

**GRAND VALLEY LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 1999

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STATE OF OHIO
OFFICE OF THE AUDITOR

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REPORT OF INDEPENDENT ACCOUNTANTS

Grand Valley Local School District
Ashtabula County
7527 Route 45 North
P.O. Box 279
Orwell, Ohio 44076

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, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

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

Our audit was performed for the purpose of forming 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 purposes of additional analysis as required by the 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. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

Grand Valley Local School District

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 1999 on our consideration of the Government's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

A handwritten signature in black ink, appearing to read "Jim Petro", written over a circular stamp or seal.

Jim Petro
Auditor of State

December 20, 1999

**Grand Valley Local School District
Combined Balance Sheet
All Fund Types and Account Groups
June 30, 1999**

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types		Account Groups			Totals 1999 (Memorandum) (Only)	
	General	Special Revenue	Debt Service	Capital Project	Enterprise	Trust and Agency	General	Fixed Assets	Long Term Debt	General			
											Equity in Pooled Cash and Investments		Restricted Assets
\$	929,142	153,491	49,482	586,742	29,998	76,835	\$0	\$0	\$0	\$0	\$0	1,825,690	
	89,901	0	0	0	0	0	0	0	0	0	0	89,901	
	0	0	0	23,122	0	0	0	0	0	0	0	23,122	
	2,282,258	0	22,660	163,796	0	0	0	0	0	0	0	2,468,714	
	39,729	0	0	0	0	0	0	0	0	0	0	39,729	
	68,459	0	0	0	24,987	0	0	0	0	0	0	93,446	
	3,428	507	0	0	12	31	0	0	0	0	0	3,978	
	30,454	0	0	0	2,104	0	0	0	0	0	0	32,558	
	0	0	0	0	7,282	0	0	0	0	0	0	7,282	
	0	0	0	0	196,136	0	6,477,748	0	0	0	0	6,673,884	
	0	0	0	0	(124,823)	0	0	0	0	0	0	(124,823)	
	0	0	0	0	0	0	0	0	0	57,594	0	57,594	
	0	0	0	0	0	0	0	0	0	683,640	0	683,640	
	\$ 3,443,371	\$ 153,998	\$ 72,142	\$ 773,660	\$ 135,696	\$ 76,866	\$ 6,477,748	\$ 741,234	\$ 0	\$ 0	\$ 11,874,715		

(Continued)

**Grand Valley Local School District
Combined Balance Sheet
All Fund Types and Account Groups, Continued
June 30, 1999**

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types		Account Groups			Totals 1999 (Memorandum) (Only)
	General	Special Revenue	Debt Service	Capital Project	Enterprise	Trust and Agency	General	Fixed Assets	Long Term Debt	General		
Liabilities:												
Interfund Payable	\$ 0	\$ 0	\$ 0	\$ 39,729	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 39,729
Intergovernmental Payable	109,057	6,954	0	0	2,817	0	0	0	0	61,551	0	180,379
Accounts Payable	73,280	3,512	0	127,756	115	1,003	0	0	0	0	0	205,666
Contracts Payable-Retainage	0	0	0	23,122	0	0	0	0	0	0	0	23,122
Accrued Salaries and Benefits	574,960	48,754	0	0	9,518	0	0	0	0	0	0	631,232
Deferred Revenue	1,492,016	0	14,548	106,320	5,879	0	0	0	0	0	0	1,618,763
Due to Others	0	0	0	0	0	25,994	0	0	0	0	0	25,994
General Obligation Bonds Payable	0	0	0	0	0	0	0	0	0	112,500	0	112,500
Capital Leases Payable	0	0	0	0	0	0	0	0	0	22,269	0	22,269
Compensated Absences Payable	34,485	0	0	0	5,790	0	0	0	0	544,914	0	585,189
Total Liabilities	2,283,798	57,220	14,548	296,927	24,119	26,997	0	0	0	741,234	0	3,444,843
Fund Equity and Other Credits:												
Investment in General Fixed Assets	0	0	0	0	0	0	0	0	6,477,748	0	0	6,477,748
Contributed Capital	0	0	0	0	133,840	0	0	0	0	0	0	133,840
Retained Earnings	0	0	0	0	(22,263)	22,854	0	0	0	0	0	591
Retained Earnings-Reserved	0	0	0	0	0	10,000	0	0	0	0	0	10,000
Fund Balances:												
Reserved for Budget Stabilization	89,901	0	0	0	0	0	0	0	0	0	0	89,901
Reserved for Inventory	30,454	0	0	0	0	0	0	0	0	0	0	30,454
Reserved for Encumbrances	68,747	6,802	0	37,565	0	0	0	0	0	0	0	112,914
Reserved for Future Appropriation	790,242	0	8,112	57,476	0	0	0	0	0	0	0	855,830
Unreserved Fund Balance	180,229	90,176	49,482	381,682	0	17,015	0	0	0	0	0	718,594
Total Fund Equity	1,159,573	96,778	57,594	476,733	0	17,015	0	0	0	0	0	1,807,693
Total Fund Balances/Retained Earnings and Other Credits	1,159,573	96,778	57,594	476,733	111,577	49,869	0	0	6,477,748	0	0	8,429,872
Total Liabilities, Fund Equity, and Other Credits	\$ 3,443,371	\$153,998	\$72,142	\$773,660	\$135,696	\$76,866	\$741,234	\$0	\$6,477,748	\$0	\$0	\$11,874,715

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, 1999

	Governmental Fund Types				Fiduciary	Totals (Memorandum) (Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
REVENUE:						
Taxes	\$ 2,271,964	\$0	\$22,018	\$160,477	\$0	\$ 2,454,459
Tuition	97,921	0	0	0	0	97,921
Earnings on Investments	100,287	0	0	0	792	101,079
Extracurricular Activities	0	114,585	0	0	0	114,585
Classroom Materials and Fees	26,902	0	0	0	0	26,902
Miscellaneous	30,030	13,685	0	0	1,392	45,107
Revenue from Intermediate Sources						
Unrestricted Grants-in-Aid	0	0	0	0	990	990
Revenue from State Sources						
Unrestricted Grants-in-Aid	4,203,620	0	2,296	15,740	0	4,221,656
Restricted Grants-in-Aid	64,153	47,422	0	645,896	0	757,471
Revenue for/on Behalf of District	(5,500)	0	0	0	0	(5,500)
Revenue from Federal Sources						
Unrestricted Grants-in-Aid	7,574	346,472	0	0	0	354,046
Restricted Grants-in-Aid	0	13,750	0	0	0	13,750
Total Revenue	<u>6,796,951</u>	<u>535,914</u>	<u>24,314</u>	<u>822,113</u>	<u>3,174</u>	<u>8,182,466</u>
EXPENDITURES:						
Current:						
Instruction						
Regular	3,166,316	62,917	0	95,041	1,992	3,326,266
Special	290,913	333,910	0	0	0	624,823
Vocational	111,073	0	0	0	0	111,073
Other	205,006	0	0	0	0	205,006
Supporting Services						
Pupils	118,843	26,275	0	9,775	163	155,056
Instructional Staff	243,594	0	0	0	0	243,594
Board of Education	12,116	0	0	0	0	12,116
Administration	632,626	2,854	0	0	0	635,480
Fiscal Services	174,020	2,775	445	3,257	0	180,497
Business Services	11,334	0	0	0	0	11,334
Operation & Maintenance-Plant	655,776	0	0	0	0	655,776
Pupil Transportation	692,216	190	0	0	0	692,406
Central Services	5,005	0	0	0	0	5,005
Extracurricular Activities						
Academic & Subject Oriented	32,779	16,407	0	0	0	49,186
Sports Oriented	103,749	48,343	0	0	0	152,092
Co-Curricular Activities	0	82,542	0	0	0	82,542
Operation of Non-Instructional Services						
Food Services Operations	0	165	0	0	0	165
Capital Outlay						
Site Acquisition	38,878	0	0	37,759	0	76,637
Building Improvement	0	0	0	569,115	0	569,115
Debt Service						
Repayment of Debt	0	0	19,814	0	0	19,814
Total Expenditures	<u>6,494,244</u>	<u>576,378</u>	<u>20,259</u>	<u>714,947</u>	<u>2,155</u>	<u>7,807,983</u>
Excess (Deficiency) of Revenues						
Over (Under) Expenditures	302,707	(40,464)	4,055	107,166	1,019	374,483
Other Financing Sources and Uses:						
Other Financing Sources						
Transfers-In	0	17,500	0	0	0	17,500
Refund of Prior Years Expenses	2,195	0	0	0	0	2,195
Other Financing Uses						
Transfers-Out	(17,500)	0	0	0	0	(17,500)
Net Other Financing Sources and Uses	<u>(15,305)</u>	<u>17,500</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,195</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditure						
Disbursement and Other Uses	287,402	(22,964)	4,055	107,166	1,019	376,678
Increase in Inventory	2,842	0	0	0	0	2,842
Beginning Fund Balance	<u>869,329</u>	<u>119,742</u>	<u>53,539</u>	<u>369,567</u>	<u>15,996</u>	<u>1,428,173</u>
Ending Fund Balance	<u>\$ 1,159,573</u>	<u>\$96,778</u>	<u>\$57,594</u>	<u>\$476,733</u>	<u>\$17,015</u>	<u>\$ 1,807,693</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, 1999

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$ 2,203,657	\$ 2,203,657	\$0	\$0	\$0	\$ 0
Tuition	97,921	97,921	0	0	0	0
Earnings on Investment	100,287	100,287	0	0	0	0
Extracurricular Activities	0	0	0	114,078	114,078	0
Classroom Materials & Fees	24,252	24,252	0	0	0	0
Miscellaneous	29,314	29,314	0	13,685	13,685	0
Local Unrestricted Grants-in-Aid	0	0	0	0	0	0
State Unrestricted Grants-in-Aid	4,137,808	4,137,808	0	0	0	0
State Restricted Grants-in-Aid	64,153	64,153	0	108,472	108,472	0
Federal Unrestricted Grants-in-Aid	17,578	17,578	0	346,472	346,472	0
Federal Restricted Grants-in-Aid	0	0	0	13,750	13,750	0
Total Revenue	6,674,970	6,674,970	0	596,457	596,457	0
Expenditures:						
Regular Instruction	3,195,926	3,163,420	32,506	66,181	62,918	3,263
Special Instruction	293,224	291,746	1,478	400,390	330,412	69,978
Vocational Instruction	111,651	110,725	926	0	0	0
Other Instruction	207,116	207,116	0	0	0	0
Support Services-Pupils	121,234	119,816	1,418	34,940	31,442	3,498
Support Services-Instructional Staff	301,585	298,276	3,309	0	0	0
Support Services-Board of Education	12,761	12,149	612	0	0	0
Support Services-Administration	656,700	634,277	22,423	3,826	2,849	977
Fiscal Services	175,811	172,887	2,924	5,170	2,894	2,276
Support Services-Business	11,600	11,469	131	0	0	0
Operation & Maintenance-Plant	690,602	681,274	9,328	0	0	0
Support Services-Transportation	755,603	742,502	13,101	510	190	320
Support Services-Central	5,900	5,005	895	0	0	0
Food Service Operations	0	0	0	500	165	335
Academic & Subject Oriented	33,673	32,779	894	24,986	16,803	8,183
Sports Oriented	106,018	103,282	2,736	48,883	48,431	452
Co-Curricular Activities	0	0	0	116,723	84,070	32,653
Site Acquisitions	38,878	38,878	0	0	0	0
Building Improvement	0	0	0	0	0	0
Repayment of Debt	0	0	0	0	0	0
Total Expenditures	6,718,282	6,625,601	92,681	702,109	580,174	121,935
Excess of Revenue Over (Under) Expenditures	(43,312)	49,369	92,681	(105,652)	16,283	121,935
Other Financing Sources (Uses):						
Transfers-In	0	0	0	17,500	17,500	0
Advances-In	0	0	0	0	0	0
Refund of Prior Year Expenditures	2,382	2,382	0	0	0	0
Transfers-Out	(17,500)	(17,500)	0	0	0	0
Advances-Out	(39,729)	(39,729)	0	0	0	0
Total Other Sources (Uses)	(54,847)	(54,847)	0	17,500	17,500	0
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(98,159)	(5,478)	92,681	(88,152)	33,783	121,935
Beginning Fund (Deficit) Balance	765,124	765,124	--	164,414	164,414	--
Prior Year Carry Over	120,334	120,334	--	6,302	6,302	--
Ending Fund (Deficit) Balance	\$ 787,299	\$879,980	\$92,681	\$82,564	\$204,499	\$ 121,935

(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, 1999

	Debt Service Fund			Capital Projects Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$ 21,359	\$21,359	\$0	\$155,563	\$155,563	\$ 0
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	2,296	2,296	0	15,740	15,740	0
State Restricted Grants-in-Aid	0	0	0	584,846	584,846	0
Federal Unrestricted Grants-in-Aid	0	0	0	0	0	0
Federal Restricted Grants-in-Aid	0	0	0	0	0	0
Total Revenue	23,655	23,655	0	756,149	756,149	0
Expenditures:						
Regular Instruction	0	0	0	199,088	106,284	92,804
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	10,575	9,775	800
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	444	56	3,257	3,257	0
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
Food Service Operations	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
Site Acquisitions	0	0	0	37,759	37,759	0
Building Improvement	0	0	0	775,000	621,969	153,031
Repayment of Debt	19,815	19,814	1	0	0	0
Total Expenditures	20,315	20,258	57	1,025,679	779,044	246,635
Excess of Revenue Over (Under) Expenditures	3,340	3,397	57	(269,530)	(22,895)	246,635
Other Financing Sources (Uses):						
Transfers-In	0	0	0	0	0	0
Advances-In	0	0	0	39,729	39,729	0
Refund of Prior Year Expenditures	0	0	0	0	0	0
Transfers-Out	0	0	0	0	0	0
Advances-Out	0	0	0	0	0	0
Total Other Sources (Uses)	0	0	0	39,729	39,729	0
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	3,340	3,397	57	(229,801)	16,834	246,635
Beginning Fund (Deficit) Balance	46,086	46,086	--	318,665	318,665	--
Prior Year Carry Over Encumbrances	0	0	--	24,873	24,873	--
Ending Fund (Deficit) Balance	\$ 49,426	\$49,483	\$57	\$113,737	\$360,372	\$ 246,635

(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, 1999

	Expendable Trust Fund			Totals (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$ 0	\$0	\$0	\$2,380,579	\$2,380,579	\$ 0
Tuition	0	0	0	97,921	97,921	0
Earnings on Investment	792	792	0	101,079	101,079	0
Extracurricular Activities	0	0	0	114,078	114,078	0
Classroom Materials & Fees	0	0	0	24,252	24,252	0
Miscellaneous	1,392	1,392	0	44,391	44,391	0
Local Unrestricted Grants-in-Aid	990	990	0	990	990	0
State Unrestricted Grants-in-Aid	0	0	0	4,155,844	4,155,844	0
Federal Unrestricted Grants-in-Aid	0	0	0	757,471	757,471	0
Federal Unrestricted Grants-in-Aid	0	0	0	364,050	364,050	0
Federal Restricted Grants-in-Aid	0	0	0	13,750	13,750	0
Total Revenue	3,174	3,174	0	8,054,405	8,054,405	0
Expenditures:						
Regular Instruction	2,240	1,990	250	3,463,435	3,334,612	128,823
Special Instruction	0	0	0	693,614	622,158	71,456
Vocational Instruction	0	0	0	111,651	110,725	926
Other Instruction	0	0	0	207,116	207,116	0
Support Services-Pupils	376	376	0	167,125	161,409	5,716
Support Services-Instructional Staff	0	0	0	301,585	298,276	3,309
Support Services-Board of Education	0	0	0	12,761	12,149	612
Support Services-Administration	0	0	0	660,526	637,126	23,400
Fiscal Services	0	0	0	184,738	179,482	5,256
Support Services-Business	0	0	0	11,600	11,469	131
Operation & Maintenance-Plant	0	0	0	690,602	681,274	9,328
Support Services-Transportation	0	0	0	758,113	742,692	13,421
Support Services-Central	0	0	0	5,900	5,005	895
Food Services Operations	0	0	0	500	165	335
Academic & Subject Oriented	0	0	0	58,659	49,582	9,077
Sports Oriented	0	0	0	154,901	151,713	3,188
Co-Curricular Activities	0	0	0	116,723	84,070	32,653
Site Acquisitions	0	0	0	76,637	76,637	0
Building Improvement	0	0	0	775,000	621,969	153,031
Repayment of Debt	0	0	0	19,815	19,814	1
Total Expenditures	2,616	2,366	250	8,469,001	8,007,443	461,558
Excess of Revenue Over (Under) Expenditures	558	808	250	(414,596)	46,962	461,558
Other Financing Sources (Uses):						
Transfers-In	0	0	0	17,500	17,500	0
Advances-In	0	0	0	39,729	39,729	0
Refund of Prior Years Expenditures	0	0	0	2,382	2,382	0
Transfers-Out	0	0	0	(17,500)	(17,500)	0
Advances-Out	0	0	0	(39,729)	(39,729)	0
Total Other Sources (Uses)	0	0	0	2,382	2,382	0
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	558	808	250	(412,214)	49,344	461,558
Beginning Fund (Deficit) Balance	15,985	15,985	--	1,310,274	1,310,274	--
Prior Year Carry Over Encumbrances	223	223	--	151,732	151,732	--
Ending Fund (Deficit) Balance	\$ 16,768	\$17,016	\$250	\$1,049,792	\$1,511,350	\$ 461,558

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, 1999

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum (Only))
	Enterprise Funds	Non-Expendable Trust Funds	
Operating Revenues:			
Food Service	\$ 203,414	\$ 0	\$ 203,414
Total Operating Revenue	203,414	0	203,414
Operating Expenses:			
Personal Services - Salary	98,245	0	98,245
Employee Benefits	73,866	0	73,866
Purchased Services	2,855	0	2,855
Supplies and Materials	170,384	0	170,384
Other Objects	704	618	1,322
Depreciation	7,684	0	7,684
Total Operating Expenses	353,738	618	354,356
Operating Loss	(150,324)	(618)	(150,942)
Non-Operating Revenues:			
Earnings On Investments	674	1,358	2,032
State Unrestricted Grants-In-Aid	3,558	0	3,558
State Restricted Grants-in-Aid	6,099	0	6,099
Federal Unrestricted Grants-in-Aid	141,784	0	141,784
Federal Restricted Grants-In-Aid	27,278	0	27,278
Total Non-Operating Revenues	179,393	1,358	180,751
Non-Operating Expenses:			
Loss on Disposal of Assets	253	0	253
Total Non-Operating Expenses	253	0	253
Net Income Before Operating Transfers	28,816	740	29,556
Net Income	28,816	740	29,556
Beginning Retained Earnings	(47,696)	32,114	(15,582)
Net Change in Contributed Capital	(3,383)	0	(3,383)
Retained Earnings at End of Year	\$ (22,263)	\$ 32,854	\$ 10,591

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, 1999

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum) (Only)
	Enterprise Fund	Non-Expendable Trust Fund	
Cash Flows from Operating Activities			
Operating Gain (Loss)	\$ (150,324)	(\$619)	\$ (150,943)
Adjustment to Reconcile Operating Gain (Loss)			
To Net Cash used in Operating Activities:			
Depreciation	7,684	0	7,684
Net (Increase) Decrease in Assets:			
Intergovernmental Receivable	(5,690)	0	(5,690)
Accounts Receivable	(12)	0	(12)
Inventory	(1,863)	0	(1,863)
Net Increases (Decreases) in Liabilities:			
Accounts Payable	73	0	73
Intergovernmental Payable	110	0	110
Deferred Revenue	455	0	455
Accrued Wages and Benefits	1,489	0	1,489
Compensated Absences	(959)	0	(959)
Total Adjustments	1,287	0	1,287
Net Cash Used in Operating Activities	(149,037)	(619)	(149,656)
Cash Flows from Noncapital Activities:			
Earnings on Investments	674	1,358	2,032
Operating Grants from State Sources	9,657	0	9,657
Operating Grants from Federal Sources	169,062	0	169,062
Net Cash Provided by Noncapital Financing Sources	179,393	1,358	180,751
Cash Flows from Capital Activities:			
Acquisition of Capital Assets	(6,651)	0	(6,651)
Net Cash Provided by Capital Financing Sources			
Net Increase in Cash & Cash Equivalents	23,705	739	24,444
Cash and Cash Equivalents at Beginning of Year	6,293	32,115	38,408
Cash and Cash Equivalents at End of Year	\$ 29,998	\$32,854	\$ 62,852

See Accompanying Notes to General Purpose Financial Statements.

Grand Valley Local School District
Notes to the General Purpose Financial Statements
June 30,1999

Note 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, 1998, was 1376. The District employed 82 certified employees and 52 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 acquisitions 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 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 school 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.

Grand Valley Local School District
Notes to the General Purpose Financial Statements
June 30,1999

Note 1. Summary of Significant Accounting Policies (Continued)

A. Reporting Entity (Continued)

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.

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.

Grand Valley Local School District
Notes to the General Purpose Financial Statements
June 30, 1999

Note 1. Summary of Significant Accounting Policies (Continued)

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 Projects 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).

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 are the proprietary fund types:

Enterprise Funds - These funds are 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.

Grand Valley Local School District
Notes to the General Purpose Financial Statements
June 30,1999

Note 1. Summary of Significant Accounting Policies (Continued)

Fiduciary Fund Types

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.

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, which for the District is 60 days after year end.

Grand Valley Local School District
Notes to the General Purpose Financial Statements
June 30,1999

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus/Basis of Accounting (Continued)

- 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, 1999 and delinquent property taxes, whose availability is indeterminate, and are intended to finance fiscal year 2000 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.

D. Budget and Budgetary Accounting

All governmental and proprietary fund types are subject to annual expenditures 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 20 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.

Grand Valley Local School District
Notes to the General Purpose Financial Statements
June 30,1999

Note 1. Summary of Significant Accounting Policies (continued)

D. Budget and Budgetary Accounting (Continued)

- 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" (and also a separate "Combined Statement... for All Proprietary 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).

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.

Grand Valley Local School District
Notes to the General Purpose Financial Statements
June 30, 1999

Note 1. Summary of Significant Accounting Policies (Continued)

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 cash equivalents" 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 \$100,287.

For the District, all investment earnings accrue to the General Fund, Expendable Fund, Non-expendable Trust Fund, and Lunchroom Fund as authorized by board resolution. Interest income earned in fiscal year 1999 totaled \$103,111.

F. Taxes Receivable

The financial statements reflect taxes receivable as of June 30, 1999. 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, 1999 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
Notes to the General Purpose Financial Statements
June 30,1999

Note 1. Summary of Significant Accounting Policies (Continued)

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 1999, 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.

**Grand Valley Local School District
Notes to the General Purpose Financial Statements
June 30,1999**

Note 1. Summary of Significant Accounting Policies (Continued)

J. Intergovernmental Revenues (Continued)

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

Non-Reimbursable Grants:

Special Revenue Funds

Title I
Title VI

Non-Reimbursable Grants:

Special Revenue Funds

Drug Free Schools Program
Career Development Mini-Grant

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 1999 fiscal year.

Grand Valley Local School District
Notes to the General Purpose Financial Statements
June 30, 1999

Note 1. Summary of Significant Accounting Policies (Continued)

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, 1999, the District had no "Due to/from other Funds" and \$39,729 in "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 indicated that they do not constitute expendable available financial resources and therefore are not available for appropriation. At June 30, 1999 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 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. 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.

Grand Valley Local School District
Notes to the General Purpose Financial Statements
June 30, 1999

Note 1. Summary of Significant Accounting Policies (Continued)

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 expended 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, 1999, the District had \$133,840 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.

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 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.

**Grand Valley Local School District
Notes to the General Purpose Financial Statements
June 30, 1999**

Note 1. Summary of Significant Accounting Policies (Continued)

R. Restricted Assets

Restricted Assets in the general fund represent cash and cash equivalents (an intergovernmental receivable) set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction. 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 purposes 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.

Note 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	\$ 287,402	(22,964)	4,055	107,166	\$ 1,019
Increase (Decrease):					
Due to Revenues:					
Net Adjustments to Revenue Accruals	(121,981)	60,543	(659)	(65,964)	0
Due to Expenditures:					
Net Adjustments to Expenditure Accruals	(131,357)	(3,796)	1	(64,097)	(211)
Due to Other Sources/Uses	(39,542)	0	0	39,729	0
Budget Basis	<u>\$ (5,478)</u>	<u>33,783</u>	<u>3,397</u>	<u>16,834</u>	<u>\$ 808</u>

Grand Valley Local School District
Notes to the General Purpose Financial Statements
June 30,1999

Note 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 withdraw able on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

Protection of school district deposits 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.

Moneys 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;

Grand Valley Local School District
Notes to the General Purpose Financial Statements
June 30,1999

Note 3. Cash and Investments (Continued)

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 moneys available for investment at any one time.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are 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.

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

Deposits: At year end, the carrying amount of the District's deposits were (\$16,337) and the bank balance was \$0. By law, financial institutions may establish a collateral pool to cover all public deposits. The face value of the pooled collateral must equal at least 110 percent of public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions; noncompliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

Grand Valley Local School District
Notes to the General Purpose Financial Statements
June 30, 1999

Note 3. Cash and Investments (Continued)

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. The District's investments in STAR Ohio, an investment pool operated by the Ohio State Treasurer, are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Category			Carrying Value	Fair Value
	1	2	3		
Repurchase Agreement	\$ 0	0	1,914,304	\$1,914,304	\$1,914,304
Certificates of Deposit	0	0	17,574	17,574	17,574
Total Investments			<u>\$1,931,878</u>	<u>\$1,931,878</u>	<u>\$1,931,878</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	\$ 1,915,591	\$ 0
Investments:		
Repurchase Agreement	(1,914,304)	1,914,304
Certificates of Deposit	(17,574)	17,574
Cash on Hand	(50)	0
GASB Statement No. 3	<u>\$ (16,337)</u>	<u>\$ 1,931,878</u>

Grand Valley Local School District
Notes to the General Purpose Financial Statements
June 30,1999

Note 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 will be 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 pay 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 to the District the taxes collected. 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.

Grand Valley Local School District
Notes to the General Purpose Financial Statements
June 30, 1999

Note 4. Property Tax (Continued)

The full tax rate at the fiscal year ended June 30, 1999 for operations was \$43.29 per \$1,000 of assessed valuation. The assessed values of real and tangible personal property on which the fiscal year 1999 taxes were collected were as follows:

Real Property-Commercial/Industrial	\$ 8,208,930
Real Property-Residential/Agricultural	69,519,180
Personal Property-General	9,148,860
Personal Property-Public Utilities	<u>7,575,860</u>
Total Assessed Value	<u>\$ 94,452,830</u>

Note 5. Receivables

Receivables at June 30, 1999 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:	
Equity Aid Adjustment	\$ 3,772
School Foundation Adjustment	<u>64,687</u>
Total General Fund	<u>68,459</u>
Enterprise Fund	
State/Federal Lunchroom Payments	<u>24,987</u>
Total Enterprise Fund	<u>24,987</u>
Grand Total	<u>\$ 93,446</u>

Grand Valley Local School District
Notes to the General Purpose Financial Statements
June 30, 1999

Note 6. Fixed Assets

The following is a summary of the proprietary funds property, plant and equipment at June 30, 1999:

Furniture and Equipment	\$ 196,136
Less Accumulated Depreciation	<u>(124,823)</u>
Net Fixed Assets	<u>\$ 71,313</u>

The following is a summary of changes in the General Fixed Assets Account Group during the fiscal year 1999:

	General Fixed Assets June 30, 1998	Additions	Deletions	General Fixed Assets June 30, 1999
Land and Improvements	\$ 456,710	78,643	0	\$ 535,353
Buildings	2,224,446	327,800	0	2,552,246
Improvements other than Buildings	455,501	159,223	0	614,724
Furniture and Equipment	1,704,487	183,793	49,196	1,839,084
Vehicles	870,781	65,560	0	936,341
Total General Fixed Assets	<u>\$ 5,711,925</u>	<u>815,019</u>	<u>49,196</u>	<u>\$ 6,477,748</u>

There was no significant construction in progress at June 30, 1999.

Note 7. Defined Benefit Pension Plans

A. School Employees Retirement System

The District contributes to the School Employees retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Grand Valley Local School District
Notes to the General Purpose Financial Statements
June 30,1999

Note 7. Defined Benefit Pension Plans (continued)

A. School Employees Retirement System (continued)

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute 14 percent; 9.79 percent was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by SERS Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998 and 1997 were \$154,008, \$135,600 and \$129,594, respectively; 50 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$77,004 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 10.5 percent was the portion 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, 1999, 1998 and 1997 were: \$460,848, \$500,544 and \$425,520; 83 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$76,808 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

C. Social Security

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System /State Teachers Retirement System. As of June 30, 1999, one member of the Board of Education has elected social security. The Board's liability is 6.2 percent of wages paid.

Grand Valley Local School District
Notes to the General Purpose Financial Statements
June 30, 1999

Note 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 classified 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.

For STRS, all benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The board currently allocates employer contributions equal to two percent (2%) of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. The balance in the Health Care Reserve Fund was \$2,156 million at June 30, 1998 (the latest information available). The Health Care Reserve Fund allocation for the year ended June 30, 1999, will be 3.5% of covered payroll. For the District, this amount equaled \$115,212 during the 1999 fiscal year. For the fiscal year ended June 30, 1998, eligible benefit recipients totaled 91,999, and net health care costs paid by STRS were \$219,224,000.

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

For the fiscal year ended June 30, 1998 (the latest information available), employer contributions to fund health care benefits were 6.30 percent of covered payroll. 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 1999, the minimum pay has been established at \$12,400. The surcharge rate 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. For the District, this amount equaled \$64,998 during the 1999 fiscal year.

The target level for the health care reserve is 125% of annual health care expenses. Expenses for health care at June 30, 1998, were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, the Retirement System's net assets available for payment of health care benefits was \$160.3 million. The number of participants currently receiving health care benefits is approximately 50,000.

Grand Valley Local School District
Notes to the General Purpose Financial Statements
June 30,1999

Note 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 employees is 280 days, maximum for classified employees is 260 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 fifty days for certified employees and 48 days for classified employees.

Note 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.

Grand Valley Local School District
Notes to the General Purpose Financial Statements
June 30,1999

Note 10. Risk Management (Continued)

A. General Risk (Continued)

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
Notes to the General Purpose Financial Statements
June 30, 1999

Note 11. Long-Term Debt

A summary of changes in long-term obligations for the year ended June 30, 1999, are as follows:

	Balance			Balance
	July 1, 1998	Additions	Deletions	June
Intergovernmental Payable	\$ 57,008	4,543	0	\$ 61,551
Bonds Payable	123,750	0	11,250	112,500
Leases Payable	22,241	14,575	14,547	22,269
Compensated Absences Payable	506,315	38,599	0	544,914
	<u>\$ 709,314</u>	<u>57,717</u>	<u>25,797</u>	<u>\$ 741,234</u>

Additions and deletions of intergovernmental payable and 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 \$94,452. The voted debt limit at June 30, 1999 is \$8,500,755.

The annual maturities of the general obligation bonds as of June 30, 1999, and related interest payments are as follows:

	Principal	Interest	Payment
FY2000	\$ 11,250	7,749	\$ 18,999
FY2001	11,250	6,932	18,182
FY2002 and thereafter	90,000	26,096	116,096
	<u>\$ 112,500</u>	<u>40,777</u>	<u>\$ 153,277</u>

The District is making installment payments on four copiers. This equipment has been capitalized in the general fixed assets account group. This obligation has an outstanding balance of \$22,269 at June 30, 1999.

**Grand Valley Local School District
Notes to the General Purpose Financial Statements
June 30, 1999**

Note 11. Long-Term Debt (Continued)

Payment schedule for the installment purchase obligations as of June 30, 1999:

	Year Ending June 30
FY2000	8,307
FY2001	8,307
FY2002	5,249
FY2003	3,720
FY2004	930
	<u>26,513</u>
Less interest:	<u>(4,244)</u>
Present Value of Minimum Lease Payments	<u>\$ 22,269</u>

Note 12. Interfund Transactions

At June 30, 1999, the District had short-term interfund loans which are classified as "interfund receivables/payables." An analysis of interfund balances is as follows:

Interfund Receivables/Payables:

	Receivables	Payables
General Fund	\$ 39,729	\$ 0
Capital Projects Fund	0	39,729
	<u>\$ 39,729</u>	<u>\$ 39,729</u>

Grand Valley Local School District
Notes to the General Purpose Financial Statements
June 30, 1999

Note 13. Segments of Enterprise Activities

Key financial data for the District's Enterprise Fund for the year ended June 30, 1999, are as follows:

	Lunchroom Fund
Operating Revenues	\$ 203,414
Operating Expenses:	
Depreciation	(7,684)
Other Expenses	(346,054)
Total Operating Expenses	(353,738)
Operating Loss	(150,324)
Non Operating Revenues and	
Loss on Disposal of Assets	(253)
Investment Earnings	673
Operating Grants	178,719
Net Income/Loss	\$ 28,815
Contributed Capital	\$ 133,840
Net Working Capital	\$ 40,262
Total Assets	\$ 135,696
Total Fund Equity	\$ (22,263)

Note 14. 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 \$16,404 to NEOMIN for fiscal year 1999.

Grand Valley Local School District
Notes to the General Purpose Financial Statements
June 30,1999

Note 14. Jointly Governed Organizations (Continued)

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 Grand Valley Local School District was not represented on the Governing Board during fiscal year 1999. 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.

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.

Grand Valley Local School District
Notes to the General Purpose Financial Statements
June 30, 1999

Note 15. 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, 1999.

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.

Note 16. School Funding Decision/Subsequent Event

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program," which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 1999, the District received \$4,137,808 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas

in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The decision made by the Court of Common Pleas is likely to be appealed.

As of the date of these financial statements, the District is unable to determine what effect, if any, this decision will have on its future state funding under this Program.

**Grand Valley Local School District
Notes to the General Purpose Financial Statements
June 30, 1999**

Note 17. Statutory Reserves

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 1999, the reserve activity was as follows:

	Textbook Reserve	Capital Maintenance Reserve	Budget Stabilization Reserve	Total
Balance, 7/1/1998	\$ 0	\$ 0	\$ 37,440	\$ 37,440
Required Set Aside	102,642	102,642	52,461	257,745
Offset Credits	(20,006)	(102,642)	0	(122,648)
Qualifying Expenditures	(82,636)	0	0	(82,636)
Balance, 6/30/1999	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 89,901</u>	<u>\$ 89,901</u>

Note 18. Year 2000 Issue

The Year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the District's operations as early as Fiscal Year 1999.

The District has completed an inventory of computer systems and other equipment necessary to conducting District operations and has identified such systems as being financial reporting, payroll and employee benefits, and educational statistics reporting through the State Education Management Information System (EMIS).

The District uses Snyder & Associates' software for its financial reporting, payroll and employee benefits. Snyder & Associates is responsible for remediating these systems.

The State of Ohio distributes a substantial sum of money to the District in the form of "foundation" and federal and state grant payments. Further, the State processes a significant amount of financial and non-financial information about the District through EMIS. The State is responsible for remediating these systems.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the District's remediation efforts will be successful in whole or in part, or that parties with whom the District does business will be Year 2000 ready.

Grand Valley Local School District
Notes to the General Purpose Financial Statements
June 30,1999

Note 19. 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.

Note 20. Fund Deficits

The following funds had deficit balances at June 30, 1999:

Emergency Repair Grant Fund	\$ (19,963)
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The fund deficit resulted from adjustments for accrued liabilities. The general fund is liable for any deficits in the funds and provides operating transfers when cash is required, not when accruals occur.

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JUNE 30, 1999

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program		10.550		\$27,732		\$25,765
School Breakfast Program	05-PU 98	10.553	5,967		5,967	
	05-PU 99		24,182		24,182	
<i>Subtotal - Breakfast Lunch Program</i>			30,149		30,149	
National School Lunch Program	03-PU 98	10.555	6,701		6,701	
	03-PU 99		18,759		18,759	
	04-PU 98		21,205		21,205	
	04-PU 99		59,849		59,849	
<i>Subtotal - School Lunch Program</i>			106,514		106,514	
Total U.S. Department of Agriculture - Nutrition Cluster			136,663	27,732	136,663	25,765
U.S. DEPARTMENT OF EDUCATION						
<i>Direct Program:</i>						
E-Rate Grant		84.000	8,750		3,754	
<i>Passed Through Ohio Department of Education:</i>						
Grants to Local Educational Agencies (ESEA Title I)	C1-S1 98 C	84.010	1,927		78,600	
<i>Subtotal - Title 1 Program</i>	C1-S1 99		339,378		259,717	
			341,305		338,317	
Innovative Educational Program Strategies	C2-S1 99	84.298	5,167		5,059	
Employment Services and Job Training Pilot	WK-BE 99	17.249	5,000		1,429	
Total U.S. Department of Education			360,222		348,559	
Total			\$496,885	\$27,732	\$485,222	\$25,765

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

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JUNE 30, 1999**

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the Government'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, 1999, the District had no significant food commodities in inventory.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

Government Center
242 Federal Plaza West, Suite 302
Youngstown, Ohio 44503-1206

Telephone 330-797-9900
800-443-9271

Facsimile 330-797-9949

**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
P.O. Box 279
Orwell, Ohio 44076

To the Board of Education:

We have audited the financial statements of the Grand Valley Local School District, Ashtabula County, (the District) as of and for the year ended June 30, 1999, and have issued our report thereon dated December 20, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 20, 1999.

Internal Control Over Financial Reporting

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

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 the audit committee, 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.

A handwritten signature in black ink, appearing to read "Jim Petro", written over a circular stamp or seal.

Jim Petro
Auditor of State

December 20, 1999



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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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
P.O. Box 279
Orwell, Ohio 44076

To the Board of Education:

Compliance

We have audited the compliance of the Grand Valley Local School District, Columbiana County, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 1999. The 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 each of its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 1999

Internal Control Over Compliance

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

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

This report is intended for the information and use of the audit committee, 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.

A handwritten signature in black ink, appearing to read "Jim Petro", is written over a circular stamp or seal that is partially obscured by the signature.

Jim Petro
Auditor of State

December 20, 1999

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 1999**

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):	Title 1 - CFDA #84.010
(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

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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.

By: Susan Babbitt

Date: JAN 18 2000