in January 2004, plus 4 mills to begin collection in January 2005. The purpose of the operating tax levy was to provide resources to maintain the District's existing programs. In preparation for the opening of school with a balanced budget in the fall, 2002, the Board of Education implemented the following modifications:

- Double the student activity fees
- Eliminate all-day kindergarten classes
- Eliminate all elementary guidance positions @ 1.5 FTE
- Eliminate the high school business teacher position
- Request that the Rockbridge Academy fully fund the District's participation in that program on a temporary basis during FY-03
- Eliminate one high school art teacher position @ .75 FTE
- Eliminate seven part and full-time teacher assistant positions
- Eliminate one elementary principal position
- Eliminate one tutor position @ .50 FTE
- Reduce the annual transfer from the General Fund to the Permanent Improvement fund from \$100,000 to \$50,000
- Suspend contributions to the District's reserve for budget stabilization

As the Board of Education determined to place a traditional 10.7 mill operating tax levy on the November 5 ballot, they agreed to the following assumptions with the passage of the levy:

- Restore a high school elective teacher position effective in FY-04
- Restore an elementary administrator effective in FY-04
- Establish an amount for collective bargaining effective in FY-03
- Establish a tuition-based all-day kindergarten effective in FY-04
- Restore partial Rockbridge Academy costs to the District effective in FY-03
- Establish a mandated foreign language teacher position @ .50 FTE effective in FY-04
- Restore an elementary guidance position effective in FY-04
- Do not fill the high school librarian vacancy effective in FY-03
- Employ a high school library teacher assistant effective in FY-03
- Reduce extracurricular salaries by \$12,500 effective in FY-03
- Reduce extracurricular salaries by an additional \$12,500 effective in FY-04
- Reduce 1 FTE certificated staff member effective in FY-04
- Reduce an additional 1 FTE certificated staff member effective in FY-05
- Restore contributions to the District's reserve for budget stabilization @ \$100,000 as needed effective in FY-03
- Restore annual transfers from the General Fund to the Permanent Improvement Fund @ \$75,000 effective in FY-03

Grandview Heights City School District
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2002
Unaudited
(Continued)

- Reduce cost-center budget allocations by 5% effective in FY-03

Items remaining in place even with the passage of the November 5, 2002 tax levy are:

From the original list of modifications:

- Double student activity fees
- All-day kindergarten will not be a cost to the District
- One high school art teacher position @ .75 FTE remains gone
- Seven part and full-time teacher assistant positions remain gone
- One tutor position @ .50 FTE remains gone
- Annual transfers from the General Fund to the Permanent Improvement fund previously at \$100,000 and cut to \$50,000 will only be restored at \$75,000

From the subsequent list of assumptions:

- High School library remains staffed by a teacher assistant instead of a librarian
- Extracurricular salary reductions totaling \$25,000
- Reduction of 1 certificated staff member in each of FY-04 and FY-05
- Reduce cost-center budget allocations by 5% effective in FY-03

Student enrollment has declined during the past few years. The District's student enrollment has ranged from its recent high of 1,332 in October, 1997 to 1,218 in October, 2001. No growth in the enrollment is anticipated during the foreseeable future.

GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
FOR YEAR ENDED JUNE 30, 2002

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and Investments	\$3,614,705	\$101,848	\$3,716,553
Receivables:			
Accrued Interest	23,936	0	23,936
Taxes	9,926,377	0	9,926,377
Due From Other Governments/Others	7,398	0	7,398
Accounts	6,637	1,416	8,053
Materials and Supplies Inventory	0	4,200	4,200
Prepaid Expenses	29,572	0	29,572
Capital Assets, Net of Depreciation	13,224,539	41,695	13,266,234
TOTAL ASSETS	\$26,833,164	\$149,159	\$26,982,323
LIABILITIES			
Due to Other Governments	20,777	0	20,777
Accounts Payable	96,152	1,300	97,452
Accrued Salaries and Benefits Payable	1,220,963	46,779	1,267,742
Deferred Tax Revenue	9,415,914	0	9,415,914
Deferred Intergovernmental Revenue	0	170	170
Deferred Other Revenue	23,936	12,656	36,592
Long-Term Liabilities:			
Due Within One Year	780,338	0	780,338
Due in More Than One Year	11,590,859	0	11,590,859
TOTAL LIABILITIES	23,148,939	60,905	23,209,844
NET ASSETS			
Invested in Capital Assets, Net of Depreciation and Related Debt	1,887,419	41,695	1,929,114
Restricted For:			
Debt Service	985,318	0	985,318
Capital Projects	72,687	0	72,687
Other Purposes	126,427	0	126,427
Unrestricted	612,374	46,559	658,933
TOTAL NET ASSETS	\$3,684,225	\$88,254	\$3,772,479

See accompanying notes to the basic financial statements

GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
 STATEMENT OF ACTIVITIES
 FOR YEAR ENDED JUNE 30, 2002

	Expenses	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES						
Instruction:						
Regular	\$6,135,601	\$35,890	\$278,442	(\$5,821,269)	\$0	(\$5,821,269)
Special	1,646,962	2,547	63,518	(1,580,897)	0	(1,580,897)
Vocational	82,839	0	0	(82,839)	0	(82,839)
Support Services:						
Pupils	938,397	0	117,247	(821,150)	0	(821,150)
Instructional Staff	597,484	0	26,040	(571,444)	0	(571,444)
Board of Education	13,885	0	0	(13,885)	0	(13,885)
Administration	962,246	0	4,051	(958,195)	0	(958,195)
Fiscal	289,621	0	0	(289,621)	0	(289,621)
Business	30,988	33,181	0	2,193	0	2,193
Operation and Maintenance	909,775	0	0	(909,775)	0	(909,775)
Pupil Transportation	10,512	0	0	(10,512)	0	(10,512)
Central	65,021	0	0	(65,021)	0	(65,021)
Extracurricular Student Activities	540,035	134,314	15,187	(390,534)	0	(390,534)
Facilities Services	261,773	0	0	(261,773)	0	(261,773)
Debt Service Interest and Fiscal Charges	590,064	0	0	(590,064)	0	(590,064)
TOTAL GOVERNMENTAL ACTIVITIES	13,075,203	205,932	504,485	(12,364,786)	0	(12,364,786)
BUSINESS-TYPE ACTIVITIES						
Food Service	255,703	215,265	31,501	0	(8,937)	(8,937)
Child Care	215,570	218,913	0	0	3,343	3,343
TOTAL BUSINESS-TYPE ACTIVITIES	471,273	434,178	31,501	0	(5,594)	(5,594)
TOTALS	\$13,546,476	\$640,110	\$535,986	(12,364,786)	(5,594)	(12,370,380)
GENERAL REVENUES						
Property Taxes Levied for:						
General Purpose				8,886,111	0	8,886,111
Debt Service				1,040,267	0	1,040,267
Intergovernmental - State				2,738,782	0	2,738,782
Interest Income				187,961	0	187,961
Miscellaneous Revenues				80,524	0	80,524
TOTAL GENERAL REVENUES				12,933,645	0	12,933,645
CHANGE IN NET ASSETS				568,859	(5,594)	563,265
NET ASSETS AT BEGINNING OF YEAR - Note 18				3,115,366	93,848	3,209,214
NET ASSETS AT END OF YEAR				\$3,684,225	\$88,254	\$3,772,479

See accompanying notes to the basic financial statements:

GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
FOR YEAR ENDED JUNE 30, 2002

	GENERAL FUND	DEBT SERVICE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS:				
Cash and Investments	\$2,364,371	\$985,318	\$196,114	\$3,545,803
Accrued Interest Receivable	23,936	0	0	23,936
Taxes Receivable	8,886,111	1,040,266	0	9,926,377
Due From Other Governments/Others	0	0	7,398	7,398
Accounts Receivable	6,637	0	0	6,637
Prepaid Expenditures	29,364	0	208	29,572
Restricted Assets:				
Cash and Cash Equivalents	68,902	0	0	68,902
TOTAL ASSETS	\$11,379,321	\$2,025,584	\$203,720	\$13,608,625
LIABILITIES:				
Due to Other Governments	\$20,777	\$0	\$0	\$20,777
Accounts Payable	90,369	0	5,783	96,152
Accrued Salaries and Benefits Payable	1,220,963	0	0	1,220,963
Deferred Tax Revenue	8,853,549	1,036,648	0	9,890,197
Deferred Intergovernmental Revenue	0	0	5,670	5,670
Deferred Other Revenue	23,936	0	0	23,936
TOTAL LIABILITIES	10,209,594	1,036,648	11,453	11,257,695
FUND BALANCES:				
Fund Balance Reserved for HB-412 Set Asides	68,902	0	0	68,902
Fund Balance Reserved for Prepays	29,364	0	208	29,572
Fund Balance Reserved for Encumbrances	198,099	0	16,762	214,861
Fund Balance Unreserved, Reported In:				
General	873,362	0	0	873,362
Debt Service	0	988,936	0	988,936
Special Revenue	0	0	102,610	102,610
Capital Project	0	0	72,687	72,687
TOTAL FUND BALANCES	1,169,727	988,936	192,267	2,350,930
TOTAL LIABILITIES AND FUND BALANCES	\$11,379,321	\$2,025,584	\$203,720	\$13,608,625

See accompanying notes to the basic financial statements

GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
 RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
 NET ASSETS OF GOVERNMENTAL ACTIVITIES
 FOR YEAR ENDED JUNE 30, 2002

TOTAL GOVERNMENTAL FUND BALANCES	\$2,350,930
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	13,224,539
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in funds	479,953
Long-Term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Interest payable	(38,533)
Accrued benefits payable	(995,544)
Capital lease obligations due within one year	(52,517)
General obligation bonds payable due within one year	(565,000)
Capital lease obligations due in more than one year	(49,614)
General obligation bonds payable due in more than one year	(10,669,989)
	<u>(12,371,197)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$3,684,225</u></u>

See accompanying notes to the basic financial statements

GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR YEAR ENDED JUNE 30, 2002

	GENERAL	DEBT SERVICE	OTHER GOVERNMENTAL FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES:				
Property Taxes	\$8,459,256	\$992,838	\$0	\$9,452,094
Intergovernmental - State	2,626,793	110,544	37,895	2,775,232
Intergovernmental - Federal	0	0	456,988	456,988
Interest Income	187,961	0	0	187,961
Tuition and Fees	63,897	0	0	63,897
Miscellaneous Revenues	47,752	17,431	157,035	222,218
TOTAL REVENUES	11,385,659	1,120,813	651,918	13,158,390
EXPENDITURES:				
Instruction, Regular	5,510,959	0	274,239	5,785,198
Instruction, Special	1,546,956	0	96,940	1,643,896
Instruction, Vocational	82,659	0	0	82,659
TOTAL INSTRUCTIONAL SERVICES	7,140,574	0	371,179	7,511,753
Support Service, Pupils	928,475	0	121,428	1,049,903
Support Service, Instructional Staff	558,960	0	17,376	576,336
Support Service, Board of Education	13,885	0	0	13,885
Support Service, Administration	935,155	0	19,532	954,687
Support Service, Fiscal	282,617	6,241	0	288,858
Support Service, Business	0	0	29,992	29,992
Support Service, Operation & Maintenance	962,704	0	0	962,704
Support Service, Pupil Transportation	10,512	0	0	10,512
Support Service, Central	35,620	0	30,060	65,680
TOTAL SUPPORT SERVICES	3,727,928	6,241	218,388	3,952,557
Extracurricular Student Activities	490,374	0	100,686	591,060
Facilities Services	33,346	0	228,427	261,773
Capital Outlay	159,002	0	0	159,002
Debt Service Principal Retirement	131,084	455,000	0	586,084
Debt Service Interest and Fiscal Charges	11,329	596,313	0	607,642
TOTAL EXPENDITURES	11,693,637	1,057,554	918,680	13,669,871
Excess of Revenues Over (Under) Expenditures	(307,978)	63,259	(266,762)	(511,481)
OTHER FINANCING SOURCES (USES):				
Proceeds From General Obligation Bonds	0	8,559,989	0	8,559,989
Proceeds From Capital Lease Obligations	159,002	0	0	159,002
Payment of Advance Refunding	0	(8,560,000)	0	(8,560,000)
Premium/Accrued Interest on Bonds	0	11	0	11
Operating Transfers In	0	68,965	100,000	168,965
Operating Transfers Out	(168,965)	0	0	(168,965)
TOTAL OTHER FINANCING SOURCES (USES)	(9,963)	68,965	100,000	159,002
Net Changes in Fund Balances	(317,941)	132,224	(166,762)	(352,479)
FUND BALANCE AT BEGINNING OF YEAR	1,487,668	856,712	359,029	2,703,409
FUND BALANCE AT END OF YEAR	\$1,169,727	\$988,936	\$192,267	\$2,350,930

See accompanying notes to the basic financial statements

GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR YEAR ENDED JUNE 30, 2002

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS **((\$352,479))**

Amounts reported for governmental activities in the
 Statement of Activities are different because:

Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets and does not result in an expense in the Statement of Activities.	9,146,164
Some revenues that will not be collected for several months after the District's fiscal year ends are not considered "available" revenues and are deferred in the governmental funds. Deferred Revenue increased by this amount this year, for delinquent taxes receivable.	479,953
Proceeds from the issuance of bonds and capital leases are reported as revenues in the governmental funds. In the Statement of Net Assets it increases liabilities.	(8,718,991)
In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	17,578
Some expenses reported in the Statement of Activities, such as compensated absences payable and other accounts payable, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(19,970)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	16,604

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$568,859**

See accompanying notes to the basic financial statements.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET(NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR YEAR ENDED JUNE 30, 2002**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
PROPERTY TAXES	\$8,017,881	\$8,426,694	\$8,426,694	\$0
INTERGOVERNMENTAL - STATE	2,164,413	2,741,889	2,628,238	(113,651)
INTEREST INCOME	240,000	220,000	215,292	(4,708)
TUITION AND FEES	62,973	61,848	63,897	2,049
MISCELLANEOUS REVENUES	15,000	39,708	41,682	1,974
TOTAL REVENUES	10,500,267	11,490,139	11,375,803	(114,336)
EXPENDITURES:				
INSTRUCTION, REGULAR				
Salaries and Wages	4,352,094	4,280,065	4,262,190	17,875
Fringe Benefits	1,091,246	1,079,624	1,074,886	4,738
Purchased Services	136,470	35,614	33,101	2,513
Supplies	190,363	192,922	191,321	1,601
Miscellaneous Expenses	22,551	31,772	30,109	1,663
TOTAL INSTRUCTION, REGULAR	5,792,724	5,619,997	5,591,607	28,390
INSTRUCTION, SPECIAL				
Salaries and Wages	940,225	960,459	956,980	3,479
Fringe Benefits	249,738	258,936	257,528	1,408
Purchased Services	426,670	392,093	391,787	306
Supplies	10,756	9,998	7,608	2,390
Miscellaneous Expenses	500	0	0	0
TOTAL INSTRUCTION, SPECIAL	1,627,889	1,621,486	1,613,903	7,583
INSTRUCTION, VOCATIONAL				
Salaries and Wages	68,120	67,197	67,112	85
Fringe Benefits	15,294	15,604	15,602	2
TOTAL INSTRUCTION, VOCATIONAL	83,414	82,801	82,714	87
TOTAL INSTRUCTIONAL SERVICES	7,504,027	7,324,284	7,288,224	36,060
SUPPORT SERVICE, PUPILS				
Salaries and Wages	638,557	712,586	697,605	14,981
Fringe Benefits	172,312	179,932	177,955	1,977
Purchased Services	188,881	176,854	167,161	9,693
Supplies	47,021	57,912	57,396	516
Miscellaneous Expenses	3,308	6,984	6,516	468
TOTAL SUPPORT SERVICE, PUPILS	1,050,079	1,134,268	1,106,633	27,635
SUPPORT SERVICE, INSTRUCTIONAL STAFF				
Salaries and Wages	311,546	312,863	309,531	3,332
Fringe Benefits	178,161	177,064	174,403	2,661
Purchased Services	59,221	53,172	46,759	6,413
Supplies	32,005	32,735	30,904	1,831
Miscellaneous Expenses	12,666	12,976	12,770	206
TOTAL SUPPORT SERVICE, INSTRUCTIONAL STAFF	593,599	588,810	574,367	14,443
SUPPORT SERVICE, BOARD OF EDUCATION				
Salaries and Wages	6,000	6,000	6,000	0
Fringe Benefits	396	1,052	840	212
Purchased Services	3,100	3,100	1,918	1,182
Miscellaneous Expenses	3,500	7,714	7,714	0
TOTAL SUPPORT SERVICE, BOARD OF EDUCATION	12,996	17,866	16,472	1,394
SUPPORT SERVICE, ADMINISTRATION				
Salaries and Wages	629,042	670,893	666,951	3,942
Fringe Benefits	184,995	183,957	179,829	4,128
Purchased Services	58,115	65,357	63,508	1,849
Supplies	33,295	35,528	33,789	1,739
Miscellaneous Expenses	8,686	9,770	9,764	6
TOTAL SUPPORT SERVICE, ADMINISTRATION	\$914,133	\$965,505	\$953,841	\$11,664

GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET(NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
(CONTINUED)
FOR YEAR ENDED JUNE 30, 2002

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
SUPPORT SERVICE, FISCAL				
Salaries and Wages	\$149,875	\$151,354	\$149,319	\$2,035
Fringe Benefits	49,596	48,657	47,707	950
Purchased Services	8,101	8,101	7,502	599
Supplies	5,731	5,731	5,224	507
Miscellaneous Expenses	149,797	119,804	117,098	2,706
TOTAL SUPPORT SERVICE, FISCAL	363,100	333,647	326,850	6,797
SUPPORT SERVICE, OPERATION & MAINTENANCE				
Salaries and Wages	407,405	429,287	417,778	11,509
Fringe Benefits	133,712	130,829	126,306	4,523
Purchased Services	420,025	425,588	399,276	26,312
Supplies	65,890	64,726	63,562	1,164
Miscellaneous Expenses	30,136	7,695	6,686	1,009
TOTAL SUPPORT SERVICE, OPERATION & MAINTENANCE	1,057,168	1,058,125	1,013,608	44,517
SUPPORT SERVICE, PUPIL TRANSPORTATION				
Purchased Services	16,760	16,479	14,392	2,087
TOTAL SUPPORT SERVICE, PUPIL TRANSPORTATION	16,760	16,479	14,392	2,087
SUPPORT SERVICE, CENTRAL				
Salaries and Wages	23,100	20,100	17,725	2,375
Fringe Benefits	3,735	3,546	2,397	1,149
Purchased Services	17,921	21,508	17,522	3,986
Supplies	1,361	1,400	758	642
TOTAL SUPPORT SERVICE, CENTRAL	46,117	46,554	38,402	8,152
TOTAL SUPPORT SERVICES	4,053,952	4,161,254	4,044,565	116,689
EXTRACURRICULAR STUDENT ACTIVITIES				
Salaries and Wages	329,822	312,452	306,480	5,972
Fringe Benefits	64,006	61,779	59,260	2,519
Purchased Services	63,672	97,347	94,409	2,938
Supplies	3,201	5,101	4,344	757
Miscellaneous Expenses	24,000	28,892	28,892	0
TOTAL EXTRACURRICULAR STUDENT ACTIVITIES	484,701	505,571	493,385	12,186
FACILITIES SERVICES				
Purchased Services	21,000	27,588	27,588	0
Miscellaneous Expenses	13,123	12,219	12,213	6
TOTAL FACILITIES SERVICES	34,123	39,807	39,801	6
TOTAL EXPENDITURES	12,076,803	12,030,916	11,865,975	164,941
REVENUE OVER (UNDER) EXPENDITURES	(1,576,536)	(540,777)	(490,172)	50,605
OTHER FINANCING (USES):				
TRANSFERS OUT	(168,965)	(168,965)	(168,965)	0
OTHER FINANCING USES	(59,022)	(1,445)	(1,445)	0
TOTAL OTHER FINANCING (USES)	(227,987)	(170,410)	(170,410)	0
NET CHANGES IN FUND BALANCE	(1,804,523)	(711,187)	(660,582)	50,605
FUND BALANCE AT BEGINNING OF YEAR	2,497,364	2,497,364	2,497,364	0
PRIOR YEAR ENCUMBRANCES APPROPRIATED	304,031	304,031	304,031	0
FUND BALANCE AT END OF YEAR	\$996,872	\$2,090,208	\$2,140,813	\$50,605

See accompanying notes to the basic financial statements

GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
FOR YEAR ENDED JUNE 30, 2002

	<u>ENTERPRISE FUNDS</u>		
	FOOD SERVICE FUND	CHILD CARE FUND	<u>TOTALS</u>
ASSETS:			
CURRENT ASSETS:			
Cash and Investments	\$40,551	\$61,297	\$101,848
Accounts Receivable	0	1,416	1,416
Material & Supplies Inventory	4,200	0	4,200
Total Current Assets	44,751	62,713	107,464
NON-CURRENT ASSETS:			
Capital Assets, Net	39,950	1,745	41,695
TOTAL ASSETS	\$84,701	\$64,458	\$149,159
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts Payable	\$0	\$1,300	\$1,300
Accrued Salaries and Benefits Payable	27,868	18,911	46,779
Deferred Intergovernmental Revenue	170	0	170
Deferred Other Revenue	0	12,656	12,656
TOTAL LIABILITIES	28,038	32,867	60,905
NET ASSETS:			
Invested in Capital Assets	39,950	1,745	41,695
Unrestricted	16,713	29,846	46,559
TOTAL NET ASSETS	\$56,663	\$31,591	\$88,254

See accompanying notes to the basic financial statements

GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR YEAR ENDED JUNE 30, 2002

	<u>ENTERPRISE FUNDS</u>		
	<u>FOOD</u>	<u>CHILD</u>	
	<u>SERVICE</u>	<u>CARE</u>	
	<u>FUND</u>	<u>FUND</u>	<u>TOTALS</u>
OPERATING REVENUES:			
Charge for Services	\$195,994	\$218,913	\$414,907
Other Revenues	19,271	0	19,271
TOTAL OPERATING REVENUES	<u>215,265</u>	<u>218,913</u>	<u>434,178</u>
OPERATING EXPENSES:			
Employee Salaries & Wages	88,940	160,221	249,161
Employee Fringe Benefits	37,586	35,943	73,529
Purchased Services	6,327	4,075	10,402
Materials & Supplies	114,099	12,111	126,210
Other Expenses	277	2,879	3,156
Depreciation Expense	8,474	341	8,815
TOTAL OPERATING EXPENSES	<u>255,703</u>	<u>215,570</u>	<u>471,273</u>
OPERATING INCOME (LOSS)	<u>(40,438)</u>	<u>3,343</u>	<u>(37,095)</u>
NON-OPERATING REVENUES:			
State Sources	1,277	0	1,277
Federal Sources	30,224	0	30,224
TOTAL NON-OPERATING REVENUES	<u>31,501</u>	<u>0</u>	<u>31,501</u>
CHANGE IN NET ASSETS	(8,937)	3,343	(5,594)
NET ASSETS BEGINNING OF YEAR	<u>65,600</u>	<u>28,248</u>	<u>93,848</u>
NET ASSETS END OF YEAR	<u>\$56,663</u>	<u>\$31,591</u>	<u>\$88,254</u>

See accompanying notes to the basic financial statements

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR YEAR ENDED JUNE 30, 2002**

	ENTERPRISE FUNDS		TOTALS
	FOOD SERVICE FUND	CHILD CARE FUND	
Cash flows from operating activities:			
Cash received from tuition and fees	\$0	\$222,844	\$222,844
Cash received from sales	195,994	0	195,994
Other cash receipts	19,271	0	19,271
Cash payments for personal services	(125,718)	(198,155)	(323,873)
Cash payments for contract services	(6,327)	(4,346)	(10,673)
Cash payments for supplies and materials	(113,427)	(11,953)	(125,380)
Cash payments for other expenses	(277)	(2,629)	(2,906)
Net cash provided (used) by operating activities	<u>(30,484)</u>	<u>5,761</u>	<u>(24,723)</u>
Cash flows from noncapital financing activities:			
Cash from operating grants			
State sources	1,277	0	1,277
Federal sources	33,681	0	33,681
Net cash from noncapital financing activities	<u>34,958</u>	<u>0</u>	<u>34,958</u>
Cash flows from capital financing activities:			
Purchases of capital assets	<u>(14,856)</u>	<u>0</u>	<u>(14,856)</u>
Net increase (decrease) in cash and cash equivalents	(10,382)	5,761	(4,621)
Cash and Investments at beginning of year	50,933	55,536	106,469
Cash and Investments at end of year	<u>\$40,551</u>	<u>\$61,297</u>	<u>\$101,848</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income (loss)	(\$40,438)	\$3,343	(\$37,095)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	8,474	341	8,815
Commodities expense related to noncash grant	(3,457)	0	(3,457)
Decrease in Due From Other Governments	4,778	0	4,778
Decrease in Accounts Receivable	0	158	158
Decrease in Inventory	502	0	502
Increase in Accounts Payable	0	137	137
Increase (Decrease) in Accrued Liabilities	808	(1,991)	(1,183)
Increase (Decrease) in Deferred Revenue	(1,151)	3,773	2,622
Net adjustments	<u>9,954</u>	<u>2,418</u>	<u>12,372</u>
Net cash provided (used) by operating activities	<u>(\$30,484)</u>	<u>\$5,761</u>	<u>(\$24,723)</u>

See accompanying notes to the basic financial statements

GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
 STATEMENT OF NET ASSETS
 FIDUCIARY FUNDS
 FOR YEAR ENDED JUNE 30, 2002

	PRIVATE-PURPOSE TRUST	
	<u>FUNDS</u>	<u>AGENCY</u>
ASSETS:		
Cash and Investments	\$3,647	\$60,785
Property, Plant & Equipment	0	3,920
TOTAL ASSETS	<u>\$3,647</u>	<u>\$64,705</u>
LIABILITIES:		
Due to Other Government/Others	\$0	\$54,276
Accounts Payable	0	10,429
TOTAL LIABILITIES	<u>0</u>	<u>\$64,705</u>
NET ASSETS:		
Held in Trust for Scholarships	2,136	
Held in Trust for Outdoor Education Camp	1,462	
Held in Trust for CORE Team	49	
TOTAL NET ASSETS	<u>\$3,647</u>	

See accompanying notes to the basic financial statements

GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUND
 FOR YEAR ENDED JUNE 30, 2002

	PRIVATE-PURPOSE TRUST <u>FUNDS</u>
ADDITIONS:	
Miscellaneous Revenues	<u>\$19,475</u>
DEDUCTIONS:	
Outdoor Education Camp	18,496
High School Scholarships	<u>5,000</u>
TOTAL DEDUCTIONS	<u>23,496</u>
CHANGE IN NET ASSETS	<u>(4,021)</u>
NET ASSETS BEGINNING OF YEAR	<u>7,668</u>
NET ASSETS END OF YEAR	<u><u>\$3,647</u></u>

See accompanying notes to the basic financial statements

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**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

1. REPORTING ENTITY

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

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

The accompanying basic financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity, in that the financial statements include all the organizations, activities and functions for which the District is financially accountable. Financial Accountability is defined as the appointment of a voting majority of a component unit's board and either (i) the District's ability to impose its will over a component unit, or (ii) the possibility that the component unit will provide a financial benefit or impose a financial burden on the District. On that basis, the reporting entity of the District includes the services of the School District only. There are no component units.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Fund Accounting

The District's accounts are maintained on the basis of funds, each of which is considered a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to specific District functions or activities. The operation of each fund is accounted for within a separate self-balancing set of accounts. Funds are classified into three categories: governmental, proprietary, and fiduciary. Each category is divided into separate fund types. A summary of the District's major funds follows:

Governmental Funds

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

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds (Continued)

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

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

Business-type Activities

Food Service Fund – The Food Service Fund is used to account for all financial transactions related to food service operations.

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

Fiduciary Funds

Fiduciary Funds - Fiduciary funds reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trusts funds, and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private purpose trust which accounts for a scholarship program, CORE team, and an outdoor education camp for students. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations. The District's agency fund accounts for those student activity programs which have student participation in the activity and have students involved in the management of the program.

(b) Basis of Presentation

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

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of Presentation (Continued)

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type, and for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

Fund Financial Statements – Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements are on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. 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.

All proprietary funds and private-purpose trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the Statement of Net Assets. Proprietary fund's operating statements present increases (e.g., revenues) and decreases (expenses) in net total assets.

(c) Basis of Accounting

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

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

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Basis of Accounting (Continued)

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 10) Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been met. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Revenue – The District reports deferred revenue on its governmental funds balance sheet. Deferred revenue arises when a potential revenue does not meet both the measurable and available, and for tax receipts the “intended to finance” criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed and revenue is recognized.

The District also reports deferred revenue on the proprietary funds statement of net assets. The deferred revenue arises when child care fees are paid in advance for the services being provided.

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

(d) Cash and Investments

Monies received by the District are pooled in a central bank account with individual fund balance integrity retained throughout. In 1998, the District adopted GASB Statement No. 31 (GASB 31), Accounting and Financial Reporting for Certain Investments and for External Investment Pools, and records all its investments at fair value, except repurchase agreements which are reported at cost.

The Grandview Heights School District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2002. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2002.

Following Ohio statutes, the Board of Education has, by Board Policy #6144, specified the funds to receive an allocation of interest earnings. All interest revenue received amounting to \$187,961 has been credited to the General Fund during fiscal year 2002.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Inventory

On government-wide financial statements, inventories are presented at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis and inventories are determined by physical count.

(f) Capital Assets and Depreciation

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets are reported in the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by proprietary funds are reported on both statement types.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District follows the policy of not capitalizing assets with a cost of less than \$300 and a useful life of less than one year. The District does not possess any infrastructure.

All reported capital assets, with the exception of land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over estimated useful lives ranging from 50 years for buildings, 5 years for improvements other than buildings, and 3 to 20 years for equipment.

(g) Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. These amounts are eliminated in the government-wide statements, except for amounts due between governmental and business-type activities.

On fund financial statements, short-term interfund loans are classified as interfund receivables/payables. These amounts are eliminated in the statement of net assets, except for amounts due between governmental and business-type activities, which are presented as internal balances.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Compensated Absences

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

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

(i) Accrued Liabilities and Long-term Debt

All accrued liabilities and long-term debt is reported in the government-wide financial statements as well as the proprietary fund financial statements. For governmental fund financial statements, the accrued liabilities are generally reported as a governmental fund liability if due for payment as of the balance sheet date regardless of whether they will be liquidated with current financial resources. However, claims for judgments and compensated absences paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources. Long-term debt paid from governmental funds are not recognized as a liability in the fund financial statements when due.

(j) Net Assets

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

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

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Fund Balance Reserves

The District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available spendable resources and therefore are not available for appropriation for expenditures. Fund equity reserves have been established for encumbrances, prepaid expenditures, and HB412 Set Aside..

(l) Proprietary Funds and Governmental and Business Type Activities

Pursuant to GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting, the District follows guidance as applicable to proprietary funds and governmental and business type activities, and Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB Pronouncements. The District does not apply FASB Statements or interpretations issued after November 30, 1989.

(m) Statements of Cash Flows

For purposes of the statement of cash flows, all cash and investments are also considered to be cash equivalents, since they are available to the proprietary funds on demand.

(n) Management Estimates

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

(o) Budgetary Data

All governmental, proprietary and fiduciary fund types are subject to annual expenditure budgets. The Board follows the procedures outlined below in establishing the expenditures budget data reported in the basic financial statements:

- (1) A Tax Budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by January 20 of each year, for the fiscal year commencing the following July 1. The Grandview Heights Board of Education normally adopts the Tax Budget at its organizational meeting in January after conducting a public budget hearing. All funds are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each function.
- (2) The County Budget Commission certifies its actions to the District by March 1. As part of this certification, the District receives the official certificate of estimated resources which states the projected receipts of each fund. On or about July 1, this certificate is amended to include any unencumbered balances from the preceding year.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Budgetary Data (Continued)

- (3) An annual appropriation measure must be passed by October 1 of each year for the period July 1 to June 30. Unencumbered appropriations lapse at year-end and encumbered appropriations are carried forward as additions to appropriations in the succeeding fiscal year. The Grandview Heights Board of Education normally adopts its annual appropriation measure at its regular July meeting. The Board adopts a temporary appropriation measure to allow the District to operate until its annual appropriations are adopted. The appropriation measure may be amended or supplemented during the year as new information becomes available. Individual buildings and/or departments may transfer funds within their budgets. Supplemental appropriations are presented on a monthly basis during the year and include the transfers requested by staff and any amendments to fund unanticipated expenditures. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education. Supplemental appropriations approved during the current fiscal year, in the opinion of management, had no significant effect on the financial statements of the District. Appropriations may not exceed estimated resources and expenditures may not exceed appropriations in any fund at the object level.
- (4) The District prepares its budget on a basis of accounting that differs from generally accepted accounting principles (GAAP). The comparison of actual results with the budget are presented in the Statement of Revenues, Expenditures, and Changes in Fund Balance—Budget and Actual—General Fund in accordance with the budget basis of accounting.

The major differences between the budgetary basis of accounting and GAAP are that:

- A. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- B. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis); and
- C. Encumbrances are recorded as the equivalent of expenditures (budget basis) as opposed to a reservation of fund balance (GAAP basis).

(p) Encumbrances

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

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

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

3. CASH AND INVESTMENTS

The Ohio Revised Code authorizes the District to invest in United States and State of Ohio bonds, notes and other obligations; 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; bank certificates of deposit; no-load money market mutual funds consisting exclusively of obligations previously described in this paragraph and repurchase agreements secured by such obligations, provided that investments in securities herein are made only through eligible institutions; banker acceptances; commercial paper notes rated prime and issued by United States' corporations; repurchase agreements secured by United States obligations; and State Treasury Asset Reserve of Ohio, which is managed by the Treasurer of the State of Ohio (STAR Ohio). All federal agency securities shall be direct issuances of federal government agencies or instrumentalities. It is management's policy to invest in United States and State of Ohio bonds, notes and other obligations; repurchase agreements; bank certificates of deposit; and STAR Ohio. Earnings on investments are credited to the General Fund unless otherwise required by law. It is management's policy while investing the District's public funds primarily to ensure the safety of the principal. The secondary consideration is liquidity and third is rate of return on the investment.

State statutes classify monies held by the School District into three categories. Active deposits are public deposits necessary to meet current demand 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 the Board of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Public Depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the Federal Deposit Insurance Corporation (FDIC), or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the District's name. The District complied with the provisions of these statutes.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

3. CASH AND INVESTMENTS (Continued)

At June 30, 2002 the carrying amount of the District's deposits was \$162,360 and the bank balance was \$405,583. \$105,583 of the balance was covered by federal depository insurance and \$300,000 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 District to a successful claim by the FDIC. The District's investments are categorized to give an indication of the level of risk assumed by the District on June 30, 2002. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's agent, or the agent's trust department in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty's agent or the agent's trust department, but not in the District's name. The investment with STAR Ohio is not required to be categorized due to its nature according to GASB #3. STAR Ohio has established procedures, reasonably designed, taking into account current market quotations, to stabilize the net asset value per share, as computed for the purpose of purchase and redemption, at a single value of \$1.00. The fair value of the District's position in STAR Ohio is the same as the value of the pool shares.

Investments:	-----Category----- ---1--- --2--- --3---			<u>Cost</u>	<u>Carrying Value</u>
T-Note #9128277G1	\$	\$200,781	\$ -	\$ 200,781	\$ 201,750
Repurchase Agreements (General)	-	-	457,000	457,000	457,000
(Payroll)	-	-	135,000	135,000	135,000
STAR Ohio (General)	-	-	-	1,770,890	1,773,237
(Bond Ret./PI)	-	-	-	1,048,389	1,049,838
Total Investments	\$	\$200,781	\$592,000	\$3,612,060	\$3,616,825
Bank Deposits including certificates of deposit and payroll account					405,583
Reconciling items: Petty Cash/Change					1,800
Outstanding Checks including general & payroll accounts					<u>(243,223)</u>
Total Cash and Investments (Including Restricted Assets)					<u>\$3,780,985</u>

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

4. DUE FROM OTHER GOVERNMENTS

Intergovernmental receivables at June 30, 2002, consist of the following:

	<u>Governmental Activities</u>	
	<u>Due From</u>	
	<u>Federal</u>	<u>Government</u>
	<u>Government</u>	<u>Total</u>
Other Governmental Funds	\$7,398	\$7,398
Total	\$7,398	\$7,398

5. INTERFUND RECEIVABLES AND PAYABLES

There were no interfund receivables and payables as of June 30, 2002.

6. CAPITAL ASSETS

Summaries of changes in general fixed assets for the fiscal year ended June 30, 2002, follows:

<u>Activity</u>	<u>Balance July 1 2001</u>	<u>Additions</u>	<u>Reduction</u>	<u>Balance June 30 2002</u>
Governmental Activities:				
Land	\$137,400	\$ -	\$ -	\$137,400
Buildings	16,578,021	-	-	16,578,021
Improvements Other Than Buildings	4,380	-	-	4,380
Furniture & Equipment	3,604,531	449,154	339,456	3,714,229
Vehicles	<u>68,836</u>	<u>46,692</u>	<u>40,427</u>	<u>75,101</u>
Totals at Cost	<u>\$20,393,168</u>	<u>\$495,846</u>	<u>\$379,883</u>	<u>\$20,509,131</u>
Less Accumulated Depreciation				
Buildings	\$4,269,983	\$269,811	\$ 0	\$4,539,794
Improvements Other Than Buildings	2,149	218	0	2,368
Furniture & Equipment	2,889,448	171,465	335,091	2,725,823
Vehicles	<u>23,698</u>	<u>3,952</u>	<u>11,045</u>	<u>16,605</u>
Total Accumulated Depreciation	<u>\$7,185,280</u>	<u>\$445,448*</u>	<u>\$346,136</u>	<u>\$7,284,592</u>
Capital Assets, Net	<u>\$13,207,888</u>	<u>\$ 50,398</u>	<u>\$ 33,747</u>	<u>\$13,224,539</u>
Business-type Activities:				
Furniture & Equipment	<u>\$161,960</u>	<u>\$14,856</u>	<u>\$4,387</u>	<u>\$172,429</u>
Totals at Cost	<u>\$161,960</u>	<u>\$14,856</u>	<u>\$4,387</u>	<u>172,429</u>

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

6. CAPITAL ASSETS (Continued)

Less Accumulated Depreciation

Furniture & Equipment	<u>\$127,423</u>	<u>\$6,319</u>	<u>\$3,008</u>	<u>\$130,734</u>
Total Accumulated Depreciation	<u>127,423</u>	<u>6,319</u>	<u>3,008</u>	<u>130,734</u>
Capital Assets, Net Agency fund:	<u>\$34,537</u>	<u>\$8,537</u>	<u>\$1,379</u>	<u>\$41,695</u>
Extracurricular Activities Equipment				<u>\$3,920</u>

* Depreciation Expense was charged to governmental functions as follows:

Instruction:	
Regular	\$345,299
Special	13,605
Support Service:	
Pupils	31,876
Instructional Staff	12,707
Administration	5,693
Fiscal	350
Business	2,497
Operation & Maintenance	22,318
Central	2,808
Extracurricular	<u>8,295</u>
Total Depreciation Expense	<u>\$445,448</u>

7. LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2002, follows:

	Balance July 1 <u>2001</u>	<u>Addition</u>	<u>Deletion</u>	Balance June 30 <u>2002</u>	Amounts Due In <u>One Year</u>
Governmental Activities:					
Long-term Obligations:					
Accrued Interest	\$56,111	\$	\$ 17,578	\$ 38,533	\$38,533
Capital Lease	74,293	159,002	131,164	102,131	52,519
Accrued Vacation and Vested Pers./Sick Leave	975,574	19,970	-	995,544	124,288
G.O. Bonds	<u>11,690,000</u>	<u>8,559,989</u>	<u>9,015,000</u>	<u>11,234,989</u>	<u>565,000</u>
Total	<u>\$12,611,068</u>	<u>\$8,580,415</u>	<u>\$9,015,000</u>	<u>\$12,371,197</u>	<u>\$780,338</u>

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

7. LONG-TERM LIABILITIES (Continued)

Additions and deletions of accrued sick leave are shown net since it is impracticable for the District to determine these amounts separately. District employees are granted sick leave in varying amounts. Vested personal and sick leave is the amount the District would owe in the form of severance pay to employees eligible to retire on June 30, 2002, plus vested personal and sick leave for faculty and classified staff members with over 15 years of service in the retirement system in accordance with GASB Statement #16.

Capital Leases: The District is making installment payments on two computer equipment purchased with an original value of \$94,950 and \$64,052. This obligation provides for interest at rates 8.54%, with an outstanding balance of \$102,131 at June 30, 2002.

The following is a schedule of future minimum lease payments required under the capital lease and present value of the minimum lease payments as of June 30, 2002:

	Year Ending June 30
FY 2003	\$56,529
FY 2004	56,529
Less interest:	<u>(10,927)</u>
Present Value of Minimum Lease Payments	<u><u>\$102,131</u></u>

Unvoted general obligation bonds in the amount of \$510,000 were issued in accordance with Ohio Revised Code (ORC) 3313.372 on June 1, 1992 with an average interest rate of 6.10%. The purpose of the bond issue was to pay a portion of a \$660,426 House Bill 264 energy conservation capital improvement project. The project was to finance capital improvements to all school district buildings in order to improve their energy efficiency. During the ten-year payback period, savings generated through increased energy efficiency is being used to repay the debt by transferring money from the General Fund to the Bond Retirement Fund. The final payment on this level debt schedule was paid June 1, 2002.

Voted general obligation bonds in the amount of \$10,000,000 were issued in accordance with Chapter 133 of the Ohio Revised Code on March 1, 1995 with an average annual interest rate of 5.94%. The purpose of the bond issue was to construct a new multi-purpose facility, renovate school buildings, improve school sites and implement technology improvements. The bonds were scheduled to be repaid over a 24 year period with the final payment due on December 1, 2019. The \$8,560,000 balance of these bonds were advance-refunded on November 1, 2001 with new bonds issued for \$8,559,989 at an average annual interest rate of 5.1901%. The current refunding resulted in an economic gain of approximately \$339,402. A dedicated tax estimated by the Franklin County Auditor to average 5.52 mills is being collected to repay this debt and the \$3,060,000 debt described in the following paragraph.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

7. LONG-TERM LIABILITIES (Continued)

Voted general obligation bonds in the amount of \$3,060,000 were issued in accordance with Chapter 133 of the Ohio Revised Code on January 1, 1996 with an average annual interest rate of 5.31%. The purpose of the bond issue was to complete the construction of the new multi-purpose facility, renovate school buildings, improve school sites and implement technology improvements as described in the paragraph above. The bonds are scheduled to be repaid over a 23 year period with the final payment due on December 1, 2019. A dedicated tax estimated by the Franklin County Auditor to average 5.52 mills is being collected to repay this debt and the \$10,000,000 debt described in the preceding paragraph.

In the opinion of management, the District has complied with all bond covenants.

The annual maturities of the general obligation bonds as of June 30, 2002, and related interest payments are as follows:

NOVEMBER 1, 2001 BONDS ISSUED TO ADVANCE-REFUND:

<u>Fiscal Year Ended:</u>	<u>Principal</u>	<u>Interest</u>	Total <u>Payment Due</u> <u>During Year</u>
June 30, 2003	485,000	310,323	795,323
June 30, 2004	530,000	295,097	825,097
June 30, 2005	555,000	278,823	833,823
June 30, 2006	575,000	261,872	836,872
June 30, 2007	640,000	242,848	882,848
June 30, 2008-2012	3,095,000	882,112	3,977,112
June 30, 2013-2017	1,204,989	2,056,987	3,261,976
<u>June 30, 2018-2020</u>	<u>1,475,000</u>	<u>104,856</u>	<u>1,579,856</u>
Sub-totals	\$8,559,989	4,432,918	12,992,907

JANUARY 1, 1996 RENOVATION AND CONSTRUCTION BONDS:

<u>Fiscal Year Ended:</u>	<u>Principal</u>	<u>Interest</u>	Total <u>Payment Due</u> <u>During Year</u>
June 30, 2003	80,000	143,040	223,040
June 30, 2004	85,000	139,368	224,368
June 30, 2005	90,000	135,407	225,407
June 30, 2006	100,000	131,060	231,060
June 30, 2007	105,000	125,846	230,846
June 30, 2008-2012	640,000	530,581	1,170,581
June 30, 2013-2017	885,000	320,651	1,205,651
<u>June 30, 2018-2020</u>	<u>690,000</u>	<u>59,108</u>	<u>749,108</u>
Sub-totals	\$2,675,000	1,585,061	4,260,061

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

7. LONG-TERM LIABILITIES (Continued)

The ORC 133.06 provides that the net debt of a school district, whether or not approved by the people, shall not exceed 9% of the total value of all property in the school district as listed and assessed for taxation. In addition, the unvoted net debt of a school district cannot exceed 0.1% of the total assessed value of property. However, school districts are permitted to incur unvoted debt up to 0.9% of the total assessed value of property for energy conservation measures in accordance with ORC 3313.372. This creates a new situation whereby the unvoted debt limitation is 1.0% of the total assessed value of property in the school district. The total valuation of the Grandview Heights School District on June 30, 2002 was \$200,129,654 according to the Franklin County Auditor's Office. There was no unvoted net debt at June 30, 2002. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At June 30, 2002, the District's total net debt and unvoted net debt were approximately 5.6% of the total assessed value of all property within the school district. The aggregate amount of the District's unvoted debt is also subject to overlapping debt restrictions with Franklin County. As of June 30, 2002, this entity has complied with the requirement that debt service payments on unvoted overlapping debt must not exceed in the aggregate 1% (10 mills) of the assessed property value.

8. DEFINED BENEFIT PENSION PLANS

(a) State Teachers Retirement System

The School District participates in 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. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 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 contributions to STRS for the fiscal years ended June 30 2002, 2001, and 2000 were \$961,776, \$884,476, and \$855,024 respectively, equal to the required contributions for each year.

(b) School Employees Retirement System

The School District contributes to the School Employees Retirement System (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 State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Board Street, Columbus, Ohio 43215-3726.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

8. DEFINED BENEFIT PENSION PLANS (Continued)

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 is 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The School District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$198,840, \$186,258, and \$171,534 respectively, equal to the required contributions for each year.

9. OTHER POST EMPLOYMENT 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.

The State Teachers Retirement Board has statutory authority over how much, if any, of the 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 Ohio law, the costs of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2002, the board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. The balance in the fund was \$3,011 million at June 30, 2002. For the fiscal year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000 and STRS has 105,300 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, 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.

For the fiscal year ended June 30, 2002, employer contributions to fund health care benefits were 8.54 percent of covered payroll, a decrease of 1.26 percent from fiscal year 2001. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2002, were \$182,946,777, and the target level was \$274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 participants currently receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$215,015 for fiscal year 2002.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

10. PROPERTY TAXES

Property Taxes include amounts levied against all real, public utility and tangible (used in business) property located in the school district. All property taxes are collected on behalf of the District by Franklin County. Due and collection dates for real property taxes, as established by Franklin County, were January 20, 2002 and June 20, 2002 for those taxes due during 2002. Tangible personal property taxes are due April 30 if paid annually; if paid semi-annually, the first payment is due April 30 with the remainder payable by September 20.

Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility real property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the previous year.

Assessed values are established by State law at 35% of appraised market value for Real Estate and Public Utility and at 25% for Tangible Personal. A revaluation of all property is required to be completed no less than every six years. The last revaluation was completed in August, 1999. Public utility property taxes are assessed on tangible personal property, as well as land and improvements, at 88% of true value with certain exceptions. The assessed values for collection in 2002 upon which the 2001 levies were based, was as follows:

Real estate:	
Residential	\$125,157,190
Commercial	\$28,890,900
Industrial	\$14,645,200
Public utility:	
Real	\$19,770
Personal	\$8,592,220
Tangible personal	<u>\$22,824,374</u>
Total	<u>\$200,129,654</u>

Ohio law prohibits taxation of property from all taxing authorities in excess of 1% of assessed value without a vote of the people. Under current procedures, the District's share is .5% (5.0 mills) of assessed value. Increases in the property tax rate are restricted only by voter willingness to approve such increases. The total tax rate for the District, including voted increases, was 82.32 mills in 2002 with an effective rate of 38.03 for residential property and 58.53 for commercial property.

The Franklin County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Grandview Heights City School District. The Franklin County Auditor periodically remits to the District its portion of the taxes collected. Property taxes may be paid on either an annual or a semiannual basis.

11. FEDERAL AND STATE GRANTS

The Federal and State Grants remain subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Based on prior experience, the District believes such disallowances, if any, would be immaterial.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

12. BUDGET BASIS OF ACCOUNTING

The following adjustments are necessary to convert the results of operations and fund balances at end of year from GAAP basis to budget basis:

- (a) Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses:

	<u>General</u>
GAAP basis	(\$317,941)
Increase (decrease):	
Due to revenues:	
Received in cash during fiscal year 2002 but accrued June 30, 2001	28,617
Accrued at June 30 2002, not yet received in cash	(40,168)
Due to expenditures:	
Paid in cash during fiscal year 2002, accrued June 30 2001	(1,342,344)
Accrued June 30 2002, not yet paid in cash	<u>1,302,745</u>
Budget basis	(369,091)
Encumbrances outstanding on June 30, 2002	<u>(291,491)</u>
Budget basis, unencumbered	<u>(\$660,582)</u>

- (b) Fund balances at end of year:

	<u>General</u>
GAAP basis	\$1,169,727
Increase (decrease):	
Due to revenues:	
Received in cash during fiscal year 2002 but accrued at June 30, 2001	0
Accrued at June 30, 2002, not yet received in cash	(40,168)

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

12. BUDGET BASIS OF ACCOUNTING (Continued)

Due to expenditures:	
Paid in cash during fiscal year 2002, accrued at June 30, 2001	0
Accrued at June 30, 2002, not yet paid in cash	<u>1,302,745</u>
Budget basis	2,432,304
Encumbrances outstanding on June 30, 2002	<u>(291,491)</u>
Fund balance at end of year, unencumbered, budget basis	<u>\$2,140,813</u>

13. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft or damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2002, the District contracted with the Ohio School Plan for general liability insurance with a \$2,000,000 single occurrence limit and a \$4,000,000 aggregate limit with a \$10,000 deductible. The District also contracted with the Indiana Insurance Company to provide property and fleet insurance requiring deductibles ranging from \$100 to \$1,000 depending on the type of property. Additionally, the District participates in the State Workers' Compensation system which provides coverage for accidents and injuries to employees while on the job. The premium is based on a rate per \$100 of salaries and is calculated as part of a state-wide group rating plan for workers' compensation insurance coverage sponsored by the Ohio School Board's Association. Finally, the District offers employee group health insurance from United Health Care, dental insurance from Delta Dental Plan, and life insurance from the Unum Life Insurance Company with a portion of health insurance premiums being paid by employees. Insurance settlements have not exceeded insurance coverage for each of the past three fiscal years.

14. JOINTLY GOVERNED ORGANIZATION AND JOINT VENTURE

The Metropolitan Educational Council is a not for profit educational council whose primary purpose and objective is to contribute to the educational services available to school districts in Franklin County and surrounding areas by cooperative action membership. The governing board consists of a representative from each of the Franklin County districts. MEC is its own fiscal agent. The District does not have an ongoing financial interest in or ongoing financial responsibility for MEC. MEC provides computer services to the District including payroll, budgetary and student management information. The District submitted \$115,811 and \$57,137 to MEC during the fiscal years 2001 and 2002 respectively.

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

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

14. JOINTLY GOVERNED ORGANIZATION AND JOINT VENTURE (Continued)

The Governing Board of the Academy consists of five members appointed by each member school. The District does not have an equity interest that is explicit and measurable in the joint venture, however, the District does have an ongoing financial obligation to support the Academy in meeting its financial obligations. The District did not submit any monies to the Academy during the fiscal year.

The Academy is dependent upon continued support of the member schools, as it is not independently accumulating adequate financial resources. Further detailed financial information may be obtained by contacting the Upper Arlington City School District at (614) 487-5007.

15. LITIGATION

The Grandview Heights City School District is presently not participating in any litigation and, in the opinion of management, no litigation is pending.

16. SET ASIDE CALCULATIONS AND FUND RESERVES

The 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, construction and maintenance 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 Policy of the School District is 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.

	<u>Textbooks</u>	<u>Capital Acquisitions</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set Aside Cash Balance as of June 30, 2001	<u>\$116,883</u>	<u>\$0</u>	<u>\$288,151</u>	<u>\$405,034</u>
Current Year Set Aside Requirement	\$155,260	\$155,260	\$3,231	\$313,751
Current Year Offsets	\$0	\$0	\$0	\$0
Qualifying Disbursements	<u>\$289,283</u>	<u>\$427,509</u>	<u>\$0</u>	<u>\$716,792</u>
Total	<u>(\$134,023)</u>	<u>(\$272,249)</u>	<u>\$3,231</u>	<u>(\$403,041)</u>
Set Aside Cash Balance as of June 30, 2002	<u>\$0</u>	<u>\$0</u>	<u>\$291,382</u>	<u>\$291,382</u>
Less Non-mandatory Reserve	<u>\$0</u>	<u>\$0</u>	<u>(\$222,480)</u>	<u>(\$222,480)</u>
Total Restricted Assets	<u>\$0</u>	<u>\$0</u>	<u>\$68,902</u>	<u>\$68,902</u>

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

16. SET ASIDE CALCULATIONS AND FUND RESERVES (Continued)

- a) The District set-aside additional money in excess of statutory requirements for budget stabilization. The total reserve balance for all three set-asides at the end of the fiscal year was \$68,902. Although the District had qualifying disbursements during the year that reduced the textbooks and capital acquisitions set aside amounts to below zero, only the amount for the textbook reserve may be used to reduce the set-aside requirements of future years. Therefore, the negative amount for capital acquisition can not be carried over to the next fiscal year.

17. SCHOOL FUNDING DECISION

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

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

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

18. CHANGE IN ACCOUNTING PRINCIPLE

In June 1999, the GASB issued Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments (GASB 34). This statement represents a significant change in the way state and local governments present basic financial information. This statement is effective for periods beginning after June 15, 2002. For fiscal year 2002, the District implemented this statement.

GASB 34 creates new basic financial statements for reporting on the District's financial activities. The financial statements now include government-wide statements prepared on the accrual basis of accounting, and fund financial statements, which present information for individual major funds and aggregate non-major funds rather than by fund type.

The government-wide financial statements split the District's programs between business-type and governmental activities. The beginning net assets amount for the business-type activities equals fund equity of the enterprise funds from June 30, 2001 financial statements. The beginning net assets amount for the governmental funds at June 30, 2001, represents fund balance for the combined governmental funds adjusted as follows:

Total Governmental Fund Balances at June 30, 2001	\$2,703,409
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not functional resources and therefore are not reported in the funds.	13,207,935
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**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

18. CHANGE IN ACCOUNTING PRINCIPLE (Continued)

Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported in the funds.

Interest payable	(56,111)
Accrued benefits payable	(975,574)
Capital lease obligations due within one year	(35,340)
General obligation bonds payable due within one year	(455,000)
Capital lease obligations due in more than one year	(38,953)
General obligation bonds payable due in more than one year	(11,235,000)

Net Assets of Governmental Activities, as restated **\$3,115,366**

19. SUBSEQUENT EVENT

On November 5, 2002, the District passed a 10.7 mill continuing property tax levy to begin collection in January 2003.

**GRANDVIEW HEIGHT CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
JUNE 30, 2002**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program		10.550	\$0	\$0	\$0	\$1,151
National School Lunch Program	LL-P4-02	10.555	33,681		33,681	
Total U.S. Department of Agriculture - Nutrition Cluster			33,681	0	33,681	1,151
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Columbus City School District</i>						
Vocational Education-Basic Grants to State	N/A	84.048	10,106	0	11,364	0
<i>Passed Through Ohio Department of Education:</i>						
Special Education Grants to States (IDEA Part B)	6B-SF 99/00	84.027	136,276	0	151,114	0
Grants to Local Educational Agencies (ESEA Title I)	C1-S1 02	84.010	66,372	0	67,800	0
Drug-Free Schools Grant	DR-S1 00/01	84.186	4,214	0	2,869	0
Eisenhower Professional Development State Grants Title II, Part B	MS-S1 01-02	84.281	5,377	0	8,434	0
Innovative Educational Program Strategies	C2-S1 99/00	84.298	5,104	0	9,665	0
Technology Literacy Challenge Grant	TF-VM 01	84.318	199,991	0	190,286	0
Title VI-Reducing Class Size Grant	CR-S1-02	84.340	23,070	0	23,494	0
Total U.S. Department of Education			450,510	0	465,026	0
<u>U.S. CORPORATION FOR NATIONAL AND COMMUNITY SERVICES:</u>						
<i>Passed Through Upper Arlington City School District</i>						
Learn and Serve Grant	N/A	94.004	1250	0	1189	0
Total U.S. Corporation for National and Community Services			1250	0	1189	0
Totals			\$485,441	\$0	\$499,896	\$1,151

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

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
JUNE 30, 2002**

SIGNIFICANT ACCOUNTING POLICIES

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

FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2002, the District had no significant food commodities in inventory.



Auditor of State Betty Montgomery

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

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

We have audited the financial statements of Grandview Heights City School District, Franklin County, Ohio, (the District) as of and for the year ended June 30, 2002, and have issued our report thereon dated March 14, 2003, wherein we noted the District implemented GASB 34. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we 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 certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated March 14, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

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

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

BETTY MONTGOMERY
Auditor of State

March 14, 2003



Auditor of State Betty Montgomery

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

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

Compliance

We have audited the compliance of the Grandview Heights City School District, Franklin County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2002. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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



BETTY MONTGOMERY
Auditor of State

March 14, 2003

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
JUNE 30, 2002**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Technology Literacy Challenge Grant 84.318 Special Education Grants to States (IDEA Part B) 84.027
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

NONE

3. FINDINGS FOR FEDERAL AWARDS

NONE



**Auditor of State
Betty Montgomery**

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

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 12, 2003**