



**GRAND VALLEY LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

Voinovich Government Center
242 Federal Plaza West
Suite 302
Youngstown, Ohio 44503
Telephone 330-797-9900
800-443-9271
Facsimile 330-797-9949
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

Grand Valley Local School District
Ashtabula County
7527 Route 45 North
Orwell, Ohio 44076-0279

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Grand Valley Local School District, Ashtabula County (the District), as of and for the year ended June 30, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Grand Valley Local School District, Ashtabula County, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund types and non-expendable trust funds 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 December 28, 2001 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form an opinion on the general-purpose financial statements of the District, taken as a whole. The accompanying schedule of federal awards expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

Jim Petro
Auditor of State

December 28, 2001

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**Grand Valley Local School District
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 2001**

	Governmental Fund Types			Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Totals 2001 (Memorandum Only)	
	General	Special Revenue	Debt Service			Capital Project	Enterprise		Trust and Agency
Assets and Other Debits:									
Equity in Pooled Cash and Investments	\$ 1,561,725	223,560	57,773	274,681	116,277	95,230	0	0	\$ 2,329,246
Restricted Assets	109,401	0	0	0	0	0	0	0	109,401
Taxes Receivable	1,966,035	0	8,197	137,392	0	0	0	0	2,111,624
Intergovernmental Receivables	4,778	41,686	1	18	0	0	0	0	46,483
Accounts Receivable	24,105	566	0	0	6	264	0	0	24,941
Supplies Inventory	62,567	0	0	0	2,581	0	0	0	65,148
Inventory for Resale	0	0	0	0	10,817	0	0	0	10,817
Property, Plant & Equipment	0	0	0	0	186,454	0	6,876,537	0	7,062,991
Accumulated Depreciation, where applicable	0	0	0	0	(113,883)	0	0	0	(113,883)
Amount Available in Debt Service	0	0	0	0	0	0	0	61,724	61,724
Amount to be Provided for Retirement of General Long Term Debt	0	0	0	0	0	0	0	686,888	686,888
Total Assets and Other Debits	\$ 3,728,611	265,812	65,971	412,091	202,252	95,494	6,876,537	748,612	\$ 12,395,380

(Continued)

**Grand Valley Local School District
Combined Balance Sheet
All Fund Types and Account Groups, Continued
June 30, 2001**

	Governmental Fund Types				Proprietary	Fiduciary	Account Groups		Totals
	General	Special Revenue	Debt Service	Capital Project	Fund Types Enterprise	Fund Types Trust and Agency	General Fixed Assets	General Long Term Debt	2001 (Memorandum) (Only)
Liabilities:									
Intergovernmental Payable	\$ 127,638	8,286	0	0	9,583	0	0	58,729	\$ 204,236
Accounts Payable	57,993	10,043	0	1,710	782	722	0	0	71,250
Accrued Salaries and Benefits	582,617	48,819	0	0	10,480	0	0	0	641,916
Deferred Revenue	1,054,315	0	4,247	74,978	12,320	0	0	0	1,145,860
Due to Others	0	0	0	0	0	30,631	0	0	30,631
General Obligation Bonds Payable	0	0	0	0	0	0	0	90,000	90,000
Capital Leases Payable	0	0	0	0	0	0	0	37,039	37,039
Retirement Incentive	0	0	0	0	0	0	0	30,000	30,000
Compensated Absences Payable	52,877	0	0	0	6,973	0	0	532,844	592,694
Total Liabilities	1,875,440	67,148	4,247	76,688	40,138	31,353	0	748,612	2,843,626
Fund Equity and Other Credits:									
Investment in General Fixed Assets	0	0	0	0	0	0	6,876,537	0	6,876,537
Contributed Capital	0	0	0	0	97,445	0	0	0	97,445
Retained Earnings	0	0	0	0	64,669	32,950	0	0	97,619
Retained Earnings-Reserved	0	0	0	0	0	10,000	0	0	10,000
Fund Balances:									
Reserved for Budget Stabilization	89,901	0	0	0	0	0	0	0	89,901
Reserved for Textbooks	19,500								19,500
Reserved for Inventory	62,567	0	0	0	0	0	0	0	62,567
Reserved for Encumbrances	65,515	1,896	0	58,761	0	0	0	0	126,172
Reserved for Future Appropriation	911,721	0	3,950	62,414	0	0	0	0	978,085
Unreserved Fund Balance	703,967	196,768	57,774	214,228	0	21,191	0	0	1,193,928
Total Fund Equity	1,853,171	198,664	61,724	335,403	0	21,191	0	0	2,470,153
Total Fund Balances/Retained Earnings and Other Credits	1,853,171	198,664	61,724	335,403	162,114	64,141	6,876,537	0	9,551,754
Total Liabilities, Fund Equity, and Other Credits	\$ 3,728,611	265,812	65,971	412,091	202,252	95,494	6,876,537	748,612	\$ 12,395,380

See Accompanying Notes to the General Purpose Financial Statements

Grand Valley Local School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balance
All Governmental Fund Types and Expendable Trust Funds
Year Ended June 30, 2001

	Governmental Fund Types				Fiduciary	Totals (Memorandum) (Only)
	General	Special Revenue	Debt Service	Capital Project	Expendable Trust	
REVENUE:						
Taxes	\$ 2,558,197	0	12,177	172,033	0	\$ 2,742,407
Tuition	176,242	0	0	0	0	176,242
Earnings on Investments	140,087	0	0	0	1,000	141,087
Extracurricular Activities	0	133,273	0	0	0	133,273
Classroom Materials and Fees	24,847	0	0	0	0	24,847
Miscellaneous	67,931	11,193	0	0	3,197	82,321
Revenue from Intermediate Sources						
Unrestricted Grants-in-Aid	0	10,000	0	0	0	10,000
Revenue from State Sources						
Unrestricted Grants-in-Aid	4,722,496	0	1,940	16,740	0	4,741,176
Restricted Grants-in-Aid	99,296	139,590	0	62,878	0	301,764
Revenue from Federal Sources						
Unrestricted Grants-in-Aid	16,648	411,177	0	0	0	427,825
Restricted Grants-in-Aid	0	96,152	0	0	0	96,152
Total Revenue	<u>7,805,744</u>	<u>801,385</u>	<u>14,117</u>	<u>251,651</u>	<u>4,197</u>	<u>8,877,094</u>
EXPENDITURES:						
Current:						
Instruction						
Regular	3,507,531	130,067	0	102,851	2,000	3,742,449
Special	315,920	318,049	0	0	0	633,969
Vocational	120,373	0	0	0	0	120,373
Other	403,561	0	0	0	0	403,561
Supporting Services						
Pupils	127,363	17,994	0	10,440	0	155,797
Instructional Staff	307,108	26,688	0	0	0	333,796
Board of Education	12,184	0	0	0	0	12,184
Administration	743,652	4,348	0	0	0	748,000
Fiscal Services	177,808	1,117	349	3,494	0	182,768
Business Services	12,421	0	0	0	0	12,421
Operation & Maintenance-Plant	745,623	0	0	0	0	745,623
Pupil Transportation	890,724	1,000	0	0	0	891,724
Central Services	4,498	0	0	0	0	4,498
Extracurricular Activities						
Academic & Subject Oriented	38,342	19,862	0	0	0	58,204
Sports Oriented	115,739	52,569	0	0	0	168,308
Co-Curricular Activities	0	97,152	0	0	0	97,152
Capital Outlay						
Building Improvement	0	0	0	119,501	0	119,501
Debt Service						
Repayment of Debt	0	0	18,184	0	0	18,184
Total Expenditures	<u>7,522,847</u>	<u>668,846</u>	<u>18,533</u>	<u>236,286</u>	<u>2,000</u>	<u>8,448,512</u>
Excess (Deficiency) of Revenues						
Over (Under) Expenditures	282,897	132,539	(4,416)	15,365	2,197	428,582
Other Financing Sources and Uses:						
Other Financing Sources						
Transfers-In	0	8,000	0	1,722	0	9,722
Other Financing Uses						
Transfers-Out	(9,722)	0	0	0	0	(9,722)
Net Other Financing Sources and Uses	<u>(9,722)</u>	<u>8,000</u>	<u>0</u>	<u>1,722</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditure						
Disbursement and Other Uses	273,175	140,539	(4,416)	17,087	2,197	428,582
Increase in Inventory	16,909	0	0	0	0	16,909
Beginning Fund Balance	1,563,087	58,125	66,140	318,316	18,994	2,024,662
Ending Fund Balance	<u>\$ 1,853,171</u>	<u>198,664</u>	<u>61,724</u>	<u>335,403</u>	<u>21,191</u>	<u>\$ 2,470,153</u>

See Accompanying Notes to the General Purpose Financial Statements.

Grand Valley Local School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types and Expendable Trust Funds
Year Ended June 30, 2001

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$ 2,658,403	2,514,942	(143,461)	0	0	\$ 0
Tuition	10,000	176,242	166,242	0	0	0
Earnings on Investment	107,985	140,087	32,102	0	0	0
Extracurricular Activities	0	0	0	132,978	132,978	0
Classroom Materials & Fees	27,503	25,279	(2,224)	0	0	0
Miscellaneous	35,459	42,672	7,213	10,500	10,998	498
Local Unrestricted Grants-in-Aid	0	0	0	10,000	10,000	0
State Unrestricted Grants-in-Aid	4,775,443	4,721,735	(53,708)	0	0	0
State Restricted Grants-in-Aid	109,930	99,296	(10,634)	139,074	139,590	516
Federal Unrestricted Grants-in-Aid	17,368	13,696	(3,672)	421,191	373,852	(47,339)
Federal Restricted Grants-in-Aid	0	0	0	102,871	98,510	(4,361)
Total Revenue	7,742,091	7,733,949	(8,142)	816,614	765,928	(50,686)
Expenditures:						
Regular Instruction	3,534,126	3,475,955	58,171	174,457	132,351	42,106
Special Instruction	325,921	319,294	6,627	394,684	312,263	82,421
Vocational Instruction	120,783	119,511	1,272	0	0	0
Other Instruction	405,710	402,484	3,226	0	0	0
Support Services-Pupils	126,202	119,756	6,446	20,134	17,853	2,281
Support Services-Instructional Staff	326,157	310,019	16,138	29,436	29,436	0
Support Services-Board of Education	14,584	12,191	2,393	0	0	0
Support Services-Administration	774,670	745,717	28,953	4,640	4,328	312
Fiscal Services	198,740	177,948	20,792	2,427	1,117	1,310
Support Services-Business	13,817	12,609	1,208	0	0	0
Operation & Maintenance-Plant	788,545	759,713	28,832	0	0	0
Support Services-Transportation	972,455	947,847	24,608	1,000	1,000	0
Support Services-Central	5,500	4,498	1,002	0	0	0
Academic & Subject Oriented	38,770	38,475	295	30,404	21,519	8,885
Sports Oriented	117,910	115,504	2,406	59,100	52,599	6,501
Co-Curricular Activities	0	0	0	135,102	97,457	37,645
Building Improvement	0	0	0	0	0	0
Repayment of Debt	0	0	0	0	0	0
Total Expenditures	7,763,890	7,561,521	202,369	851,384	669,923	181,461
Excess of Revenue Over (Under) Expenditures	(21,799)	172,428	194,227	(34,770)	96,005	130,775
Other Financing Sources (Uses):						
Transfers-In	0	0	0	0	8,000	8,000
Advances-In	1,538	1,538	0	0	0	0
Refund of Prior Years Expenditures	0	1,219	1,219	195	195	0
Transfers-Out	(9,722)	(9,722)	0	0	0	0
Advances-Out	0	0	0	(1,538)	(1,538)	0
Refund of Prior Years Receipts	0	0	0	0	0	0
Total Other Sources (Uses)	(8,184)	(6,965)	1,219	(1,343)	6,657	8,000
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(29,983)	165,463	195,446	(36,113)	102,662	138,775
Beginning Fund (Deficit) Balance, as restated	1,189,469	1,189,469	--	97,598	97,598	--
Prior Year Carry Over Encumbrances	202,794	202,794	--	11,012	11,012	--
Ending Fund (Deficit) Balance	\$ 1,362,280	\$ 1,557,726	\$ 195,446	\$ 72,497	\$ 211,272	\$ 138,775

(Continued)

Grand Valley Local School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types and Expendable Trust Funds - Continued
Year Ended June 30, 2001

	Debt Service Fund			Capital Project Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$ 17,383	17,745	362	156,316	169,595	\$ 13,279
Tuition	0	0	0	0	0	0
Earnings on Investment	0	0	0	0	0	0
Extracurricular Activities	0	0	0	0	0	0
Classroom Materials & Fees	0	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0
Local Unrestricted Grants-in-Aid	0	0	0	0	0	0
State Unrestricted Grants-in-Aid	2,300	1,938	(362)	15,000	16,721	1,721
State Restricted Grants-in-Aid	0	0	0	92,878	62,878	(30,000)
Federal Unrestricted Grants-in-Aid	0	0	0	0	0	0
Federal Restricted Grants-in-Aid	0	0	0	0	0	0
Total Revenue	19,683	19,683	0	264,194	249,194	(15,000)
Expenditures:						
Regular Instruction	0	0	0	102,851	102,851	0
Special Instruction	0	0	0	0	0	0
Vocational Instruction	0	0	0	0	0	0
Other Instruction	0	0	0	0	0	0
Support Services-Pupils	0	0	0	10,440	10,440	0
Support Services-Instructional Staff	0	0	0	0	0	0
Support Services-Board of Education	0	0	0	0	0	0
Support Services-Administration	0	0	0	0	0	0
Fiscal Services	500	349	151	3,700	3,493	207
Support Services-Business	0	0	0	0	0	0
Operation & Maintenance-Plant	0	0	0	0	0	0
Support Services-Transportation	0	0	0	0	0	0
Support Services-Central	0	0	0	0	0	0
Academic & Subject Oriented	0	0	0	0	0	0
Sports Oriented	0	0	0	0	0	0
Co-Curricular Activities	0	0	0	0	0	0
Building Improvement	0	0	0	270,193	231,749	38,444
Repayment of Debt	18,183	18,183	0	0	0	0
Total Expenditures	18,683	18,532	151	387,184	348,533	38,651
Excess of Revenue Over (Under) Expenditures	1,000	1,151	151	(122,990)	(99,339)	23,651
Other Financing Sources (Uses):						
Transfers-In	0	0	0	1,722	1,722	0
Advances-In	0	0	0	0	0	0
Refund of Prior Years Expenditures	0	0	0	0	0	0
Transfers-Out	0	0	0	0	0	0
Advances-Out	0	0	0	0	0	0
Refund of Prior Years Receipts	0	0	0	(5,062)	(5,062)	0
Total Other Sources (Uses)	0	0	0	(3,340)	(3,340)	0
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	1,000	1,151	151	(126,330)	(102,679)	23,651
Beginning Fund (Deficit) Balance, as restated	56,623	56,623	--	189,970	189,970	--
Prior Year Carry Over Encumbrances	0	0	--	126,920	126,920	--
Ending Fund (Deficit) Balance	\$ 57,623	57,774	151	190,560	214,211	\$ 23,651

(Continued)

Grand Valley Local School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types and Expendable Trust Funds - Continued
Year Ended June 30, 2001

	Expendable Trust Fund			Totals (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$ 0	0	0	2,832,102	2,702,282	\$ (129,820)
Tuition	0	0	0	10,000	176,242	166,242
Earnings on Investment	1,000	1,000	0	108,985	141,087	32,102
Extracurricular Activities	0	0	0	132,978	132,978	0
Classroom Materials & Fees	0	0	0	27,503	25,279	(2,224)
Miscellaneous	3,150	3,198	48	49,109	56,868	7,759
Local Unrestricted Grants-in-Aid	0	0	0	10,000	10,000	0
State Unrestricted Grants-in-Aid	0	0	0	4,792,743	4,740,394	(52,349)
Federal Unrestricted Grants-in-Aid	0	0	0	341,882	301,764	(40,118)
Federal Unrestricted Grants-in-Aid	0	0	0	438,559	387,548	(51,011)
Federal Restricted Grants-in-Aid	0	0	0	102,871	98,510	(4,361)
Total Revenue	4,150	4,198	48	8,846,732	8,772,952	(73,780)
Expenditures:						
Regular Instruction	2,000	2,000	0	3,813,434	3,713,157	100,277
Special Instruction	0	0	0	720,605	631,557	89,048
Vocational Instruction	0	0	0	120,783	119,511	1,272
Other Instruction	0	0	0	405,710	402,484	3,226
Support Services-Pupils	0	0	0	156,776	148,049	8,727
Support Services-Instructional Staff	0	0	0	355,593	339,455	16,138
Support Services-Board of Education	0	0	0	14,584	12,191	2,393
Support Services-Administration	0	0	0	779,310	750,045	29,265
Fiscal Services	0	0	0	205,367	182,907	22,460
Support Services-Business	0	0	0	13,817	12,609	1,208
Operation & Maintenance-Plant	0	0	0	788,545	759,713	28,832
Support Services-Transportation	0	0	0	973,455	948,847	24,608
Support Services-Central	0	0	0	5,500	4,498	1,002
Academic & Subject Oriented	0	0	0	69,174	59,994	9,180
Sports Oriented	0	0	0	177,010	168,103	8,907
Co-Curricular Activities	0	0	0	135,102	97,457	37,645
Building Improvement	0	0	0	270,193	231,749	38,444
Repayment of Debt	0	0	0	18,183	18,183	0
Total Expenditures	2,000	2,000	0	9,023,141	8,600,509	422,632
Excess of Revenue Over						
(Under) Expenditures	2,150	2,198	48	(176,409)	172,443	348,852
Other Financing Sources (Uses):						
Transfers-In	0	0	0	1,722	9,722	8,000
Advances-In	0	0	0	1,538	1,538	0
Refund of Prior Years Expenditures	0	0	0	195	1,414	1,219
Transfers-Out	0	0	0	(9,722)	(9,722)	0
Advances-Out	0	0	0	(1,538)	(1,538)	0
Refund of Prior Years Receipts	0	0	0	(5,062)	(5,062)	0
Total Other Sources (Uses)	0	0	0	(12,867)	(3,648)	9,219
Excess of Revenues & Other Financing						
Sources Over (Under) Expenditures						
and Other Financing Uses	2,150	2,198	48	(189,276)	168,795	358,071
Beginning Fund (Deficit) Balance, as restated	18,993	18,993	--	1,552,653	1,552,653	--
Prior Year Carry Over Encumbrances	0	0	--	340,726	340,726	--
Ending Fund (Deficit) Balance	\$ 21,143	21,191	48	1,704,103	2,062,174	\$ 358,071

See Accompanying Notes to the General Purpose Financial Statements.

Grand Valley Local School District
Combined Statement of Revenues, Expenses, and Changes in Retained Earnings
All Proprietary Fund Types and Non-Expendable Trust Funds
Year Ended June 30, 2001

	Proprietary Fund Types		Totals (Memorandum) (Only)
	Enterprise Funds	Non-Expendable Trust Funds	
Operating Revenues:			
Food Service	\$ 217,378	0	\$ 217,378
Total Operating Revenue	217,378	0	217,378
Operating Expenses:			
Personal Services - Salary	110,496	0	110,496
Employee Benefits	81,428	0	81,428
Purchased Services	2,103	0	2,103
Supplies and Materials	191,031	0	191,031
Other Objects	675	1,984	2,659
Depreciation	7,275	0	7,275
Total Operating Expenses	393,008	1,984	394,992
Operating Loss	(175,630)	(1,984)	(177,614)
Non-Operating Revenues:			
Earnings On Investments	4,677	2,430	7,107
Other Income	0	10,000	10,000
State Unrestricted Grants-In-Aid	3,360	0	3,360
State Restricted Grants-in-Aid	5,789	0	5,789
Federal Unrestricted Grants-in-Aid	154,599	0	154,599
Federal Restricted Grants-In-Aid	30,585	0	30,585
Total Non-Operating Revenues	199,010	12,430	211,440
Net Income (Loss)	23,380	10,446	33,826
Beginning Retained Earnings	41,289	32,504	73,793
Retained Earnings at End of Year	\$ 64,669	42,950	\$ 107,619

See Accompanying Notes to the General Purpose Financial Statements.

Grand Valley Local School District
Combined Statement of Changes in Cash Flows
All Proprietary Fund Types and Non-Expendable Trust Funds
Year Ended June 30, 2001

	Proprietary Fund Types		Totals (Memorandum) (Only)
	Enterprise Funds	Non-Expendable Trust Fund	
Cash Flows from Operating Activities			
Operating Gain (Loss)	\$ (175,630)	(1,984)	\$ (177,614)
Adjustment to Reconcile Operating Gain (Loss)			
To Net Cash used in Operating Activities:			
Depreciation	7,275	0	7,275
Net (Increase) Decrease in Assets:			
Accounts Receivable	4	0	4
Inventory	27,212	0	27,212
Net Increases (Decreases) in Liabilities:			
Accounts Payable	731	0	731
Intergovernmental Payable	6,731	0	6,731
Accrued Wages and Benefits	(146)	0	(146)
Compensated Absences	(2,104)	0	(2,104)
Total Adjustments	<u>39,703</u>	<u>0</u>	<u>39,703</u>
Net Cash Used in Operating Activities	(135,927)	(1,984)	(137,911)
Cash Flows from Investing Activities:			
Earnings on Investments	4,677	2,430	7,107
Cash Flows from Noncapital Activities:			
Other Income	0	10,000	10,000
Operating Grants from State Sources	9,149	0	9,149
Operating Grants from Federal Sources	<u>154,599</u>	<u>0</u>	<u>154,599</u>
Net Cash Provided by Noncapital Financing Sources	163,748	10,000	173,748
Cash Flows from Capital Activities:			
Acquisition of Capital Assets	<u>(1,590)</u>	<u>0</u>	<u>(1,590)</u>
Net Cash Provided by Capital Financing Sources	(1,590)	0	(1,590)
Net Increase in Cash & Cash Equivalents	30,908	10,446	41,354
Cash and Cash Equivalents at Beginning of Year	<u>85,369</u>	<u>32,504</u>	<u>117,873</u>
Cash and Cash Equivalents at End of Year	<u>\$ 116,277</u>	<u>42,950</u>	<u>\$ 159,227</u>

See Accompanying Notes to General Purpose Financial Statements.

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**GRAND VALLEY LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY**

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

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

The District is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local district as defined by Section 3311.0 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District.

Average daily membership (ADM) as of October 1, 2000, was 1413. The District employed 87 certified employees and 51 non-certificated employees. The District is supervised by the Ashtabula County Educational Service Center, a separate entity.

The District provides regular, vocational and special instruction. The District also provides support services for the pupils, instructional staff, general and school administration, business and fiscal services, facilities acquisition and construction services, operation and maintenance of plant, student transportation, food services, extracurricular activities and non-programmed services.

The accompanying general purpose 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 organizations, activities and functions for which the District is financially accountable. This report includes all activities considered by management to be part of the District by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

Section 2100 indicates that the reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity.

It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization.

**GRAND VALLEY LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY**

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

1. Summary of Significant Accounting Policies (continued)

A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

Management believes the financial statements included in this report represent all of the funds of the District over which the District is financially accountable.

B. Fund Accounting

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

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types."

Governmental Fund Types

Governmental funds are those through which most governmental functions typically are financed. Governmental Fund Types are accounted for on a flow of current financial resources measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their operating statements present sources (revenues and other financing sources) and uses (expenditures and other financing uses) of "available spendable resources" during the period.

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

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources (other than amounts relating to expendable trusts or for major capital projects) that are legally restricted to expenditures for specific purposes.

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

Capital Project Funds - These funds are used to account for financial resources to be used for the acquisition or construction of major capital assets or facilities (other than those financed by proprietary and trust funds).

**GRAND VALLEY LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY**

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

1. Summary of Significant Accounting Policies (continued)

Proprietary Fund Types

Proprietary funds are used to account for the District's ongoing activities which are similar to those found in the private sector. The following is a proprietary fund types:

Enterprise Fund - This fund is used to account for the operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments, or other funds. The following are the fiduciary fund types:

Expendable Trust Funds - These funds account for resources, including both principal and earnings, which must be expended according to the provision of a trust agreement. Expendable trust funds are accounted for in essentially the same manner as governmental funds.

Nonexpendable Trust Funds - These funds account for trust principal which may not be expended. Only interest earned on the principal may be used for trust operations. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds.

Agency Funds - These funds are purely custodial and thus do not involve measurement of results of operations.

Account Groups

Account Groups are financial reporting devices to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not affect expendable available financial resources. The following are the account groups:

General Fixed Assets Account Group - This account group is used to account for all of the District's fixed assets other than those accounted for in the Proprietary funds.

General Long-Term Debt Account Group - This account group is used to account for all of the District's long-term obligations other than those accounted for in the Proprietary Funds.

**GRAND VALLEY LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY**

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

1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus/Basis of Accounting

The modified accrual basis of accounting is followed for Governmental and Expendable Trust Funds. The measurement focus is upon determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income determination. Under the basis of accounting:

- 1) Only current assets and current liabilities are generally included on their balance sheets.
- 2) Operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.
- 3) Revenues are recognized when they become both measurable and available to finance expenditures for the current period.
 - a) Revenue accrued at the end of the year may include book fines, fees, interest and tuition.
 - b) Property taxes measurable as of June 30, 2001 and delinquent property taxes, whose availability is indeterminate, and are not intended to finance fiscal year 2001 operations, have been recorded as deferred revenues.
- 4) Expenditures are recognized in the period in which the fund liability is incurred with the following exceptions: general long term obligation principal and interest are reported only when due; the current costs of accumulated unpaid vacation and sick leave are reported in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

The Proprietary Funds are accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred. 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 GASB guidance as applicable to proprietary funds and FASB 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.

Agency fund assets and liabilities are recognized on the modified accrual basis of accounting.

**GRAND VALLEY LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY**

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

1. Summary of Significant Accounting Policies (continued)

D. Budget and Budgetary Accounting

All governmental and proprietary fund types are subject to annual expenditure budgets. The Board follows the procedures outlined below in establishing the expenditure budget data reported in the general purpose 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 20th of each year, for the fiscal year commencing the following July 1st. The Board of Education normally adopts the Tax Budget at its regular board meeting in January.
- 2) The County Budget Commission certifies its actions to the District by March 1st. As part of this certification, the District receives the Official Certificate of Estimated Resources which states the projected receipts of each fund. During the month of July, this certificate is amended to include any unencumbered balances from the preceding fiscal year.
- 3) An annual appropriation measure must be passed by the Board of Education by October 1st of each year for the period July 1st to June 30th. Unencumbered appropriations lapse at year-end and the encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated. The Board of Education usually adopts temporary appropriations at its regular board meeting in June. The Annual Appropriation Resolution is usually adopted at the September regular board meeting. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources and expenditures may not exceed appropriations in any fund at the object level.
- 4) The District prepares its budget on a basis of accounting that differs from generally accepted accounting principles (GAAP). The actual results of operations are presented in the "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual--All Governmental Fund Types" 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 encumbered (budget basis) as opposed to when the liability is incurred (GAAP basis);
- c) Encumbrances are recorded as the equivalent of expenditures (budget basis) as opposed to a reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund types (GAAP basis); and
- d) For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP).

**GRAND VALLEY LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY**

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

1. Summary of Significant Accounting Policies (continued)

Encumbrances - As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of funds are recorded as the equivalent of expenditures on the budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds.

E. Cash and Investments

Cash received by the District is pooled in a central bank account with individual fund balance integrity maintained throughout. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and investments" on the combined balance sheet. During the fiscal year all investments were limited to certificates of deposit, and repurchase agreements. Investments are reported at cost.

Under existing Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the General Fund during the fiscal year amounted to \$140,087.

For the District, all investment earnings accrue to the General Fund, Expendable Trust Fund, Non-expendable Trust Fund, and Lunchroom Fund as authorized by board resolution. Interest income earned in fiscal year 2001 totaled \$148,194.

F. Taxes Receivable

The financial statements reflect taxes receivable as of June 30, 2001. GAAP permits the recognition of revenue from any property tax assessment in the fiscal period levied, provided the funds are "available." "Available" means then due, or past due and receivable within the current period or expected to be collected soon thereafter. While these taxes have been assessed, the majority are not due at June 30, 2001 and accordingly have been recorded as deferred revenue in the accompanying financial statements. Taxes that become delinquent remain recorded in deferred revenue until they are determined to be uncollectible.

G. Inventories

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventories are determined by physical count. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of the governmental fund type inventories are recorded as expenditures when purchased (purchase method) rather than when consumed. Reported inventories in these funds are equally offset by a fund balance reserve which indicates they are unavailable for appropriation. Inventories of proprietary funds consist of donated food, purchased food, and general supplies, and are expended when used.

**GRAND VALLEY LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY**

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

1. Summary of Significant Accounting Policies (continued)

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2001, are recognized under the nonallocation method. The nonallocation method of prepayments and deferrals is consistent with the basic governmental concept that only expendable financial resources are reported by a specific governmental fund. Payments for the prepaid items or deferrals are fully recognized as an expenditure in the year of payment. Under the nonallocation method no asset for the prepayment or deferral is created, and no expenditure allocation to future accounting periods is required.

I. Fixed Assets

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs, that do not add to the value of the asset or materially extend asset lives, are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Assets in the general fixed assets account group are not depreciated. Depreciation of buildings, equipment and vehicles in the proprietary fund types is computed using the straight-line method over an estimated useful life of the assets.

J. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis and entitlements, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

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

Entitlements:

General Fund

State Foundation Program

School Bus Funding

Special Revenue Funds

Educational Management Information Systems

Capital Projects Funds

SchoolNet Plus

Technology Equity Fund

Ohio Schools Facility Commission Grant

**GRAND VALLEY LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY**

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

1. Summary of Significant Accounting Policies (continued)

Non-Reimbursable Grants:

Special Revenue Funds

Title I
Title II
Title VI
Drug Free Schools Program
Career Development Mini-Grant
Ohio Reads
Title VI-R
Safe Schools
Professional Development
DPIA
Miscellaneous State and Federal Grants

Reimbursable Grants:

General Fund

Driver Education Reimbursement
Vocational Education (matching funds & travel/training reimbursement)

Proprietary Funds

National School Lunch Program
Government Donated Commodities

Grants and entitlements amounted to approximately 63% of the District's operating revenue during the 2001 fiscal year.

K. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds." Short-term interfund loans are classified as "interfund receivables/payables." At June 30, 2001, the District had neither "Due to/from other Funds" nor "Interfund Receivables/Payables."

L. Advances to Other Funds

Non-current portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and therefore are not available for appropriation. At June 30, 2001 the District had no long-term interfund loans.

M. Compensated Absences

The District accounts for compensated absences in accordance with GASB Statement No. 16. Sick leave and other compensated absences with similar characteristics are accrued as a liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination

**GRAND VALLEY LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY**

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

1. Summary of Significant Accounting Policies (continued)

payments, as well as other employees who are expected to become eligible in the future to receive such payments. To calculate the liability, these accumulations are reduced to the maximum amount allowed as a termination payment. Accruals for those employees who are expected to become eligible in the future are based on assumptions concerning the probability that individual employees or class or group of employees will become eligible to receive termination payments. All employees with ten or more years of service were included in the calculation of the long-term compensated absences accrual amount.

Vacation leave and other compensated absences with similar characteristics are accrued as a liability as the benefits are earned by the employees if both of the following conditions are met: 1.) The employees' rights to receive compensation are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee; and 2.) It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

For governmental funds, the District records a liability for accumulated unused vacation and sick leave when earned. The current portion of these unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term debt account group. In proprietary funds, compensated absences are expensed when earned with the amount reported as a fund liability.

N. Contributed Capital

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. The assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end. Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources. At June 30, 2001, the District had \$97,445 in contributed capital.

O. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

P. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

**GRAND VALLEY LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY**

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

1. Summary of Significant Accounting Policies (continued)

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Q. Fund Balance Reserves

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for supplies inventory, encumbrances, future appropriations, textbooks and budget stabilization. The reserve for future appropriation represents the amount of the property taxes available for advance and recognized as revenue. The District is prohibited by law from appropriating the advance, since it was not received, for the current fiscal year. The unreserved portions of fund equity reflected for the Governmental Funds are available for use within the specific purposes of those funds.

R. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents (an intergovernmental receivable) set aside to establish textbook and budget stabilization reserves. A fund balance reserve has also been established.

S. Estimates

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

T. Memorandum Only - Total Columns

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

**GRAND VALLEY LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY**

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

2. Budgetary Basis of Accounting

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type:

**Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
Governmental Fund Type and Expendable Trust Fund**

	General Fund	Special Revenue	Debt Service	Capital Project	Expendable Trust
GAAP Basis	\$ 273,175	140,539	(4,416)	17,087	\$ 2,197
Increase (Decrease):					
Due to Revenues:					
Net Adjustments to Revenue Accruals	118,790	9,444	12,383	(1,941)	1,651
Due to Expenditures:					
Net Adjustments to Expenditure Accruals	(38,674)	(1,077)	1	(112,247)	0
Due to Other Sources/Uses	2,757	(1,343)	0	(5,062)	0
Budget Basis	<u>\$ 356,048</u>	<u>147,563</u>	<u>7,968</u>	<u>(102,163)</u>	<u>\$ 3,848</u>

3. Cash and Investments

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

**GRAND VALLEY LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY**

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

3. Cash and Investments (continued)

Monies held by the District which are not considered active are classified as inactive. Inactive monies may be deposited or invested in the following securities:

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

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

**GRAND VALLEY LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY**

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

3. Cash and Investments (continued)

Cash on Hand: At fiscal year end, the District had \$50 in undeposited cash on hand which is included on the balance sheet of the District as part of the "Equity in Pooled Cash and Investments."

Deposits: At year end, the carrying amount of the District's deposits was (\$95,393) and the bank balance was \$50,005, which was covered by the Federal Deposit Insurance Corporation.

Investments: GASB Statement No. 3, entitled *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements* requires the District's investments to be categorized to give an indication of the level of risk assumed by the District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which are held by the counter party's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter party, or by its trust department or agent but not in the District's name.

	Category			Carrying Value	Fair Value
	1	2	3		
Victory Federal Money Market Mutual Fund	\$ 0	\$ 0	\$ 2,533,990	\$ 2,533,990	\$ 2,533,990
Total Investments			<u>\$ 2,533,990</u>	<u>\$ 2,533,990</u>	<u>\$ 2,533,990</u>

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

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

	Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$ 2,438,647	\$ 0
Investments:		
Victory Federal Money Market Mutual Fund	(2,533,990)	2,533,990
Cash on Hand	(50)	0
GASB Statement No. 3	<u>\$ (95,393)</u>	<u>\$ 2,533,990</u>

**GRAND VALLEY LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY**

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

4. Property Tax

Property taxes are levied, assessed and collected on a calendar year basis. They include amounts levied against all real, public utility, and tangible personal property located in the District. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the Ashtabula County Auditor at 35% of appraised market value. All property is required to be revalued every six years. The last revaluation for the District was completed in 1996; an update was done in 1999. The next revaluation is scheduled for 2002.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31. If paid semi-annually, the first payment is usually due February 14, with the remainder payable June 20.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before December 31 of that calendar year. Tangible personal property used in business (except for public utilities) is currently assessed for taxation purposes at 25% of its true value. Amounts paid by multi-county taxpayers may be paid annually or semi-annually, the first payment is due April 30, with the remainder payable by September 28.

Public utility real and public utility personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The Ashtabula County Treasurer collects property tax on behalf of the District. The Ashtabula County Auditor remits the collected taxes to the District. Tax settlements are made each March and August for real property taxes and each June and October for personal property.

Taxes available for advance and recognized as revenue, but not received by the District prior to June 30, are reflected as a reservation of fund balance. The District is prohibited by law from appropriating the property taxes recognized as revenue in accordance with Ohio Revised Code Section 5705.35 since an advance of tax revenue was not received by the end of the fiscal year.

The full tax rate at the fiscal year ended June 30, 2001 for operations was \$43.14 per \$1,000 of assessed valuation. The assessed values of real and tangible personal property on which the fiscal year 2001 taxes were collected were as follows:

Real Property-Commercial/Industrial	\$ 8,504,890
Real Property-Residential/Agricultural	87,441,210
Personal Property-General	11,374,930
Personal Property-Public Utilities	<u>7,235,640</u>
Total Assessed Value	<u>\$ 114,556,670</u>

**GRAND VALLEY LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY**

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

5. Receivables

Receivables at June 30, 2001 consisted of taxes, accounts (miscellaneous), and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current guarantee of Federal funds.

A summary of the principal items of Intergovernmental Receivables follows:

General Fund:	
OWA Payment	\$ 1,561
Tax Rollbacks	266
CAFS Reimbursement	<u>2,951</u>
Total General Fund	<u><u>4,778</u></u>
Debt Service Fund:	
Tax Rollbacks	<u>1</u>
Total Debt Service Fund	<u><u>1</u></u>
Special Revenue Fund:	
Title I Grant Payment	37,325
Title VI-R Grant Payment	<u>4,361</u>
Total Special Revenue Fund	<u><u>41,686</u></u>
Capital Project Fund:	
Tax Rollbacks	<u>18</u>
Total Capital Project Fund	<u><u>18</u></u>
Grand Total	<u><u>\$ 46,483</u></u>

6. Fixed Assets

The following is a summary of the Proprietary Fund property, plant and equipment at June 30, 2001:

Enterprise Fund	June 30, 2001
Furniture and Equipment	\$ 186,454
Less Accumulated Depreciation	<u>(113,883)</u>
Net Fixed Assets	<u><u>\$ 72,571</u></u>

**GRAND VALLEY LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY**

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

6. Fixed Assets (continued)

The following is a summary of changes in the General Fixed Assets Account Group during the fiscal year 2001:

	General Fixed Assets June 30, 2000	Additions	Deletions	General Fixed Assets June 30, 2001
Land and Improvements	\$ 535,353	0	0	\$ 535,353
Buildings	2,551,976	89,280	0	2,641,256
Improvements other than	638,361	20,490	0	658,851
Furniture and Equipment	1,795,270	174,480	124,668	1,845,082
Vehicles	921,922	274,073	0	1,195,995
Construction in Progress	33,882	0	33,882	0
Total General Fixed Assets	\$ 6,476,764	558,323	158,550	\$ 6,876,537

7. Defined Benefit Pension Plans

A. School Employees Retirement System

The 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 Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current 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 2001, 4.2 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2000, 5.5 percent was used to fund the pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amount, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$174,360, \$151,176 and \$154,008 respectively; 46 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$93,943 representing the unpaid contribution for fiscal year 2001, including the surcharge, is recorded as a liability within the respective funds and the general long-term obligations account group.

**GRAND VALLEY LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY**

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

7. Defined Benefit Pension Plans (continued)

B. State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides basic retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

For the fiscal year ended June 30, 2001, plan members are required to contribute 9.3 percent of their annual covered salaries. The District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year 2000, 6 percent was used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$538,488, \$492,432 and \$460,848, respectively; 83 percent has been contributed for fiscal year 2001, and 100 percent for fiscal years 2000 and 1999. \$89,749 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.

8. Postemployment Benefits

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2001, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund, a decrease of 3.5 percent for fiscal year 2001. For the District, this amount equaled \$173,085 for fiscal year 2001.

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

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

**GRAND VALLEY LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY**

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

8. Postemployment Benefits (continued)

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase of 1.3 percent for fiscal year 2001. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay has been established at \$12,400. For the District, the amount to fund health care benefits, including surcharge, during the 2001 fiscal year equaled \$128,814.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2000, (the latest information available), were \$140,696,340 and the target level was \$211.0 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants receiving health care benefits.

9. Compensated Absences

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Only administrative and support personnel who are under a full year contract (260 days) are eligible for vacation time. The superintendent and treasurer are generally granted twenty days of vacation per year.

Classified employees earn five to twenty-five days of vacation per year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment in accordance with state law.

The classified personnel accumulate vacation based on the following schedule:

<u>Years Service</u>	<u>Vacation</u>
< 6 months -1	1 week
1 - 4	2 weeks
5 -11	3 weeks
12 -19	4 weeks
20-beyond	5 weeks

Each employee earns sick leave at the rate of one and one-fourth days per month. Sick leave shall accumulate during active employment on a continuous year-to-year basis. Maximum sick leave accumulation for certified and classified employees is 290 days.

For all employees, retirement severance is paid to each employee retiring from the District at a per diem rate of the annual salary at the time of retirement. Any employee receiving retirement severance pay shall be entitled to a dollar amount equivalent to one-fourth of all accumulated sick leave credited to that employee up to 50 days for certified employees and 48 days for classified employees.

**GRAND VALLEY LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY**

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

10. Risk Management

A. General Risk

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The District has addressed these various types of risk by purchasing a comprehensive insurance policy through commercial carriers.

General liability insurance is maintained in the amount of \$2,000,000 for each occurrence and \$5,000,000 in the aggregate.

The District maintains fleet insurance in the amount of \$1,000,000 for any one accident or loss.

The District maintains replacement cost insurance on buildings and contents in the amount of \$18,725,229.

B. Workers' Compensation

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

The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund."

This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

C. Health Insurance

In July, 1987, the District joined the Ashtabula County Schools Council of Governments Employees Insurance Consortium to form a council of governments to insure its medical claims. The consortium currently includes seven member school districts. The insurance plan operates as a full indemnity program.

**GRAND VALLEY LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY**

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

11. Long-Term Debt

A summary of changes in long-term obligations for the year ended June 30, 2001, are as follows:

	Balance			Balance	
	July 1, 2000	Additions	Deletions	June 30, 2001	
Intergovernmental Payable	\$ 62,600	58,729	62,600	\$ 58,729	
Bonds Payable	101,250	0	11,250	90,000	
Leases Payable	28,083	16,202	7,246	37,039	
Retirement Incentive	0	30,000	0	30,000	
Compensated Absences Payable	556,222	0	23,378	532,844	
	<u>\$ 748,155</u>	<u>104,931</u>	<u>104,474</u>	<u>\$ 748,612</u>	

Additions and deletions of compensated absences are shown net since it is impracticable for the District to determine these amounts separately.

The Ohio Revised Code (ORC) provides that the net debt of a school district, whether or not approved by the people, shall not exceed 9.0% of the total value of all property in the District as listed and assessed for taxation. In addition, the unvoted net debt of a school district cannot exceed .01% of the total assessed value of property. The District has no unvoted debt, the District's unvoted debt limit is \$114,557. The voted debt limit at June 30, 2001 is \$10,310,100.

The annual maturities of the general obligation bonds as of June 30, 2001, and related interest payments are as follows:

	Principal	Interest	Payment
FY 2002	\$ 11,250	6,117	\$ 17,367
FY 2003	11,250	5,301	16,551
FY 2004	11,250	4,485	15,735
FY 2005	11,250	3,670	14,920
FY 2006 and thereafter	45,000	6,523	51,523
	<u>\$ 90,000</u>	<u>26,096</u>	<u>\$ 116,096</u>

**GRAND VALLEY LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY**

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

11. Long-Term Debt (continued)

The District is making installment payments on four copiers and a van. This equipment has been capitalized in the general fixed assets account group. This obligation has an outstanding balance of \$37,039 at June 30, 2001.

Payment schedule for the installment purchase obligations as of June 30, 2001:

	Principal	Interest	Payment
FY 2002	\$ 13,097	2,299	\$ 15,396
FY 2003	13,337	1,370	14,707
FY 2004	8,352	484	8,836
FY 2005	2,253	112	2,365
	<u>\$ 37,039</u>	<u>4,265</u>	<u>\$ 41,304</u>

12. Jointly Governed Organizations

NORTHEAST OHIO MANAGEMENT INFORMATION NETWORK- (NEOMIN) is a jointly governed organization among thirty school districts in Trumbull and Ashtabula Counties. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the districts support NEOMIN based upon a per pupil charge. The District contributed \$21,195 to NEOMIN for fiscal year 2001.

Superintendents of the participating school districts are eligible to be voting members of the Governing Board which consists of ten members: the Trumbull and Ashtabula County superintendents (permanent members), three superintendents from Ashtabula County school districts, three superintendents from Trumbull County districts, and two treasurers, one from each county. The District was not represented on the Governing Board during fiscal year 2001. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. To obtain a copy of a complete set of separate financial statements, write to the Trumbull County Educational Service Center, 347 North Park Avenue, Warren, Ohio, 44481.

NORTHEAST OHIO SPECIAL EDUCATION REGIONAL RESOURCE CENTER- (NEOSERRC) is a special education service center which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents.

NEOSERRC is governed by a governing board of 39 members made up of representatives from 35 superintendents of the participating districts, one non-public school, one county board of mental retardation and two parents whose term rotates every year. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting the Treasurer at the Mahoning County Educational Service Center, 2801 Market Street, Youngstown, Ohio, 44507.

**GRAND VALLEY LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY**

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

12. Jointly Governed Organizations (continued)

ASHTABULA COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

The District is a member of the Ashtabula County Joint Vocational School District. The Ashtabula County Joint Vocational School District has a seven-member board of education and is funded by levying millage and state and federal support. The District has no board representation.

The District has no ongoing financial interest or financial responsibility to the Ashtabula County Joint Vocational School District.

13. Contingencies

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds.

However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2001.

B. Litigation

The District is a defendant in a legal proceeding pertaining to matters which are incidental to performing routine governmental and other functions. Based on the status of this legal proceeding, it is the opinion of management that the ultimate resolution of such will not have a material effect on the District's financial statements.

14. School Funding Decision

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

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

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

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of the date of this report, the Ohio General Assembly is still analyzing the impact this

**GRAND VALLEY LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY**

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

14. School Funding Decision (continued)

Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

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

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

15. Ohio Schools Council

The District participates in the Council's electricity purchase program which was implemented during fiscal year 1999. This program allows school districts to purchase electricity at reduced rates, if the school districts will commit to participating for an eight year period. The participants make monthly payments based on estimated usage. Each June these estimated payments are compared to their actual usage for the year and any necessary adjustments are made.

Energy Acquisition Corp., a non-profit corporation with a self-appointing board, issued \$119,140,000 in debt to purchase eight years of electricity from Cleveland Electric Illuminating (CEI) for the participants. The participating school districts are not obligated in any manner for this debt. If a participating school district terminates its agreement, the district is required to repay the savings to CEI and CEI will refund the remaining prepayment related to that participant to Energy Acquisition Corp.

16. Statutory Reserves

The District is required by State statute to set aside annually in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

Effective April 10, 2001, the District is no longer required to maintain a budget stabilization reserve. However, restrictions have been placed on the disposition of any balances remaining in the previously required budget reserve.

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. Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amount for capital improvement below zero, the extra amounts may not be used to reduce the set-aside requirements of future years. The negative amount is therefore not presented as being carried forward to the next fiscal year.

**GRAND VALLEY LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY**

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

16. Statutory Reserves (continued)

During the fiscal year ended June 30, 2001, the reserve activity was as follows:

	Textbook Reserve	Capital Maintenance Reserve	Budget Stabilization Reserve	Total
Set-Aside Cash Balance as of June 30, 2000	\$ 0	\$ 0	\$ 89,901	\$ 89,901
Current Year Set-Aside	168,316	168,316	0	336,632
Current Offset Credits	0	(180,808)	0	(180,808)
Qualifying Disbursements	(148,816)	0	0	(148,816)
Total	\$ 19,500	\$ (12,492)	\$ 89,901	\$ 96,909
Cash Balance Carried Forward to FY 2002	\$ 19,500	\$ 0	\$ 89,901	\$ 109,401
Amount Restricted for Budget Stabilization				\$ 109,401
Total Restricted Assets				\$ 109,401

17. Changes in Accounting Principles and Restatement of Fund Balance

For fiscal year 2001, the District has implemented GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. At June 30, 2001 there was no effect on fund balances as a result of implementing GASB 33.

18. Restatement of Fund Balances

In prior years the District reported the Power-Up Grant as a Special Revenue Fund rather than a Capital Projects Fund. To correct this error, a restatement of beginning fund balance at July 1, 2000 has been made to the Budget and Actual (Non-GAAP Basis) Statements by the following:

<u>Fund</u>	<u>Prior Year Ending Balance</u>	<u>Adjustment</u>	<u>Current Year Beginning Balance</u>
Special Revenue	\$108,715	(\$11,117)	\$ 97,598
Capital Projects	178,853	11,117	189,970

**GRAND VALLEY LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2001**

FEDERAL GRANTOR Pass-Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	n/a	10.550	-	\$31,267	-	\$30,585
National School Breakfast Program	05-PU-2000 05-PU-2001	10.553	\$3,894 34,076	- -	\$3,894 34,076	- -
Subtotal - National Breakfast Program			37,970	-	37,970	-
National School Lunch Program	LL-P1-2000 LL-P4-2000 LL-P1-2001 LL-P4-2001	10.555	11,428 3,999 75,921 25,282	- - - -	11,428 3,999 75,921 25,282	- - - -
Subtotal - National School Lunch Program			116,630	-	116,630	-
Total Department of Agriculture - Nutrition Cluster			154,600	31,267	154,600	30,585
UNITED STATES DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Grants to Local Educational Agencies (ESEA Title I)	C1-S1-2000 C1-S1-2001	84.010	65,208 302,064	- -	63,880 255,580	- -
Subtotal - Grants to Local Educational Agencies			367,272	-	319,460	-
Safe and Drug Free Schools	DR-S1-2001	84.186	5,513	-	5,513	-
Goals 2000 - Continuous Improvement	G2-S2-2000 G2-S2-2001	84.276	21,000 14,000	- -	7,917 -	- -
Subtotal - Goals 2000			35,000	-	7,917	-
Eisenhower Professional Development State Grants	MS-S1-2001	84.281	7,909	-	7,909	-
Innovative Educational Program Strategies	C2-S1-2000 C2-S1-2001	84.298	- 6,580	- -	3,256 6,580	- -
Subtotal - Innovative Educational Program Strategies			6,580	-	9,836	-
Class Size Reduction	CR-S1-2000 CR-S1-2001	84.340	6,719 43,369	- -	7,847 38,252	- -
Subtotal - Class Size Reduction			50,088	-	46,099	-
Total Department of Education			472,362	-	396,734	-
UNITED STATES DEPARTMENT OF HEALTH & HUMAN SERVICES						
<i>Passed Through Ohio Department of Human Services; passed through Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
Medicaid Cluster:						
Medical Assistance Program - Title XIX - Community Alternative Funding System	n/a	93.778	13,696	-	13,696	-
Totals			\$640,658	\$31,267	\$565,030	\$30,585

The notes to the schedule of federal awards expenditures is an integral part of this schedule.

GRAND VALLEY LOCAL SCHOOL DISTRICT

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JUNE 30, 2001**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2001, the District had no significant food commodities in inventory.

NOTE C - MATCHING REQUIREMENTS

Certain Federal programs require that the District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

Voinovich Government Center
242 Federal Plaza West
Suite 302
Youngstown, Ohio 44503
Telephone 330-797-9900
800-443-9271
Facsimile 330-797-9949
www.auditor.state.oh.us

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

Grand Valley Local School District
Ashtabula County
7527 Route 45 North
Orwell, Ohio 44076-0279

To the Board of Education:

We have audited the financial statements of Grand Valley Local School District, as of and for the year ended June 30, 2001, and have issued our report thereon dated December 28, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Grand Valley Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Grand Valley Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of Grand Valley Local School District in a separate letter dated December 28, 2001.

Grand Valley Local School District
Ashtabula County
Report of Independent Accountants on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

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

Jim Petro
Auditor of State

December 28 , 2001



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Grand Valley Local School District
Ashtabula County
7527 Route 45 North
Orwell, Ohio 44076-0279

To the Board of Education:

Compliance

We have audited the compliance of Grand Valley Local School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2001. Grand Valley Local School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Grand Valley Local School District's management. Our responsibility is to express an opinion on Grand Valley Local School District's compliance based on our audit.

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

In our opinion, Grand Valley Local School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2001.

Internal Control Over Compliance

The management of Grand Valley Local School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Grand Valley Local School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

Jim Petro
Auditor of State

December 28, 2001

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2001

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Nutrition Cluster CFDA # 10.550, 10.553, and 10.555
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

GRAND VALLEY LOCAL SCHOOL DISTRICT

ASHTABULA 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
JANUARY 15, 2002**