



**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2007



Mary Taylor, CPA
Auditor of State

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Grandview Heights City School District, Franklin County, Ohio (the District), as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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, the business-type activities, each major fund, and the aggregate remaining fund information of Grandview Heights City School District, Franklin County, Ohio, as of June 30, 2007, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2007, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

Mary Taylor, CPA
Auditor of State

November 8, 2007

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED**

Financial Highlights

The District's net assets are \$12,391,158 as of June 30, 2007. This represents an increase of \$3,041,040 over last year. The increase in net assets is due primarily to the increase in capital assets associated with the passage of a 1.65 mill five-year permanent improvement tax levy in November, 2005 that started collection in January, 2006 and subsequent sale of permanent improvement tax anticipation noted dated February 16, 2006. Two steam boilers and associated HVAC systems were installed at Grandview Heights High School at a cost of \$328,969. Capital assets also increased due to the issuance of unvoted notes dated December 1, 2006 and subsequent installation of a synthetic grass playing field at Bobcat Stadium at a cost of \$304,658. The District's Governmental cash and investments have decreased \$27,738.

The District on November 14, 2006 approved the issuance of unvoted debt for \$175,000 to be used toward the furnishing of materials and performance of labor necessary to install a synthetic grass playing field at Bobcat Stadium. National City Bank purchased the notes with a 4.25% interest rate. The debt will be repaid over a ten-year period from rent proceeds from cell towers located in the stadium area with the final payment due on December 1, 2016. The amount of money required for the synthetic grass playing field contract in excess of the \$175,000 was provided by the Touchdown Club, an adult booster organization. Their fund raising efforts included generous donations of \$275,000 from Jack Anderson (GHHS Class of 1942) and \$50,000 from Ralph W. "Andy" Anderson (GHHS Class of 1954) after whom Anderson Field was renamed after earlier this year.

The General Fund reported a positive fund balance of \$7,143,027. The General Fund cash and investments and restricted cash and cash equivalents have increased \$355,656 since last year. The increase in cash is due primarily to the passage of the 7.85 mill general operating tax levy in 2005 and to the increase from \$58,718 in fiscal year 2006 to \$459,025 in fiscal year 2007 in tangible personal property tax "hold-harmless" reimbursements from the State of Ohio.

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.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

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 has one agency fund for student activities. The agency fund's assets are equal to its liabilities since agency funds do not reflect revenues and expenses and all of its assets are held for others. The District's agency fund is reported in the Statement of Fiduciary Assets and Liabilities, Agency Fund. We exclude these assets and liabilities 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, governmental activities assets exceeded liabilities by \$12,353,243 according to the Statement of Net Assets at the close of the most recent fiscal year.

The largest portions of the District's governmental activities net assets (54%) are unrestricted. As such, these assets are available for future spending to meet the District's ongoing activities. 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 2007 to 2006 follows from the Statements of Net Assets:

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current Assets	17,127,509	19,275,202	84,600	73,883	17,212,109	19,349,085
Capital Assets	12,620,924	12,094,565	29,065	33,214	12,649,989	12,127,779
Total Assets	<u>29,748,433</u>	<u>31,369,767</u>	<u>113,665</u>	<u>107,097</u>	<u>29,862,098</u>	<u>31,476,864</u>
Current Liabilities	7,949,678	11,142,289	75,750	74,563	8,025,428	11,216,852
Noncurrent Liabilities	9,445,512	10,902,248	-	7,646	9,445,512	10,909,894
Total Liabilities	<u>17,395,190</u>	<u>22,044,537</u>	<u>75,750</u>	<u>82,209</u>	<u>17,470,940</u>	<u>22,126,746</u>
Net Assets:						
Invested in Capital Assets, Net of Debt	3,628,628	2,379,033	29,065	33,214	3,657,693	2,412,247
Restricted	1,993,892	2,253,474	-	-	1,993,892	2,253,474
Unrestricted	6,730,723	4,692,723	8,850	(8,326)	6,739,573	4,684,397
Total Net Assets	<u>12,353,243</u>	<u>9,325,230</u>	<u>37,915</u>	<u>24,888</u>	<u>12,391,158</u>	<u>9,350,118</u>

A portion of the District's net assets (16%) 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.

	<u>Changes in Net Assets</u>					
	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues						
Program Revenues						
Charges for Services	\$371,948	\$376,433	\$467,706	\$426,276	\$839,654	\$802,709
Operating Grants and Contributions	632,728	628,714	60,439	52,593	693,167	681,307
General Revenues						
Property Taxes	13,686,986	12,404,194	0	0	13,686,986	12,404,194
Intergovernmental - State	3,345,433	2,954,367	0	0	3,345,433	2,954,367
Other	895,742	316,227	50,000	25,419	945,742	341,646
Total Revenues	<u>18,932,837</u>	<u>16,679,935</u>	<u>578,145</u>	<u>504,288</u>	<u>19,510,982</u>	<u>17,184,223</u>
Expenses						
Instruction	9,537,989	8,999,483	0	0	9,537,989	8,999,483
Support Services	4,481,098	4,471,490	0	0	4,481,098	4,471,490
Extracurricular Activities	341,860	642,261	0	0	341,860	642,261
Facilities Services	1,126,527	479,940	0	0	1,126,527	479,940
Interest & Fiscal Charges	417,350	406,760	0	0	417,350	406,760
Food Service	0	0	291,278	289,213	291,278	289,213
Child Care	0	0	273,840	221,220	273,840	221,220
Total Expenses	<u>15,904,824</u>	<u>14,999,934</u>	<u>565,118</u>	<u>510,433</u>	<u>16,469,942</u>	<u>15,510,367</u>
Change in Net Assets	<u>\$3,028,013</u>	<u>\$1,680,001</u>	<u>\$13,027</u>	<u>(\$6,145)</u>	<u>\$3,041,040</u>	<u>\$1,673,856</u>

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

Governmental Activities

Net assets of the District's governmental activities increased by \$3,028,013 and unrestricted net assets reflect a positive balance of \$6,730,723. The increase in net assets is due primarily to the increase in capital assets associated with the passage of a 1.65 mill five-year permanent improvement tax levy in November, 2005 that started collection in January, 2006 and subsequent sale of permanent improvement tax anticipation notes dated February 16, 2006. Two steam boilers and associated HVAC systems were installed at Grandview Heights High School at a cost of \$328,969. Capital assets also increased due to the issuance of unvoted notes dated December 1, 2006 and subsequent installation of a synthetic grass playing field at Bobcat Stadium at a cost of \$304,658. The increase in net assets is also due to the passage of the 7.85 mill general operating tax levy in 2005 and to the increase from \$58,718 in fiscal year 2006 to \$459,025 in fiscal year 2007 in tangible personal property tax "hold-harmless" reimbursements from the State of Ohio.

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 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 on November 14, 2006 approved the issuance of unvoted debt for \$175,000 to be used toward the furnishing of materials and performance of labor necessary to install a synthetic grass playing field at Bobcat Stadium. National City Bank purchased the notes with a 4.25% interest rate. The debt will be repaid over a ten-year period from rent proceeds from cell towers located in the stadium area with the final payment due on December 1, 2016. The amount of money required for the synthetic grass playing field contract in excess of the \$175,000 was provided by the Touchdown Club, an adult booster organization. Their fundraising efforts included generous donations of \$275,000 from Jack Anderson (GHHS Class of 1942) and \$50,000 from Ralph W. "Andy" Anderson (GHHS Class of 1954) after whom Anderson Field was renamed earlier this year

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.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

	<u>Total Cost of Services 2007</u>	<u>Net Cost of Services 2007</u>
Program Expenses		
Instruction		
Regular	\$7,151,416	\$6,954,902
Special	2,283,498	1,943,842
Vocational	103,075	94,856
Support Services		
Pupils	1,475,714	1,285,431
Instructional Staff	508,333	493,243
Board of Education	18,021	18,021
Administration	1,037,558	1,008,982
Fiscal	512,338	512,338
Business	29,608	7,474
Operation & Maintenance	826,239	826,239
Pupil Transportation	10,081	10,081
Central	63,206	57,980
Extracurricular	341,860	168,863
Facilities Services	1,126,527	1,100,546
Interest & Fiscal Charges	417,350	417,350
Total Expenses	<u>\$15,904,824</u>	<u>\$14,900,148</u>

72% of total revenues for governmental activities come from local taxes. The net cost of services column reflecting the need for \$14,900,148 of support indicates the reliance on general revenues to support governmental activities.

Business-Type Activities

Business-type activities include food service and child care. These programs had an increase in net assets of \$13,027 for the fiscal year. The increase was primarily due to the food service operations.

The District's Funds

The District's governmental funds reported a combined fund balance of \$8,426,919 which is above last year's total of \$6,848,587 according to the Balance Sheet, Governmental Funds. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2006 and 2005.

	<u>Fund Balance June 30, 2007</u>	<u>Fund Balance June 30, 2006, as restated</u>	<u>Increase (Decrease)</u>
General	\$7,143,027	\$5,401,729	\$1,741,298
Bond Retirement	1,308,418	1,380,349	(71,931)
Permanent Improvement	(107,099)	(10,315)	(96,784)
Other Governmental	82,573	76,824	5,749
Total	<u>\$8,426,919</u>	<u>\$6,848,587</u>	<u>\$1,578,332</u>

General Fund

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

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

Revenues	2007 <u>Amount</u>	2006 <u>Amount</u>	Percent <u>Change</u>
Taxes	\$12,009,811	\$11,812,998	1.7%
Interest Earnings	389,823	228,325	70.7%
Intergovernmental - State	3,423,516	3,031,104	12.9%
Other Revenue	302,141	279,747	8.0%
Total	<u>\$16,125,291</u>	<u>\$15,352,174</u>	<u>5.0%</u>

Interest earnings are up \$161,498 as the interest rate environment continued to increase. State revenue is up \$392,412 due to the increase in collection of personal property tax as a source of revenue for schools in Ohio.

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

Expenditures by Function	2007 <u>Amount</u>	2006 <u>Amount</u>	Percent <u>Change</u>
Instruction	\$9,063,963	\$8,379,269	8.2%
Support Services	4,659,706	4,327,172	7.7%
Extracurricular	507,268	510,582	-0.6%
Facilities Services	60,069	51,908	15.7%
Capital Outlay	109,007	141,941	100.0%
Debt Service	89,268	103,049	-13.4%
Total	<u>\$14,489,281</u>	<u>\$13,513,921</u>	<u>7.2%</u>

Expenditures are up \$975,360 or 7.2% from the prior year mostly due to severance payments to retiring staff members, property tax collection fees paid to the county auditor, a change in accounting procedures for amounts withheld from state school foundation revenues, and wage increases.

Bond Retirement Fund

The District's Bond Retirement Fund balance decreased by \$71,931 due to a decrease in tax collections. The primary revenues of the District's Bond Retirement 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.

Permanent Improvement Fund

The District's Permanent Improvement balance decreased by \$96,784 due to a decrease in tax collections and the spending down of proceeds from Permanent Improvement Fund Tax Anticipation Notes originally issued for \$875,000 on February 16, 2006.

Other Governmental Funds

Other governmental funds consist of special revenue funds. These funds remained constant in 2007 with a slight increase in fund balance of \$5,749.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

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, 2007 real property tax settlement. The District increased its total General Fund expenditure estimate by \$624,795, about a 4.3% difference from the original estimate. The increase was necessary to cover the payoff of several contracts of departing employees and severance payments made to retiring employees.

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.

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 \$3,657,693 invested in capital assets net of related debt, with \$3,628,628 attributed to governmental activities. Detailed information regarding capital asset activity is included in the notes to the basic financial statements.

Debt

On June 30, 2007, the District had \$8,874,989 in outstanding bonds and notes which includes \$710,000 in Tax Anticipation Notes. During 2007, the District issued \$175,000 in unvoted notes. The District paid \$910,000 in principal on bonds and notes and \$409,000 in interest during the 2007 fiscal year. Detailed information regarding 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, 2007, the District's general obligation debt was below the legal limit.

Restrictions and Other Limitations

The Board of Education has committed to reducing the number of District employees commensurate with the smaller enrollment and to reducing expenditures in response to the annual loss of over \$800,000 in personal property tax revenues primarily from the departed Big Bear Stores.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

Contributing to the challenge is the funding received by the District from the State of Ohio. School foundation support from the state has been flat since the most recent reduction that occurred after the 2003-04 fiscal year. The slight increase reflected in the school foundation program projected for the 2006-07 fiscal year is due to a change in accounting procedures for memo expenditures withheld by the state for open enrollment, community schools and county educational service centers. The District's five-year financial forecast anticipates the indefinite continuation of the transitional guarantees that the District receives as part of the school foundation formula. Additionally, the financial forecast anticipates the continuation of more than four hundred thousand dollars each year from the state for reimbursement for public utility taxes whose collection has been discontinued since 2001.

The State of Ohio adds to the challenges facing the District by further limiting its ability to receive local property taxes. House Bill 283, passed in 1999, reduced the inventory portion of the personal property tax valuation by 1% per year beginning with collection year 2001 from 25% of market value to 0% in 2027. In 2003, the State exacerbated the loss when it passed the 2003-05 fiscal year state budget bill that doubled the rate of decrease to 2% per year beginning in 2005. The state completed the devastation of the collection of personal property taxes in 2005 with the passage of Am. Sub. HB-66, the 2005-07 biennium budget bill. Included in the bill was a stipulation to eliminate all tangible personal property taxes as a source of revenue for school districts in Ohio. Personal property tax valuation including machinery, equipment, furniture, fixtures and inventory will be phased out by tax year 2009. The law also reclassified tangible personal property of telephone, telegraph and telecommunications companies as general business tangible personal property and begins a phase-out in tax year 2007. The law established a replacement mechanism for lost tax revenues to school districts until tax year 2009 when it will be phased out entirely over time by tax year 2018. During the temporary life of this replacement mechanism, it will give the appearance that the state revenue share is increasing while the local revenue share (personal property taxes) is smaller.

Finally, the challenges of the local economy continue to face the School District. The District's largest taxpayer, Big Bear Stores, closed and left the School District in January, 2004. In response to Big Bear and the loss of other personal property tax revenue, the Board of Education on February 10, 2004 approved a reorganization of the School District resulting in savings of approximately \$855,000. Since then, a single real estate investor has purchased the former Big Bear property and many other adjacent properties thereby indicating that a major redevelopment project may begin sometime in the future.

The dedicated voters in the Grandview Heights City School District approved a 9.5 mill tax levy on November 8, 2005. That tax levy included 7.85 mills for general operating purposes for a continuing period of time and 1.65 mills for capital improvements and maintenance for a five-year period. 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 2009-10. However, since the bargaining agreements only extend through the 2008-09 school year, it is expected that the District will remain off the ballot until at least 2008.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**STATEMENT OF NET ASSETS
JUNE 30, 2007**

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and Investments	\$ 8,922,297	\$ 59,288	\$ 8,981,585
Materials and Supplies Inventory	-	5,514	5,514
Accrued Interest Receivable	20,536	-	20,536
Accounts Receivable	1,843	13,850	15,693
Due From Other Governments	83,621	5,948	89,569
Prepaid Expenses	32,607	-	32,607
Taxes Receivable	8,066,605	-	8,066,605
Capital Assets, Net of Depreciation	12,620,924	29,065	12,649,989
<i>Total Assets</i>	<u>29,748,433</u>	<u>113,665</u>	<u>29,862,098</u>
Liabilities			
Accounts Payable	367,943	4,468	372,411
Accrued Salaries and Benefits Payable	1,508,103	58,243	1,566,346
Due to Other Governments	24,056	-	24,056
Deferred Tax Revenue	5,235,592	-	5,235,592
Deferred Intergovernmental Revenue	83,448	-	83,448
Deferred Other Revenue	20,536	13,039	33,575
Notes Payable	710,000	-	710,000
Long-Term Liabilities:			
Due Within One Year	964,408	-	964,408
Due In More Than One Year	8,481,104	-	8,481,104
<i>Total Liabilities</i>	<u>17,395,190</u>	<u>75,750</u>	<u>17,470,940</u>
Net Assets			
Invested in Capital Assets, Net of Depreciation and Related Debt	3,628,628	29,065	3,657,693
Restricted for:			
Capital Projects	602,901	-	602,901
Debt Service	1,308,418	-	1,308,418
Other Purposes	82,573	-	82,573
Unrestricted (Deficit)	6,730,723	8,850	6,739,573
<i>Total Net Assets</i>	<u>\$ 12,353,243</u>	<u>\$ 37,915</u>	<u>\$ 12,391,158</u>

See accompanying notes to the basic financial statements

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007**

	General	Bond Retirement Fund	Permanent Improvement Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and Investments	\$ 6,936,589	\$ 1,182,718	\$ 629,581	\$ 104,507	\$ 8,853,395
Accrued Interest Receivable	20,536	-	-	-	20,536
Accounts Receivable	1,843	-	-	-	1,843
Due From Other Governments	173	-	-	83,448	83,621
Prepaid Expenditures	32,607	-	-	-	32,607
Restricted Cash and Cash Equivalents	68,902	-	-	-	68,902
Taxes Receivable	7,354,246	503,352	209,007	-	8,066,605
<i>Total Assets</i>	<u>14,414,896</u>	<u>1,686,070</u>	<u>838,588</u>	<u>187,955</u>	<u>17,127,509</u>
Liabilities					
Accounts Payable	263,932	-	88,428	15,583	367,943
Accrued Wages	1,501,752	-	-	6,351	1,508,103
Due to Other Governments	24,056	-	-	-	24,056
Deferred Tax Revenue	5,461,593	377,652	147,259	-	5,986,504
Deferred Intergovernmental Revenue	-	-	-	83,448	83,448
Deferred Other Revenue	20,536	-	-	-	20,536
Tax Anticipation Notes Payable	-	-	710,000	-	710,000
<i>Total Liabilities</i>	<u>7,271,869</u>	<u>377,652</u>	<u>945,687</u>	<u>105,382</u>	<u>8,700,590</u>
Fund Balances					
Reserved for Encumbrances	421,751	-	286,300	19,212	727,263
Reserved for HB-412 Set Asides	68,902	-	-	-	68,902
Reserved for Prepays	32,607	-	-	-	32,607
Reserved for Future Appropriation	524,326	17,045	18,847	-	560,218
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	6,095,441	-	-	-	6,095,441
Special Revenue Funds	-	-	-	63,361	63,361
Debt Service Fund	-	1,291,373	-	-	1,291,373
Capital Projects Funds	-	-	(412,246)	-	(412,246)
<i>Total Fund Balances (Deficits)</i>	<u>7,143,027</u>	<u>1,308,418</u>	<u>(107,099)</u>	<u>82,573</u>	<u>8,426,919</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 14,414,896</u>	<u>\$ 1,686,070</u>	<u>\$ 838,588</u>	<u>\$ 187,955</u>	<u>\$ 17,127,509</u>

See accompanying notes to the basic financial statements

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2007**

Total Governmental Fund Balances		\$ 8,426,919
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		12,620,924
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds		750,912
Long-term liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and therefore are not reported in the funds		
General Obligation Bonds-Due in more than one year	(7,244,989)	
General Obligation Bonds-Due within a year	(745,000)	
General Obligation Notes - Due in more than one year	(157,500)	
General Obligation Notes - Due within a year	(17,500)	
Compensated Absences	(1,130,241)	
Accrued Interest Payable	(32,975)	
Capital Lease Obligations-Due within a year	(81,033)	
Capital Lease Obligations-Due in more than one year	<u>(36,274)</u>	
Total		(9,445,512)
 <i>Net Assets of Governmental Activities</i>		 <u><u>\$ 12,353,243</u></u>

See accompanying notes to the basic financial statements

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	General	Bond Retirement Fund	Permanent Improvement Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$ 12,009,811	\$ 960,384	\$ 375,205	\$ -	\$ 13,345,400
Intergovernmental - State	3,423,516	94,750	32,150	21,700	3,572,116
Intergovernmental - Federal	-	-	-	406,045	406,045
Interest Income	389,823	-	17,709	-	407,532
Tuition and Fees	198,908	-	-	-	198,908
Miscellaneous Revenue	103,233	-	410,958	147,059	661,250
<i>Total Revenues</i>	<u>16,125,291</u>	<u>1,055,134</u>	<u>836,022</u>	<u>574,804</u>	<u>18,591,251</u>
Expenditures					
Current:					
Instruction:					
Regular	6,817,149	-	-	43,704	6,860,853
Special	2,143,100	-	-	130,078	2,273,178
Vocational	103,714	-	-	-	103,714
Support Services:					
Pupil	1,215,422	-	-	179,577	1,394,999
Instructional Staff	485,770	-	-	14,875	500,645
Board of Education	18,021	-	-	-	18,021
Administration	1,014,566	-	-	27,341	1,041,907
Fiscal	494,858	13,371	4,761	-	512,990
Business	-	-	-	25,568	25,568
Operation and Maintenance of Plant	1,370,111	-	-	-	1,370,111
Pupil Transportation	10,081	-	-	-	10,081
Central	50,877	-	-	5,000	55,877
Extracurricular Activities	507,268	-	-	127,946	635,214
Facilities Services	60,069	-	1,066,458	-	1,126,527
Capital Outlay	109,007	-	-	-	109,007
Debt Service:					
Principal Retirement	83,325	745,000	-	13,918	842,243
Interest and Fiscal Charges	5,943	372,413	36,587	1,048	415,991
<i>Total Expenditures</i>	<u>14,489,281</u>	<u>1,130,784</u>	<u>1,107,806</u>	<u>569,055</u>	<u>17,296,926</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,636,010</u>	<u>(75,650)</u>	<u>(271,784)</u>	<u>5,749</u>	<u>1,294,325</u>
Other Financing Sources (Uses)					
Proceeds From Capital Lease Obligations	109,007	-	-	-	109,007
Proceeds From Sale of Notes	-	-	175,000	-	175,000
Operating Transfers In	-	3,719	-	-	3,719
Operating Transfers Out	(3,719)	-	-	-	(3,719)
<i>Total Other Financing Sources (Uses)</i>	<u>105,288</u>	<u>3,719</u>	<u>175,000</u>	<u>-</u>	<u>284,007</u>
<i>Net Change in Fund Balances</i>	1,741,298	(71,931)	(96,784)	5,749	1,578,332
<i>Fund Balances Beginning of Year, as restated</i>	<u>5,401,729</u>	<u>1,380,349</u>	<u>(10,315)</u>	<u>76,824</u>	<u>6,848,587</u>
<i>Fund Balances End of Year</i>	<u>\$ 7,143,027</u>	<u>\$ 1,308,418</u>	<u>\$ (107,099)</u>	<u>\$ 82,573</u>	<u>\$ 8,426,919</u>

See accompanying notes to the basic financial statements

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Net Change in Fund Balances - Total Governmental Funds	\$ 1,578,332
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***Amounts reported for governmental activities in the
statement of activities are different because***

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.	530,793
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	341,586
--	---------

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.	842,243
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In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(2,217)
--	---------

Proceeds from the issuance of general obligation notes and capital leases are reported as revenues in the governmental funds. In the Statement of Net Assets it increases liabilities.	(284,007)
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Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	<u>21,283</u>
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<i>Change in Net Assets of Governmental Activities</i>	<u><u>\$ 3,028,013</u></u>
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See accompanying notes to the basic financial statements

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGET BASIS - FOR THE FISCAL YEAR ENDED JUNE 30, 2007
GENERAL FUND**

	ORIGINAL <u>BUDGET</u>	FINAL <u>BUDGET</u>	<u>ACTUAL</u>	VARIANCE WITH FINAL BUDGET POSITIVE <u>(NEGATIVE)</u>
REVENUES:				
PROPERTY TAXES	\$ 8,407,886	\$ 10,594,463	\$ 10,594,463	\$ -
INTERGOVERNMENTAL - STATE	3,389,922	3,423,516	3,423,516	-
INTEREST INCOME	194,000	407,000	389,823	(17,177)
TUITION AND FEES (TUIT./S.A./DRIVER ED/USS)	187,902	198,949	198,879	(70)
MISCELLANEOUS REVENUES	54,400	93,230	102,227	8,997
TOTAL REVENUES	<u>12,234,110</u>	<u>14,717,158</u>	<u>14,708,908</u>	<u>(8,250)</u>
EXPENDITURES:				
INSTRUCTION, REGULAR				
Salaries and Wages	4,946,245	5,185,349	5,179,381	5,968
Fringe Benefits	1,243,018	1,253,090	1,235,437	17,653
Purchased Services	112,772	126,354	126,227	127
Supplies	287,875	280,954	256,502	24,452
Miscellaneous Expenses	76,532	80,835	75,683	5,152
TOTAL INSTRUCTION, REGULAR	<u>6,666,442</u>	<u>6,926,582</u>	<u>6,873,230</u>	<u>53,352</u>
INSTRUCTION, SPECIAL				
Salaries and Wages	1,039,370	1,034,547	1,027,850	6,697
Fringe Benefits	275,342	286,170	281,872	4,298
Purchased Services	802,753	961,783	961,419	364
Supplies	9,688	8,693	3,188	5,505
TOTAL INSTRUCTION, SPECIAL	<u>2,127,153</u>	<u>2,291,193</u>	<u>2,274,329</u>	<u>16,864</u>
INSTRUCTION, VOCATIONAL				
Salaries and Wages	83,611	82,920	82,918	2
Fringe Benefits	20,299	20,203	19,954	249
TOTAL INSTRUCTION, VOCATIONAL	<u>103,910</u>	<u>103,123</u>	<u>102,872</u>	<u>251</u>
TOTAL INSTRUCTIONAL SERVICES	<u>8,897,505</u>	<u>9,320,898</u>	<u>9,250,431</u>	<u>70,467</u>

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGET BASIS - FOR THE FISCAL YEAR ENDED JUNE 30, 2007
GENERAL FUND
(CONTINUED)**

SUPPORT SERVICE, PUPILS				
Salaries and Wages	756,911	866,447	863,639	2,808
Fringe Benefits	192,193	200,379	195,086	5,293
Purchased Services	309,999	298,847	296,840	2,007
Supplies	66,878	66,898	62,203	4,695
Miscellaneous Expenses	18,650	19,055	16,168	2,887
TOTAL SUPPORT SERVICE, PUPILS	<u>1,344,631</u>	<u>1,451,626</u>	<u>1,433,936</u>	<u>17,690</u>
SUPPORT SERVICE, INSTRUCTIONAL STAFF				
Salaries and Wages	189,075	184,233	180,633	3,600
Fringe Benefits	189,494	206,733	204,989	1,744
Purchased Services	119,585	103,339	82,244	21,095
Supplies	29,574	29,119	24,889	4,230
Miscellaneous Expenses	19,319	20,697	17,044	3,653
TOTAL SUPPORT SERVICE, INSTRUCTIONAL STAFF	<u>547,047</u>	<u>544,121</u>	<u>509,799</u>	<u>34,322</u>
SUPPORT SERVICE, BOARD OF EDUCATION				
Salaries and Wages	9,375	9,375	9,000	375
Fringe Benefits	1,407	1,407	690	717
Purchased Services	3,100	3,100	1,821	1,279
Miscellaneous Expenses	8,380	8,380	7,530	850
TOTAL SUPPORT SERVICE, BOARD OF EDUCATION	<u>22,262</u>	<u>22,262</u>	<u>19,041</u>	<u>3,221</u>
SUPPORT SERVICE, ADMINISTRATION				
Salaries and Wages	705,210	699,739	699,187	552
Fringe Benefits	228,831	220,655	213,614	7,041
Purchased Services	80,442	92,965	83,526	9,439
Supplies	38,086	38,671	33,504	5,167
Miscellaneous Expenses	3,142	3,142	1,142	2,000
TOTAL SUPPORT SERVICE, ADMINISTRATION	<u>1,055,711</u>	<u>1,055,172</u>	<u>1,030,973</u>	<u>24,199</u>
SUPPORT SERVICE, FISCAL				
Salaries and Wages	186,963	190,361	190,060	301
Fringe Benefits	65,959	66,030	65,634	396
Purchased Services	8,257	8,977	8,650	327
Supplies	4,242	4,242	4,010	232
Miscellaneous Expenses	223,339	237,448	228,186	9,262
TOTAL SUPPORT SERVICE, FISCAL	<u>488,760</u>	<u>507,058</u>	<u>496,540</u>	<u>10,518</u>
SUPPORT SERVICE, OPERATION & MAINTENANCE				
Salaries and Wages	505,037	584,990	576,584	8,406
Fringe Benefits	162,975	167,486	163,202	4,284
Purchased Services	561,056	619,376	607,984	11,392
Supplies	68,623	63,216	62,993	223
Miscellaneous Expenses	31,383	30,560	30,500	60
TOTAL SUPPORT SERVICE, OPERATION & MAINTENANCE	<u>1,329,074</u>	<u>1,465,628</u>	<u>1,441,263</u>	<u>24,365</u>

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGET BASIS - FOR THE FISCAL YEAR ENDED JUNE 30, 2007
GENERAL FUND
(CONTINUED)**

SUPPORT SERVICE, PUPIL TRANSPORTATION				
Purchased Services	21,189	15,060	10,824	4,236
TOTAL SUPPORT SERVICE, PUPIL TRANSPORTATION	<u>21,189</u>	<u>15,060</u>	<u>10,824</u>	<u>4,236</u>
SUPPORT SERVICE, CENTRAL				
Salaries and Wages	26,370	26,370	18,655	7,715
Fringe Benefits	3,956	3,956	2,658	1,298
Purchased Services	35,685	35,979	31,364	4,615
Supplies	2,900	2,900	717	2,183
TOTAL SUPPORT SERVICE, CENTRAL	<u>68,911</u>	<u>69,205</u>	<u>53,394</u>	<u>15,811</u>
TOTAL SUPPORT SERVICES	<u>4,877,585</u>	<u>5,130,132</u>	<u>4,995,770</u>	<u>134,362</u>
EXTRACURRICULAR STUDENT ACTIVITIES				
Salaries and Wages	380,683	334,995	334,983	12
Fringe Benefits	78,389	71,629	69,086	2,543
Purchased Services	108,073	109,846	108,154	1,692
Supplies	5,047	4,132	4,032	100
TOTAL EXTRACURRICULAR STUDENT ACTIVITIES	<u>572,192</u>	<u>520,602</u>	<u>516,255</u>	<u>4,347</u>
FACILITIES SERVICES				
Purchased Services	45,000	45,445	45,445	-
Miscellaneous Expenses	17,600	17,600	17,521	79
TOTAL FACILITIES SERVICES	<u>62,600</u>	<u>63,045</u>	<u>62,966</u>	<u>79</u>
TOTAL EXPENDITURES	<u>14,409,882</u>	<u>15,034,677</u>	<u>14,825,422</u>	<u>209,255</u>
REVENUE OVER (UNDER) EXPENDITURES	(2,175,772)	(317,519)	(116,514)	201,005
OTHER FINANCING SOURCES (USES):				
TRANSFERS OUT	-	(3,719)	(3,719)	-
OTHER FINANCING USES	(53,336)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(53,336)</u>	<u>(3,719)</u>	<u>(3,719)</u>	<u>-</u>
EXCESS REVENUE AND OTHER FINANCING SOURCES (USES) OVER (UNDER) EXPENDITURES AND OTHER USES				
	<u>(2,229,108)</u>	<u>(321,238)</u>	<u>(120,233)</u>	<u>201,005</u>
FUND BALANCE AT BEGINNING OF YEAR (UNENCUMBERED)	6,231,616	6,231,616	6,231,616	-
PRIOR YEAR ENCUMBRANCES APPROPRIATED	418,218	418,218	418,218	-
FUND BALANCE AT BEGINNING OF YEAR	<u>6,649,834</u>	<u>6,649,834</u>	<u>6,649,834</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 4,420,726</u>	<u>\$ 6,328,596</u>	<u>\$ 6,529,601</u>	<u>\$ 201,005</u>

See accompanying notes to the basic financial statements

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**STATEMENT OF FUND NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2007**

	Enterprise Funds		
	Food Service	Child Care Fund	Total
Assets			
<i>Current Assets:</i>			
Cash and Investments	\$ 5,166	\$ 54,122	\$ 59,288
Accounts Receivable	135	13,715	13,850
Due From Other Governments	5,948	-	5,948
Materials and Supplies Inventory	5,514	-	5,514
<i>Total Current Assets</i>	<u>16,763</u>	<u>67,837</u>	<u>84,600</u>
<i>Noncurrent Assets:</i>			
Capital Assets, Net of Depreciation	27,739	1,326	29,065
<i>Total Assets</i>	<u>44,502</u>	<u>69,163</u>	<u>113,665</u>
Liabilities			
<i>Current Liabilities:</i>			
Accounts Payable	211	4,257	4,468
Accrued Salaries and Benefits Payable	26,845	31,398	58,243
Deferred Other Revenue	-	13,039	13,039
<i>Total Liabilities</i>	<u>27,056</u>	<u>48,694</u>	<u>75,750</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	27,739	1,326	29,065
Unrestricted	(10,293)	19,143	8,850
<i>Total Net Assets</i>	<u>\$ 17,446</u>	<u>\$ 20,469</u>	<u>\$ 37,915</u>

See accompanying notes to the basic financial statements

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	Enterprise Funds		
	Food Service	Child Care Fund	Total
Operating Revenues			
Charges for Services	\$ 186,224	\$ 270,746	\$ 456,970
Other Revenues	10,668	68	10,736
<i>Total Operating Revenues</i>	<u>196,892</u>	<u>270,814</u>	<u>467,706</u>
Operating Expenses			
Salaries	129,218	186,533	315,751
Fringe Benefits	50,394	50,775	101,169
Purchased Services	1,236	12,983	14,219
Materials and Supplies	106,587	22,561	129,148
Other Expenses	-	682	682
Depreciation	3,843	306	4,149
<i>Total Operating Expenses</i>	<u>291,278</u>	<u>273,840</u>	<u>565,118</u>
<i>Operating Income (Loss)</i>	<u>(94,386)</u>	<u>(3,026)</u>	<u>(97,412)</u>
Non-Operating Revenues (Expenses)			
State Sources	1,299	-	1,299
Federal Sources	59,140	-	59,140
Interest Income	50,000	-	50,000
<i>Total Non-Operating Revenues (Expenses)</i>	<u>110,439</u>	<u>-</u>	<u>110,439</u>
<i>Change in Net Assets</i>	16,053	(3,026)	13,027
<i>Net Assets Beginning of Year</i>	<u>1,393</u>	<u>23,495</u>	<u>24,888</u>
<i>Net Assets End of Year</i>	<u>\$ 17,446</u>	<u>\$ 20,469</u>	<u>\$ 37,915</u>

See accompanying notes to the basic financial statements

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	Enterprise Funds		
	Food Service	Child Care Fund	Total
Increase (Decrease) in Cash and Cash Equivalents			
Cash Flows from Operating Activities			
Cash received from tuition and fees	\$ -	\$ 230,902	\$ 230,902
Cash received from sales	186,224	-	186,224
Other cash receipts	11,648	39,180	50,828
Cash payments for personal services	(194,256)	(228,083)	(422,339)
Cash payments for contract services	(1,584)	(12,206)	(13,790)
Cash payments for supplies and materials	(95,468)	(22,749)	(118,217)
Cash payments for other expenses	-	(682)	(682)
<i>Net Cash Provided by (Used in) Operating Activities</i>	<u>(93,436)</u>	<u>6,362</u>	<u>(87,074)</u>
Cash Flows from Noncapital Financing Activities			
State sources	1,299	-	1,299
Federal sources	38,540	-	38,540
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>39,839</u>	<u>-</u>	<u>39,839</u>
Cash Flows from Investing Activities			
Investment Income	50,000	-	50,000
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(3,597)	6,362	2,765
<i>Cash and Cash Equivalents Beginning of Year</i>	8,763	47,760	56,523
<i>Cash and Cash Equivalents End of Year</i>	<u>\$ 5,166</u>	<u>\$ 54,122</u>	<u>\$ 59,288</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities			
Operating Income (Loss)	\$ (94,386)	\$ (3,026)	\$ (97,412)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	3,843	306	4,149
Commodities expense related to noncash grant	10,538	-	10,538
Consumption of Inventory	(94,397)	-	(94,397)
Purchase of Inventory	96,049	-	96,049
(Increase) Decrease in accounts receivable	(135)	323	188
Increase (Decrease) in accounts payable	(5,739)	754	(4,985)
Increase (Decrease) in accrued liabilities	(9,209)	9,330	121
Increase (Decreased) in deferred revenue	-	(1,325)	(1,325)
<i>Net Cash Provided by (Used in) Operating Activities</i>	<u>\$ (93,436)</u>	<u>\$ 6,362</u>	<u>\$ (87,074)</u>

See accompanying notes to the basic financial statements

GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
JUNE 30, 2007

	<u>Agency</u>
Assets	
Cash and Investments	<u>\$ 66,435</u>
Liabilities	
Due to Students	66,289
Accounts Payable	<u>146</u>
<i>Total Liabilities</i>	<u>\$ 66,435</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, 2007**

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 set of 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 - Governmental funds are those through which most governmental functions are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Fund Accounting (Continued)

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.

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

Permanent Improvement Fund - The Permanent Improvement Fund is used to account for financial resources to be used for the maintenance of capital facilities, technology and curriculum.

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

Proprietary Funds - Proprietary funds focus on the determination of operating income, changes in net assets, financial position, and cash flows. The District's proprietary funds are enterprise funds.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the District's major enterprise funds:

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 fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. 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, 2007
(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 proprietary fund financial statements is 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 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 Fund Net Assets. Proprietary fund's operating statements present increases (e.g., revenues) and decreases (expenses) in net total assets. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations.

(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, 2007
(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 11) 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 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 2007. 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, 2007.

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 amounts to \$457,532 with \$389,823 credited to the General Fund, \$17,709 credited to the Permanent Improvement Fund, and \$50,000 credited to the Food Service Fund during fiscal year 2007.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(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, 2007
(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 is attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick and vacation leave accumulated at June 30 by those employees who are currently eligible to receive termination payments and those employees for whom it is probable they will become eligible to receive termination benefits in the future. 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 are reported in the government-wide financial statements as well as the proprietary fund financial statements. For governmental fund financial statements, the accrued liabilities are generally reported as a governmental fund liability if due for payment as of the balance sheet date regardless of whether they will be liquidated with current financial resources. However, claims for judgments 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.

(j) Net Assets

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

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

(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, HB412 Set Aside and future appropriations.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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, other than agency funds, 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, 2007
(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 at the fund level 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 Balances--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, 2007
(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 (STAR Ohio), which is managed by the Treasurer of the State of 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, Permanent Improvement Fund, and Food Service 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 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, 2007
(Continued)**

3. CASH AND INVESTMENTS (Continued)

At June 30, 2007 the carrying amount of the District's deposits was \$1,252,261 and the bank balance was \$1,672,494. Based on the criteria described in GASB Statement No. 40, Deposits and Investment Risk Disclosures, as of June 30, 2007 \$1,466,534 of the District's bank balance of \$1,655,960 was exposed to custodial risk as discussed below, while \$205,960 was covered by Federal Deposit Insurance Corporation.

Custodial Credit Risk – Deposits: Custodial credit risk for deposits is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

The District has no deposit policy for custodial risk beyond the requirements of the State statute discussed in the preceding paragraph.

As of June 30, 2007, the District had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Credit Risk</u>	<u>Fair Value</u>
Repurchase Agreements	Daily	AAA	\$ 628,000
STAR Ohio	Not Applicable	AAAm	<u>7,167,759</u>
Total			<u>\$ 7,795,759</u>

Interest Rate Risk: The Ohio Revised Code 135.14(D) limits interim securities to a term of five years, unless matched to a specific debt.

The District's investment policy follows the above statute for addressing interest rate risk.

Credit Risk: As of June 30, 2007, the District's investments in repurchase agreements were rated AAA by Standard & Poor's and Moody's. The District's investments in STAR Ohio were rated AAAm by Standard & Poor's and Moody's.

Concentration of Credit Risk: The District's investment policy places no limit on the amount the District may invest in any one issuer for the types of investments listed above. More than 5 percent of the District's investments are in Repurchase Agreements and STAR Ohio. These investments are 8.06% and 91.94% respectively, of the District's total investments.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

4. DUE FROM OTHER GOVERNMENTS

Intergovernmental receivables at June 30, 2007, consist of the following:

	<u>Governmental Activities</u>		
	Federal Government	<u>Due From</u>	
		State Government	Total
General Fund	\$0	\$173	\$173
Other Governmental Funds	83,448	0	83,448
Total	<u>\$83,448</u>	<u>\$173</u>	<u>\$83,621</u>

	<u>Business-Type Activities</u>		
	Federal Government	<u>Due From</u>	
		State Government	Total
Food Service Fund	\$5,948	\$0	\$5,948
Total	<u>\$5,948</u>	<u>\$0</u>	<u>\$5,948</u>

5. INTERFUND RECEIVABLES AND PAYABLES

There were no interfund receivables and payables as of June 30, 2007.

6. CAPITAL ASSETS

Summaries of changes in capital assets for the fiscal year ended June 30, 2007, follows:

<u>Activity</u>	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2007</u>
Governmental Activities:				
Land	\$ 137,400	\$ -	\$ -	\$ 137,400
Buildings & Improvements	16,779,212	77,984	-	16,857,196
Furniture & Equipment	3,614,662	976,819	260,700	4,330,781
Vehicles	71,566	24,677	9,974	86,269
Totals at Cost	<u>\$20,602,840</u>	<u>\$ 1,079,480</u>	<u>\$ 270,674</u>	<u>\$ 21,411,646</u>
Less Accumulated Depreciation				
Buildings & Improvements	\$ 5,633,970	\$ 280,713	\$ -	\$ 5,914,683
Furniture & Equipment	2,833,973	111,264	110,525	2,834,712
Vehicles	40,332	7,062	6,067	41,327
Total Accumulated Depreciation	<u>\$ 8,508,275</u>	<u>\$ 399,039</u>	<u>* \$ 116,592</u>	<u>\$ 8,790,722</u>
Capital Assets, Net	<u>\$12,094,565</u>	<u>\$ 680,441</u>	<u>\$ 154,082</u>	<u>\$ 12,620,924</u>

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

6. CAPITAL ASSETS (Continued)

<u>Activity</u>	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2007</u>
Business-Type Activities:				
Furniture & Equipment	\$ 186,638	\$ -	\$ 1,208	\$ 185,430
Totals at Cost	<u>\$ 186,638</u>	<u>\$ -</u>	<u>\$ 1,208</u>	<u>\$ 185,430</u>
Less Accumulated Depreciation				
Furniture & Equipment	\$ 153,424	\$ 4,149	\$ 1,208	\$ 156,365
Total Accumulated Depreciation	<u>\$ 153,424</u>	<u>\$ 4,149</u>	<u>\$ 1,208</u>	<u>\$ 156,365</u>
Capital Assets, Net	<u>\$ 33,214</u>	<u>\$ (4,149)</u>	<u>\$ -</u>	<u>\$ 29,065</u>

*Depreciation Expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 300,373
Special	2,317
Support Service:	
Pupils	16,815
Instructional Staff	10,879
Administration	3,356
Fiscal	515
Business	607
Operation & Maintenance	46,375
Central	4,311
Extracurricular	13,491
Total Depreciation Expense	<u>\$ 399,039</u>

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

7. LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2007, follows:

	Balance July 1 <u>2006</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30 <u>2007</u>	Amounts Due In <u>One Year</u>
Governmental Activities					
Long-term Obligations:					
Accrued Interest	\$35,192	\$32,975	\$35,192	\$32,975	\$32,975
Capital Lease	105,543	109,007	97,243	117,307	81,033
Accrued Vacation and Vested Pers./Sick Leave	1,151,524	0	21,283	1,130,241	87,900
G.O. Bonds	8,734,989	0	745,000	7,989,989	745,000
G.O. Notes	0	175,000	0	175,000	17,500
Total	<u>\$10,027,248</u>	<u>\$316,982</u>	<u>\$898,718</u>	<u>\$9,445,512</u>	<u>\$964,408</u>

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, 2007, 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 computer equipment purchased with original values of \$141,941 and \$109,007. This obligation provides for interest at rates 6.40% and 7.30%, with an outstanding balance of \$117,307 at June 30, 2007.

The following is a schedule of future minimum lease payments required under the capital leases and present value of the minimum lease payments as of June 30, 2007:

	Year Ending <u>June 30</u>
FY 2008	\$ 89,269
FY 2009	38,952
Total Principal and Interest Payments	<u>\$ 128,221</u>
Less Interest Payments	<u>(10,914)</u>
Present Value of Minimum Lease Payments	<u>\$ 117,307</u>

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 was advance-refunded on November 1, 2001 with new bonds issued for \$8,559,989 at an average annual interest rate of 5.1901%. 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, 2007
(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.

Unvoted notes were sold to National City Bank for \$175,000 in accordance with Chapter 133.06 of the Ohio Revised Code on December 1, 2006 with an average annual interest rate of 4.25%. The purpose of the notes was for the furnishing of materials and performance of labor necessary to install a synthetic grass playing field at Bobcat Stadium. The debt is scheduled to be repaid from rent proceeds associated with cell tower lease contracts over a ten-year period with the final payment due on December 1, 2016.

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, 2007, and related interest payments are as follows:

NOVEMBER 1, 2001 BONDS ISSUED TO ADVANCE-REFUND MARCH 1, 1995 RENOVATION AND CONSTRUCTION BONDS:

<u>Fiscal Year Ended:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment Due During Year</u>
June 30, 2008	\$ 635,000	221,652	856,652
June 30, 2009	625,000	199,608	824,608
June 30, 2010	620,000	176,887	796,887
June 30, 2011	610,000	153,827	763,827
June 30, 2012	605,000	130,137	735,137
June 30, 2013-2017	1,204,989	2,056,987	3,261,976
June 30, 2018-2020	1,475,000	104,856	1,579,856
Total	<u>\$ 5,774,989</u>		

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

7. LONG-TERM LIABILITIES (Continued)

JANUARY 1, 1996 RENOVATION AND CONSTRUCTION BONDS:

<u>Fiscal Year Ended:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment Due During Year</u>
June 30, 2008	\$ 110,000	119,880	229,880
June 30, 2009	120,000	113,498	233,498
June 30, 2010	130,000	106,560	236,560
June 30, 2011	135,000	99,206	234,206
June 30, 2012	145,000	91,437	236,437
June 30, 2013-2017	885,000	320,651	1,205,651
June 30, 2018-2020	690,000	59,108	749,108
Total	<u>\$ 2,215,000</u>		

DECEMBER 1, 2006 SYNTHETIC GRASS PLAYING FIELD NOTES:

<u>Fiscal Year Ended:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment Due During Year</u>
June 30, 2008	\$ 17,500	\$ 7,066	\$ 24,566
June 30, 2009	17,500	6,322	23,822
June 30, 2010	17,500	5,578	23,078
June 30, 2011	17,500	4,834	22,334
June 30, 2012	17,500	4,091	21,591
June 30, 2013-2017	87,500	9,297	96,797
Total	<u>\$ 175,000</u>		

TOTAL DEBT REQUIREMENTS:

<u>Fiscal Year Ended:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment Due During Year</u>	<u>Principal Balance Due End of Year</u>
June 30, 2008	\$ 762,500	\$ 348,598	\$ 1,111,098	\$ 7,402,489
June 30, 2009	762,500	319,428	1,081,928	6,639,989
June 30, 2010	767,500	289,025	1,056,525	5,872,489
June 30, 2011	762,500	257,868	1,020,368	5,109,989
June 30, 2012	767,500	225,664	993,164	4,342,489
June 30, 2013-2017	2,177,489	2,386,934	4,564,423	16,579,806
June 30, 2018-2020	2,165,000	163,964	2,328,964	2,190,000
Grand Totals	<u>\$ 8,164,989</u>	<u>\$ 3,991,481</u>	<u>\$ 12,156,470</u>	<u>\$ -</u>

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(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, 2007 was \$264,599,288 according to the Franklin County Auditor's Office. Unvoted net debt at June 30, 2007 was \$175,000. 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, 2007, the District's total net debt and unvoted net debt were approximately 3.35% 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, 2007, 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. NOTES PAYABLE

Note payable activity of the District for the year ended June 30, 2007 was as follows:

Notes Payable	Interest Rate	Balance at 6/30/06	Additions	Deletions	Balance at 6/30/07
Tax Anticipation Notes	4.50-4.75%	\$ 875,000	\$ -	\$ (165,000)	\$ 710,000

9. DEFINED BENEFIT PENSION PLANS

(a) State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, Ohio 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

9. DEFINED BENEFIT PENSION PLANS (Continued)

Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2006, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2007, 2006, and 2005 were \$1,092,720, \$1,044,168, and \$1,000,824 respectively; 83.2 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005.

(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 Broad Street, Suite 100, Columbus, Ohio 43215-3726, by calling (800) 878-5853 or by visiting the SERS website at www.ohsers.org.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006 (the most recent information available), 10.58 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30 2007, 2006 and 2005 were \$228,024, \$217,152 and \$205,440 respectively; 50 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

10. OTHER POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio) and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and partial 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 on a pay-as-you-go basis.

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the District, this amount equaled \$77,790 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006 (the latest information available) the balance in the Fund was \$3.5 billion. For the fiscal year ended June 30, 2006, net health care costs paid by STRS Ohio were \$282,743,000 and STRS Ohio had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006 (the most recent information available), employer contributions to fund health care benefits were 3.42 percent of covered payroll, compared to 3.43 percent of covered payroll for fiscal year 2005. 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 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the District, the amount contributed to fund health care benefits, including the surcharge, during the 2007 fiscal year equaled \$87,911.

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 the projected claims less premium contributions for the next fiscal year. Expenses for health care for the fiscal year ended June 30, 2006 (the latest information available) were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has 59,492 participants eligible to receive health care benefits.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

11. PROPERTY TAXES

Property Taxes include amounts levied against all real, public utility and tangible (used in business) property located in the 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, 2006 and June 20, 2006 for those taxes due during 2007. 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, 2005. 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 2007 upon which the 2006 levies were based, was as follows:

Real estate:	
Residential	\$197,275,270
Commercial	39,589,470
Industrial	12,725,250
Public utility:	
Real	26,650
Personal	8,292,210
Tangible personal	<u>6,690,438</u>
Total	<u>\$264,599,288</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 100.50 mills in 2007 with an effective rate of 41.15 for residential property and 67.47 for commercial property.

The Franklin County Treasurer collects property taxes on behalf of all taxing districts in the county, including the 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.

12. 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, 2007
(Continued)**

13. 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:

	General
GAAP basis	\$1,741,298
Increase (decrease):	
Due to revenues:	
Received in cash during fiscal year 2007 but accrued June 30, 2006	478,286
Accrued at June 30, 2007 but not yet received in cash	(1,894,669)
Due to expenditures:	
Paid in cash during fiscal year 2007, accrued June 30, 2006	(1,726,392)
Accrued June 30, 2007, not yet paid in cash	1,757,133
Budget basis	355,656
Encumbrances outstanding on June 30, 2007	(475,890)
Budget basis unencumbered	(\$120,234)

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

13. BUDGET BASIS OF ACCOUNTING (CONTINUED)

(b) Fund balances at end of year:

	General
GAAP basis	\$7,143,027
Increase (decrease):	
Due to revenues:	
Received in cash during fiscal year 2007 but accrued June 30, 2006	0
Accrued at June 30, 2007 but not yet received in cash	(1,894,669)
Due to expenditures:	
Paid in cash during fiscal year 2007, accrued June 30, 2006	0
Accrued June 30, 2007, not yet paid in cash	<u>1,757,133</u>
Budget basis	7,005,491
Encumbrances outstanding on June 30, 2007	<u>(475,890)</u>
Fund Balance at end of year, unencumbered, budget basis	<u><u>\$6,529,601</u></u>

14. 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 2007, 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 that provides coverage for accidents and injuries to employees while on the job. The premium is based on a rate per \$100 of salaries and is calculated as part of a state-wide group rating plan for workers' compensation insurance coverage sponsored by the Ohio School Board's Association. Finally, the District offers employee group health insurance from United Health Care, dental insurance from Delta Dental Plan, and life insurance from the American United Life Insurance Company with a portion of health insurance premiums being paid by employees. Insurance settlements have not exceeded insurance coverage for each of the past three fiscal years.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

15. 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 \$192,876 to MEC during the fiscal year 2007.

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.

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.

Further detailed financial information may be obtained by contacting the Upper Arlington City School District at (614) 487-5007.

16. LITIGATION

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

17. 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 the workers' compensation money returned to the District 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.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

17. SET ASIDE CALCULATIONS AND FUND RESERVES (Continued)

	<u>Textbooks</u>	<u>Capital Acquisitions</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set Aside Cash Balance as of June 30, 2006	\$0	\$0	\$68,902	\$68,902
Current Year Set-Aside Requirement	178,064	178,064	0	356,128
Qualifying Disbursements	380,304	411,787	0	792,091
Total	(\$202,240)	(\$233,723)	\$0	(\$435,963)
Set Aside Cash Balance as of June 30, 2006	\$0	\$0	\$68,902	\$68,902

- (a) The mandatory 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 set aside amounts to below zero, the District has elected not to use these amounts to reduce the set aside requirements in future years.

18. ACCOUNTING CHANGE

An \$875,000 Tax Anticipation Note recorded only on the entity-wide statements in the prior year has been presented as a fund liability as well as an entity-wide liability. As such, the Permanent Improvement Fund is restated as follows:

	<u>Permanent Improvement Fund</u>
Fund Balance, as previously reported	\$864,685
Tax Anticipation Note Payable	<u>(875,000)</u>
Fund Balance, as restated	<u>(\$10,315)</u>

19. COMPLIANCE AND ACCOUNTABILITY

The District's Permanent Improvement fund had a fund deficit balance of \$107,099 as of June 30, 2007. The deficit fund balance is the result of the application of generally accepted accounting principles of Tax Anticipation Note Payable issued in 2006. The General Fund provides advances to cover deficit fund balances; however, this is done when cash is needed rather than when accruals occur.

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the 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, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 8, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2007-001.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we believe finding number 2007-001 is also a material weakness.

We also noted certain internal control matters that we reported to the District's management in a separate letter dated November 8, 2007.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain noncompliance or other matters that we reported to the District's management in a separate letter dated November 8, 2007.

We intend this report solely for the information and use of the audit committee, management and Board of Education. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

November 8, 2007

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2007**

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

FINDING NUMBER 2007-001

Significant Deficiency/Material Weakness

Financial Reporting

The District utilizes the Uniform School Accounting System and currently has monitoring controls over daily cash-basis transactions entered into the system. At year-end the cash basis information from the accounting system is converted into financial statements reported under Generally Accepted Accounting Principles. Accrual information, trial balances, and the financial statements are prepared by the District Treasurer.

Seven modifications or audit adjustments and reclassifications were necessary to the District's basic financial statements to accurately reflect account balances reported. These adjustments and reclassifications ranged in dollar amount from \$5,588 to \$4,460,218. Errors include receipt reclassification, unrecorded liabilities, debt presentation and receivable presentation.

We recommend the District implement additional procedures to provided assurance over the completeness and accuracy of information reported within the financial statements. Such procedures may include additional reviews of the financial statements including the notes to the financial statements by a member of management and an analytical comparison of the current year annual report to the prior year annual report for obvious errors or omissions.

We did not receive a response from Officials to the Finding reported above.



Mary Taylor, CPA
Auditor of State

GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 24, 2007**