



**Auditor of State
Betty Montgomery**

**GRAND VALLEY LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANT'S REPORT

Grand Valley Local School District
Ashtabula County
315 N. Maple Street
P.O. Box 279
Orwell, Ohio 44076

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Grand Valley Local School District, Ashtabula County, Ohio (the District), as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Grand Valley Local School District, Ashtabula County, Ohio, as of June 30, 2004, and the respective changes in financial position and cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 18, during the year ended June 30, 2004, the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Managements Discussion and Analysis for State and Local Governments* and GASB Interpretation No.6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial*.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2005 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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



Betty Montgomery
Auditor of State

June 23, 2005

Grand Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

The discussion and analysis of Grand Valley Local School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the transmittal letter, notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2004 are as follows:

Overall:

- For governmental activities, net assets increased \$13.63 million, which represents a 104 percent increase from 2003. Net assets of business-type related activities increased \$7,558 or 4 percent from 2003.
- General revenues accounted for \$12.14 million in revenue or 51 percent of all governmental revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$11.75 million or 49 percent of total governmental revenues of \$24.09 million.
- The District had \$10.26 million in expenses related to governmental activities; only \$11.75 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$12.14 million were adequate to provide for these programs.
- Among major funds, the general fund had \$9.62 million in revenues and \$9.09 million in expenditures. The general fund's fund balance increased to \$3.41 million from \$2.98 million. The District is in the early cycle of a recently passed tax levy, which will contribute to the stabilizing of the general fund. The building fund had \$11.71 million in revenues and \$9.46 million in expenditures. The building fund's fund balance increased to \$21.72 million from \$19.46 million.
- Net assets for enterprise funds increased from \$197 thousand to \$205 thousand. Total enterprise expenditures were \$490 thousand; \$436 thousand of these expenses were offset by program specific charges for services, grants or contributions.

Grand Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains a large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2004?" The Statement of Net Assets and the Statement of Activities answers this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Assets and the Statement of Activities, the District is divided into two distinct kinds of activities:

- Governmental Activities - Most of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.
- Business-Type Activities - These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The District's food service program is reported as business activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major funds begins on page 15. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions, however, these financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund, debt service fund and building fund.

Grand Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

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

Proprietary Funds Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match the information provided in statements for the District as a whole.

Grand Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

The District as a Whole

Governmental Activities

Table 1 shows net assets for fiscal year 2004. Since this is the first year the District has prepared financial statements following GASB Statement 34, net asset comparisons to prior fiscal years are not available.

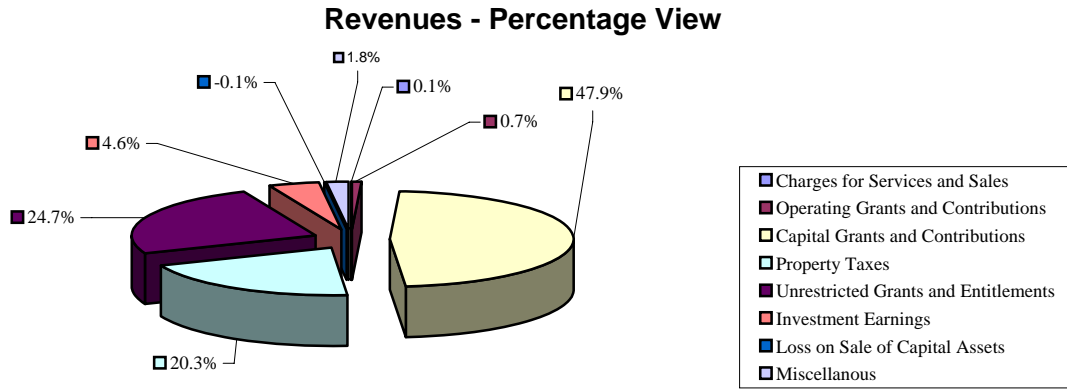
Table 1

	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Current and Other Assets	\$ 48,955,571	\$ 149,768	\$ 49,105,339
Capital Assets	<u>1,817,776</u>	<u>68,447</u>	<u>1,886,223</u>
Total Assets	<u>\$ 50,773,347</u>	<u>\$ 218,215</u>	<u>\$ 50,991,562</u>
<u>Liabilities</u>			
Long-Term Liabilities	\$ 13,169,692	\$ 11,767	\$ 13,181,459
Other Liabilities	<u>10,705,544</u>	<u>923</u>	<u>10,706,467</u>
Total Liabilities	<u>\$ 23,875,236</u>	<u>\$ 12,690</u>	<u>\$ 23,887,926</u>
<u>Net Assets</u>			
Invested in Capital			
Assets Net of Debt	\$ 2,670,264	\$ -	\$ 2,670,264
Restricted	21,118,198	-	21,118,198
Unrestricted	<u>3,109,649</u>	<u>205,525</u>	<u>3,315,174</u>
Total Net Assets	<u>\$ 26,898,111</u>	<u>\$ 205,525</u>	<u>27,103,636</u>

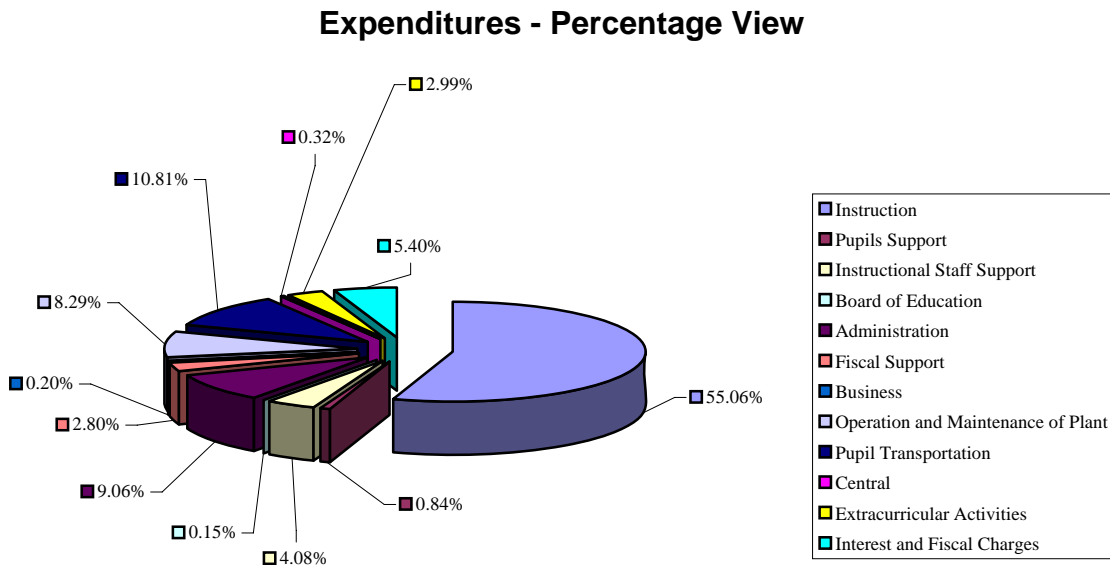
What are the District's Revenue Sources?

The following pie graph provides a summary of the District's Governmental Activities revenue sources for 2004.

Grand Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited



Where does the District spend its revenues?



The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a voted levy does not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in

Grand Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Thus, districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to voters to maintain a constant level of service. Property taxes made up 63.3 percent of revenue for governmental activities for Grand Valley Local School District in fiscal year 2004, a slight increase from prior years.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 2 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted state entitlements.

Table 2

Pupils and Instructional Staff	506,432	(477,873)
Board of Education, Administration, Fiscal, and Business	1,232,487	(1,232,487)
Operation and Maintenance of Plant	832,157	(832,157)
Pupil Transportation	1,083,609	(1,083,609)
Central	32,232	(32,232)
Extracurricular Activities	299,131	(299,131)
Interest and Fiscal Charges	540,712	(540,712)
 Total Expenses	 \$ 10,258,425	 \$ 1,487,974

The dependence upon general tax revenues for governmental activities is apparent. Over 95.5 percent of instruction activities are supported through taxes and other general revenues; for all governmental activities general revenue support is 96.7 percent as shown in the above table. The community, as a whole, is by far the primary support for Grand Valley Local School District students.

Grand Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
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Business-Type Activities

Business-type activities is the food service fund.

Overall Net (Expense) Revenue for business-type activities (food service), ended on a \$7,558 positive balance. Table 3 provides a revenue and expense summary for the District's business-type activities.

Table 3

Revenue and Expense for Business Type Activities

	Food Services
Revenues	\$497,998
Expenditures	490,440
Net	7,558

The District's Funds

Information about the District's major funds starts on page 15. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$23.70 million and expenditures of \$20.56 million. The net change in fund balance for the year in the General Fund was an increase of \$.42 million for fiscal year 2004.

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

During the course of fiscal year 2004 the District amended its General Fund budget numerous times. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

During the course of fiscal year 2004 the General Fund, budget revenue was inline with the original budget estimate. Total actual expenditures on the budget basis (cash outlays plus encumbrances) were also in line with projections.

Grand Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

Capital Assets and Debt Administration

At the end of fiscal year 2004, the District had \$12.53 million (net) invested in land, buildings, equipment and vehicles, \$12.46 million (net) in governmental activities.

Table 4 shows fiscal 2004 net fixed asset balances for governmental type activities and business-type activities compared to the prior fiscal year.

Table 4

Capital Assets
(Net of Accumulated Depreciation)

	<u>Governmental Type Activities</u>		<u>Business-Type Activities</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Land	\$ 855,353	\$ 855,353	\$ -	\$ -
Construction-in-process	9,787,837	-	-	-
Buildings and Improvements	1,033,318	1,106,340	-	-
Furniture, Equipment and Fixtures	383,550	401,069	68,448	74,817
Vehicles	400,908	411,007	-	-
Totals	<u>\$ 12,460,966</u>	<u>\$ 2,773,769</u>	<u>\$ 68,448</u>	<u>\$ 74,817</u>

The increase in capital assets is due to the District undergoing a major construction project in 2004. The District continued its ongoing commitment to maintaining and improving its fixed assets.

Debt

Currently, the District has \$12,402,226 of Bonds Payable at June 30, 2004. For additional detail, see Note 13.

Grand Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

Current Financial Related Activities

Grand Valley Local School District is strong financially. As the preceding information shows, the District heavily depends on its property taxpayers. With the passage of a 3.89 mill operating levy and collection beginning in January 2004, the District has been able to continue its education programs. However, financially the future is not without challenges.

While the District was successful in increasing its tax revenue base in 2004, this increase is a one-time increase. State law fixes the amount of this increase, forcing it to remain nearly constant. Thus management must diligently plan expenses, staying carefully within the District's five-year forecast.

Declining state foundation payments due to charge-offs by the state provide no significant increase in future revenues. Increases in property tax revenues that do occur are offset by decreases in state foundation payments. With its major source of revenue not keeping pace with expenditure increases, the District must seek additional tax revenue to continue current operations. However, the District cannot look to the State of Ohio for increased revenue and must be on the look out for unexpected additional budget reductions initiated by the Governor.

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...". The District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations. Virtually, no additional state revenue will be available to Grand Valley Local School District. Thus, both taxes and state revenue are fixed or declining. The scenario requires management to plan carefully and prudently to provide the resources to meet student needs over the next several years.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Lisa Moodt, Treasurer at Grand Valley Local School District, 315 N. Maple St, Orwell, OH 44076.

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Grand Valley Local School District
Statement of Net Assets
June 30, 2004

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Cash and Cash Equivalents	\$ 14,653,774	\$ 114,536	\$ 14,768,310
Investments	15,436,013	-	15,436,013
Restricted Assets:			
Cash and Cash Equivalents	91,072	-	91,072
Receivables:			
Taxes	4,339,131	-	4,339,131
Accounts	49,986	18	50,004
Intergovernmental	3,654,166	26,429	3,680,595
Inventory Held for Resale	-	5,623	5,623
Materials and Supplies Inventory	88,239	3,162	91,401
Nondepreciable Capital Assets	10,643,190	-	10,643,190
Depreciable Capital Assets, Net	<u>1,817,776</u>	<u>68,447</u>	<u>1,886,223</u>
<i>Total Assets</i>	<u>\$ 50,773,347</u>	<u>\$ 218,215</u>	<u>\$ 50,991,562</u>
Liabilities			
Accounts Payable	\$ 141,224	\$ 45	\$ 141,269
Contracts Payable	3,668,907	-	3,668,907
Accrued Wages and Benefits	842,878	878	843,756
Unearned Revenue	6,052,535	-	6,052,535
Long-Term Liabilities:			
Due Within One Year	655,868	3,052	658,920
Due Within More Than One Year	<u>12,513,824</u>	<u>8,715</u>	<u>12,522,539</u>
<i>Total Liabilities</i>	<u>\$ 23,875,236</u>	<u>\$ 12,690</u>	<u>\$ 23,887,926</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	\$ 2,670,264	\$ -	\$ 2,670,264
Restricted for:			
Capital Projects	19,653,196	-	19,653,196
Debt Service	1,128,628	-	1,128,628
Other Purposes	336,374	-	336,374
Unrestricted (Deficit)	<u>3,109,649</u>	<u>205,525</u>	<u>3,315,174</u>
<i>Total Net Assets</i>	<u>\$ 26,898,111</u>	<u>\$ 205,525</u>	<u>\$ 27,103,636</u>

See accompanying notes to the basic financial statements

Grand Valley Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2004

	Program Revenues		
	Expenses	Charges for Services and Sales	Operating Grants and Contributions
Governmental Activities			
Instruction:			
Regular	\$ 4,473,378	\$ -	\$ 110,792
Special	693,498	-	59,734
Vocational	139,226	-	-
Other	425,563	-	-
Support Services:			
Pupils	92,484	28,559	-
Instructional Staff	413,948	-	-
Board of Education	15,089	-	-
Administration	916,879	-	-
Fiscal	280,539	-	-
Business	19,980	-	-
Operation and Maintenance of Plant	832,157	-	-
Pupil Transportation	1,083,609	-	-
Central	32,232	-	-
Extracurricular Activities	299,131	-	-
Interest and Fiscal Charges	540,712	-	-
	<u>10,258,425</u>	<u>28,559</u>	<u>170,526</u>
<i>Total Governmental Activities</i>			
	<u>10,258,425</u>	<u>28,559</u>	<u>170,526</u>
Business-Type Activities			
Food Service	490,440	436,418	49,544
	<u>490,440</u>	<u>436,418</u>	<u>49,544</u>
<i>Total Business-Type Activities</i>			
	<u>490,440</u>	<u>436,418</u>	<u>49,544</u>
<i>Totals</i>	<u>\$ 10,748,865</u>	<u>\$ 464,977</u>	<u>\$ 220,070</u>

General Revenues

Property Taxes Levied for:
 General Purposes
 Debt Service
 Capital Purposes
Grants and Entitlements not Restricted to Specific Programs
Investment Earnings
Miscellaneous
Loss on Sale of Capital Assets

Total General Revenues

Changes in Net Assets

Net Assets Beginning of Year - As Restated, See Note 18

Net Assets End of Year

See accompany notes to the basic financial statements

Program Revenues	Net (Expense) Revenue and Changes in Net Assets		
	Capital Grants and Contributions	Governmental Activities	Business-Type Activities
\$ 11,547,314	\$ 7,184,728	\$ -	\$ 7,184,728
-	(633,764)	-	(633,764)
-	(139,226)	-	(139,226)
-	(425,563)	-	(425,563)
-	(63,925)	-	(63,925)
-	(413,948)	-	(413,948)
-	(15,089)	-	(15,089)
-	(916,879)	-	(916,879)
-	(280,539)	-	(280,539)
-	(19,980)	-	(19,980)
-	(832,157)	-	(832,157)
-	(1,083,609)	-	(1,083,609)
-	(32,232)	-	(32,232)
-	(299,131)	-	(299,131)
-	(540,712)	-	(540,712)
<u>11,547,314</u>	<u>1,487,974</u>	<u>-</u>	<u>1,487,974</u>
-	-	(4,478)	(4,478)
-	-	(4,478)	(4,478)
<u>\$ 11,547,314</u>	<u>\$ 1,487,974</u>	<u>\$ (4,478)</u>	<u>\$ 1,483,496</u>
	\$ 3,676,417	\$ -	\$ 3,676,417
	1,120,979	-	1,120,979
	140,586	-	140,586
	6,527,306	-	6,527,306
	264,857	1,001	265,858
	435,482	11,035	446,517
	(17,288)	-	(17,288)
	<u>12,148,339</u>	<u>12,036</u>	<u>12,160,375</u>
	13,636,313	7,558	13,643,871
	<u>13,261,798</u>	<u>197,967</u>	<u>13,459,765</u>
	<u>\$ 26,898,111</u>	<u>\$ 205,525</u>	<u>\$ 27,103,636</u>

Grand Valley Local School District
Balance Sheet
Governmental Funds
June 30, 2004

	General	Debt Service Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and Cash Equivalents	\$ 3,183,393	\$ 666,755	\$ 9,818,224	\$ 928,013	\$ 14,596,385
Investments	-	-	15,436,013	-	15,436,013
Restricted Assets:					
Cash and Cash Equivalents	148,461	-	-	-	148,461
Receivables:					
Taxes	3,154,102	1,004,026	-	181,003	4,339,131
Accounts	30	-	49,537	419	49,986
Intergovernmental	-	-	3,605,795	48,371	3,654,166
Materials and Supplies Inventory	88,239	-	-	-	88,239
Total Assets	6,574,225	1,670,781	28,909,569	1,157,806	38,312,381
Liabilities					
Accounts Payable	101,716	-	4,425	35,083	141,224
Contracts Payable	-	-	3,579,316	89,591	3,668,907
Accrued Wages and Benefits	781,967	-	-	60,911	842,878
Compensated Absences Payable	58,665	-	-	-	58,665
Pension Obligation Payable	120,513	-	-	6,653	127,166
Intergovernmental Payable	24,006	-	-	1,916	25,922
Deferred Revenue	2,074,088	632,626	3,605,795	117,590	6,430,099
Total Liabilities	3,160,955	632,626	7,189,536	311,744	11,294,861
Fund Balances					
Reserved for:					
Encumbrances	105,080	-	18,962,205	531,123	19,598,408
Textbooks	58,560	-	-	-	58,560
Inventory	88,239	-	-	-	88,239
Property Taxes	2,100,982	752,166	-	123,392	2,976,540
Budget Stabilization	89,901	-	-	-	89,901
Undesignated, Reported in:					
General Fund	970,508	-	-	-	970,508
Special Revenue Funds	-	-	-	287,184	287,184
Debt Service Funds	-	285,989	-	-	285,989
Capital Projects Funds	-	-	2,757,828	(95,637)	2,662,191
Total Fund Balances	3,413,270	1,038,155	21,720,033	846,062	27,017,520
Total Liabilities and Fund Balances	\$ 6,574,225	\$ 1,670,781	\$ 28,909,569	\$ 1,157,806	\$ 38,312,381

See accompany notes to the basic financial statements

Grand Valley Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2004*

Total Governmental Fund Balances \$ 27,017,520

***Amounts reported for governmental activities in the
 statement of net assets are different because***

Capital assets used in governmental activities are not financial
 resources and therefore are not reported in the funds. 12,460,966

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

Compensated Absences	(552,848)
Deferred Revenue	377,564
General Obligation Bonds Payable	(12,402,226)
Capital Leases Payable	<u>(2,865)</u>

Total	<u>(12,580,375)</u>
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Net Assets of Governmental Activities \$ 26,898,111

See accompany notes to the basic financial statements

Grand Valley Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2004

	General	Debt Service Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 3,340,309	\$ 1,030,506	\$ -	\$ 189,603	\$ 4,560,418
Intergovernmental	5,939,677	110,792	11,500,000	694,677	18,245,146
Interest	46,545	-	217,778	534	264,857
Tuition	233,584	-	-	-	233,584
Extracurricular Activities	-	-	-	120,550	120,550
Classroom Materials and Fees	28,559	-	-	-	28,559
Miscellaneous	33,961	-	-	16,604	50,565
<i>Total Revenues</i>	<u>9,622,635</u>	<u>1,141,298</u>	<u>11,717,778</u>	<u>1,021,968</u>	<u>23,503,679</u>
Expenditures					
Current:					
Instruction:					
Regular	4,247,205	-	-	238,193	4,485,398
Special	350,128	-	-	339,037	689,165
Vocational	141,336	-	-	-	141,336
Other	425,563	-	-	-	425,563
Support Services:					
Pupils	72,081	-	-	19,638	91,719
Instructional Staff	402,026	-	-	52,060	454,086
Board of Education	15,356	-	-	-	15,356
Administration	923,745	-	-	6,999	930,744
Fiscal	263,128	23,755	-	7,996	294,879
Business	19,805	-	-	-	19,805
Operation and Maintenance of Plant	818,687	-	-	-	818,687
Pupil Transportation	1,102,583	-	-	-	1,102,583
Central	32,232	-	-	-	32,232
Extracurricular Activities	166,550	-	-	139,873	306,423
Capital Outlay	112,000	-	9,459,328	216,509	9,787,837
Debt Service:					
Principal Retirement	-	423,990	-	-	423,990
Interest and Fiscal Charges	-	540,712	-	-	540,712
<i>Total Expenditures</i>	<u>9,092,425</u>	<u>988,457</u>	<u>9,459,328</u>	<u>1,020,305</u>	<u>20,560,515</u>
<i>Excess of Revenue Over/(Under) Expenditures</i>	<u>530,210</u>	<u>152,841</u>	<u>2,258,450</u>	<u>1,663</u>	<u>2,943,164</u>
Other Financing Sources (Uses)					
Transfer In	-	-	-	149,550	149,550
Transfer Out	(102,121)	-	-	(16,646)	(118,767)
<i>Total Other Financing Sources (Uses)</i>	<u>(102,121)</u>	<u>-</u>	<u>-</u>	<u>132,904</u>	<u>30,783</u>
<i>Net Change in Fund Balances</i>	428,089	152,841	2,258,450	134,567	2,973,947
<i>Fund Balances Beginning of Year (Restated)</i>	<u>2,985,181</u>	<u>885,314</u>	<u>19,461,583</u>	<u>711,495</u>	<u>24,043,573</u>
<i>Fund Balances End of Year</i>	<u>\$ 3,413,270</u>	<u>\$ 1,038,155</u>	<u>\$ 21,720,033</u>	<u>\$ 846,062</u>	<u>\$ 27,017,520</u>

See accompany notes to the basic financial statements

Grand Valley Local School District
*Reconciliation of the Statement of Revenues, Expenditures
and Changes in the Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended June 30, 2004*

Net Change in Fund Balances - Total Governmental Funds \$ 2,973,947

Amounts reported for governmental activities in the statement of activities are different because

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Fixed Assets Additions	9,962,258	
Current Year Depreciation	<u>(257,774)</u>	
 Total		 9,704,484

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

I/G Receivable	13,495	
Taxes	<u>377,568</u>	
Total		391,063

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

423,990

Governmental funds only report the gain from the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.

(17,288)

Some expenses reported in the statement of activities, such as compensated absences and intergovernmental payable which represents contractually required pension contributions, do not required the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Compensated Absences Payable	25,860	
Accounts Payable	112,000	
Pension Obligations	22,257	
Total		<u>160,117</u>

Change in Net Assets of Governmental Activities \$ 13,636,313

See accompany notes to the basic financial statements

Grand Valley Local School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
General Fund
For the Fiscal Year Ended June 30, 2004

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 3,121,909	\$ 3,583,885	\$ 3,281,264	\$ (302,621)
Intergovernmental	5,769,549	5,674,554	5,958,983	284,429
Interest	45,255	44,510	46,741	2,231
Tuition	227,309	223,566	234,772	11,206
Classroom Materials and Fees	27,670	27,215	28,579	1,364
Miscellaneous	33,000	32,457	34,084	1,627
Total Revenues	9,224,692	9,586,187	9,584,423	(1,764)
Expenditures:				
Current:				
Instruction:				
Regular	4,251,291	4,234,732	4,148,726	86,006
Special	357,881	343,511	332,544	10,967
Vocational	151,600	145,249	142,349	2,900
Other	408,000	427,200	425,563	1,637
Total Instruction	5,168,772	5,150,692	5,049,182	101,510
Support Services:				
Pupils	224,945	210,325	189,493	20,832
Instructional Staff	406,933	438,699	410,725	27,974
Board of Education	17,910	17,978	15,962	2,016
Administration	996,348	987,851	922,513	65,338
Fiscal	242,679	264,429	256,381	8,048
Business	18,000	20,500	19,736	764
Operation and Maintenance of Plant	927,522	860,772	819,246	41,526
Pupils Transportation	1,094,416	1,089,265	1,047,752	41,513
Central	18,000	32,232	32,232	-
Total Support Services	3,946,753	3,922,051	3,714,040	208,011
Extracurricular Activities:				
Academic and Subject Oriented Activities	40,950	43,150	42,149	1,001
Sports Oriented Activities	137,300	135,100	128,852	6,248
Total Extracurricular Activities	178,250	178,250	171,001	7,249
Total Capital Outlay	114,000	112,001	112,000	1
Total Expenditures	\$ 9,407,775	\$ 9,362,994	\$ 9,046,223	\$ 316,771
<i>Excess of Revenues Over/(Under) Expenditures</i>	(183,083)	223,193	538,200	315,007
Other Financing Sources (Uses):				
Transfers Out	(11,000)	(102,121)	(102,121)	-
Total Other Financing Sources (Uses)	(11,000)	(102,121)	(102,121)	-
Net Change in Fund Balance	(194,083)	121,072	436,079	315,007
Fund Balance at The Beginning of Year	2,779,560	2,779,560	2,779,560	-
Prior Year Encumbrances Appropriated	3,129	3,129	3,129	-
Fund Balance at The End of Year	\$ 2,588,606	\$ 2,903,761	\$ 3,218,768	\$ 315,007

See accompanying notes to the basic financial statements

Grand Valley Local School District
Statement of Fund Assets
Proprietary Funds
June 30, 2004

	Business- Type Activities - Enterprise Fund
	Food Service
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 114,536
Receivables:	
Accounts	18
Intergovernmental	26,429
Inventory Held For Resale	5,623
Materials and Supplies Inventory	3,162
<i>Total Current Assets</i>	149,768
Capital Assets, Net	68,447
<i>Total Assets</i>	218,215
Liabilities	
Accounts Payable	45
Accrued Wages	878
Compensated Absences Payable	8,715
Intergovernmental Payable	528
Pension Obligation Payable	2,524
<i>Total Liabilities</i>	12,690
Net Assets	
Unrestricted	205,525
<i>Total Net Assets (Deficit)</i>	\$ 205,525

See accompanying notes to the basic financial statements

Grand Valley Local School District
*Statement of Revenues,
Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2004*

	Business- Type Activities - Enterprise Fund
	Food Service
Operating Revenues	
Food Services	\$ 229,860
Grant	206,558
	436,418
 <i>Total Operating Revenues</i>	 436,418
Operating Expenses	
Salaries	117,410
Fringe Benefits	110,736
Purchased Services	4,974
Materials and Supplies	75,494
Cost of Sales	174,730
Depreciation	6,369
Other	727
	490,440
 <i>Total Operating Expenses</i>	 490,440
 <i>Operating Income (Loss)</i>	 (54,022)
Non-Operating Revenues (Expenses)	
Federal Donated Commodities	49,544
Intergovernmental	11,035
Interest	1,001
	61,580
 <i>Total Non-Operating Revenues</i>	 61,580
 <i>Change in Net Assets</i>	 7,558
 <i>Net Assets (Deficit) Beginning of Year</i>	 197,967
 <i>Net Assets (Deficit) End of Year</i>	 \$ 205,525
	205,525

See accompanying notes to the basic financial statements

Grand Valley Local School District
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2004

		<u>Business- Type Activities - Enterprise Fund</u>
		<u>Food Service</u>
Increase (Decrease in Cash and Cash Equivalents)		
Cash Flows from Operating Activities		
Cash Received from Customers	\$	229,842
Other Cash Receipts		207,897
Cash Payments to Employees for Services		(124,306)
Cash Payments for Employee Benefits		(116,136)
Cash Payments for Goods and Services		(213,941)
Other Cash Payments		<u>(727)</u>
<i>Net Cash Provided by (Used in) Operating Activities</i>		(17,371)
Cash Flows from Noncapital Financing Activities		
Grants Received		<u>11,035</u>
<i>Net Cash Provided by (Use by) Noncapital Financing Activities</i>		11,035
Cash Flows from Investing Activities		
Interest on Investments		<u>1,001</u>
<i>Net Cash Provided by (Used by) Investing Activities</i>		<u>1,001</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>		(5,335)
<i>Cash and Cash Equivalents Beginning of Year</i>		<u>119,871</u>
<i>Cash and Cash Equivalents End of Year</i>	\$	<u><u>114,536</u></u>
Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities		
<i>Operating Income (Loss)</i>	\$	(54,022)
Adjustments:		
Depreciation		6,369
Donated Commodities		49,544
(Increase) Decrease in Assets:		
Accounts Receivable		(18)
Intergovernmental Receivable		1,339
Inventory Held for Resale		6,954
Materials and Supplies Inventory		(196)
Increase (Decrease) in Liabilities:		
Accounts Payable		(71)
Accrued Wages		(15,611)
Compensated Absences Payable		263
Pension Obligation Payable		2,524
Intergovernmental Payable		(8,102)
Deferred Revenue		<u>(6,344)</u>
<i>Total Adjustments</i>		<u>36,651</u>
<i>Net Cash Provided by (Used in) Operating Activities</i>	\$	<u><u>(17,371)</u></u>

Noncash Financing Activities

During the year, the Food Service Enterprise Fund received Donated Commodities of \$58,038

See accompanying notes to the basic financial statements

Grand Valley Local School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2004

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 10,735	\$ 33,339
Accounts Receivable	30	40
<i>Total Assets</i>	10,765	33,379
Liabilities		
Accounts Payable	250	159
Due to Students	-	33,220
<i>Total Liabilities</i>	250	\$ 33,379
Net Assets		
Held in Trust for Scholarships	10,515	
<i>Total Net Assets</i>	\$ 10,515	

See accompanying notes to the basic financial statements

Grand Valley Local School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2004

	Private Purpose Trust
	Scholarship
Addition	
Interest	\$ 396
Deductions	
Qualified Expenditure	250
Transfer-Out	30,783
Total Deductions	31,033
<i>Change in Net Assets</i>	(30,637)
<i>Net Assets Beginning of Year</i>	41,152
<i>Net Assets End of Year</i>	\$ 10,515

See accompanying notes to the basic financial statements

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Grand Valley Local School District
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2004

Note 1 – Description of the School District and 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 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, 2003, was 1,471. The District employed 88 certified employees and 53 non-certificated employees. The District is supervised by the Ashtabula County Educational Service Center, a separate entity.

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

The accompanying basic financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, in that the financial statements include all organizations, activities and functions for which the District is financially accountable. This report includes all activities considered by management to be part of the District by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

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

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

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

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

Grand Valley Local School District
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2004

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.

Note 2 – 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 District also applies Financial Accounting Standard Board (FASB) statements and interpretations issued after November 30, 1989, to its governmental and business activities, and its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the District's accounting policies are described below.

A. Fund Accounting

The District uses funds 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 defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

For financial statement presentation purposes, the various funds of the District are grouped into the following generic fund type under the board fund categories: governmental, proprietary and fiduciary.

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

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

Grand Valley Local School District
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2004

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

Building Fund - This fund is used to account for the financial resources designated to be used for the construction of a new building.

Proprietary Funds Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as enterprise or internal service; the School District has no internal service funds.

Enterprise Fund - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The only enterprise fund of the School District accounts for the financial transactions related to the food service operations of the School District.

Fiduciary Fund Types Fiduciary funds reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust, investment trust, private-purpose trust and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private-purpose trust fund which accounts for scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's only agency fund is a student activities fund which accounts for student activities for students.

B. Basis Of Presentation

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

The government-wide statements are prepared using the economic resources measurement focus. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relation between the government-wide statements and the statements to governmental funds.

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

Grand Valley Local School District
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2004

Fund Financial Statements Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is represented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financial uses) of current financial resources.

The trust fund is reported using the economic resources measurement focus.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary fund also use the accrual basis of accounting.

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

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 5). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

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

Grand Valley Local School District
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2004

Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On the modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

D. Budget and Budgetary Accounting

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

Tax Budget A tax budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by January 20th of each year, for the fiscal year commencing the following July 1st. The Board of Education normally adopts the Tax Budget at its regular board meeting in January. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

Estimated Resources 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.

Appropriations 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 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.

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
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2004

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

E. Cash and Investments

Cash received by the District is pooled in a central bank account with individual fund balance integrity maintained throughout. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Investments." During the fiscal year, all investments were limited to Federal agency bonds and notes, certificates of deposit, the State Treasury Asset Reserve of Ohio (STAR Ohio) and repurchase agreements.

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

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2004.

Under existing Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. For the District, all investment earnings accrue to the General Fund, Special Trust Fund, Building Fund and Private-Purpose Trust Fund, as authorized by board resolution. Interest income earned in fiscal year 2004 totaled \$264,857.

F. Taxes Receivable

The financial statements reflect taxes receivable as of June 30, 2004. 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, 2004 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, donated food, purchased food, and general supplies. The cost of the governmental fund type inventories are recorded as expenditures when purchased

Grand Valley Local School District
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2004

(purchased 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.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2004, 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. Capital Assets

Capital 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 governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements.

All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Interest incurred during the construction of capital assets is also capitalized. 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.

All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful live of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives
Building and Improvements	30 - 50 years
Furniture	20 years
Equipment	10 -20 years
Fixtures	15 years
Vehicles	10 years

J. Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental columns of the statement of net assets. At year-end, there were no interfund receivables/payables.

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K. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid from them are not presented on the financial statements.

L. 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 should be reduced to the maximum amount allowed as a termination payment. Accruals for those employees who are expected to become eligible in the future should be based on assumptions concerning the probability that individual employees or class or group of employees will become eligible to receive termination payments. This method is known as the vesting method. All employees with ten or more years of service were included in the calculation of the long-term compensated absences accrual amount.

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

The entire compensated absence liability is reported on the government-wide financial statements.

The current portion of unpaid compensated absence, which expected to be paid using the available expendable resources, is reported on the governmental funds financial statements. The amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The non-current portion of the liability is not reported.

M. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, contractually required pension contributions and special

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termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. In general, liabilities that mature or come due for payment during the fiscal year are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements when due.

N. Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, materials and supplies inventory, property tax revenue unavailable for appropriation, Textbooks and Budget Stabilization. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriation under state statute

The net assets held in trust for scholarships signify the legal restrictions on the use of principal.

O. Net Assets

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

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

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2004.

Q. Estimates

The preparation of the 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.

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Note 3 – Budgetary Basis of Accounting

While the District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances –Budget (Non-GAAP Budget Basis) and Actual presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund:

Net Change in Fund Balance

Budget Basis	\$436,079
Net Adjustment for Revenue Accruals	38,212
Net Adjustment for Expenditure Accruals	46,202
Adjustment for Encumbrances	(92,404)
GAAP Basis	\$428,089

Note 4 – Cash and Investments

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

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

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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.

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

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

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

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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.

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

The following information classifies deposits and investments by categories of risk as defined by GASB Statement No. 3, *Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements*.

Deposits At fiscal year end, the carrying amount of the District's deposits was \$14,903,406 and the bank balance was \$15,027,352. of which \$29,623 was in a certificate of deposit.

Of bank balance, \$329,623 was covered by federal depository insurance and the remaining \$14,697,729 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirement would potentially subject the District to a successful claim by the FDIC.

Petty Cash on Hand At fiscal year end, the District had \$50 in petty cash on hand which is included on the balance sheet of the District as part of the "equity in pooled cash and cash equivalents."

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. Investments in STAR Ohio are unclassified investment since they are not evidenced by securities that exist in physical or book entry form. The District has recorded an unrealized investment loss of \$192,489 which reduces its total investment earnings of \$457,326 to \$264,857 as of June 30, 2004.

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	Category 3	Fair Value	Market Value
Catergorized Investments:			
Federal Treasury Obligations, Money Market	\$ 249,465	\$ 249,465	\$ 249,465
Federal Home Loan Mortgage Bank Bonds	7,449,371	7,449,371	7,374,675
Federal Home Loan Mortgage Corporation	6,171,866	6,171,866	6,055,034
Federal National Mortgage Association	150,000	150,000	149,039
Total Categorized Investments	<u>14,020,702</u>	<u>14,020,702</u>	<u>13,828,213</u>
Non-catergorized Investments:			
Government & Government Agency Mutual Fund	<u>\$ 1,607,800</u>	<u>\$ 1,607,800</u>	<u>\$ 1,607,800</u>
Total Non-catergorized Investments	1,607,800	1,607,800	1,607,800
Total Investments	<u>\$ 15,628,502</u>	<u>\$ 15,628,502</u>	<u>\$ 15,436,013</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 9	\$ 14,903,456	\$ 15,463,013
Cash on Hand	<u>(50)</u>	<u>-</u>
GASB Statement 3	<u>\$ 14,903,406</u>	<u>\$ 15,463,013</u>

Note 5 – 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 2002; an update will be done in 2005. The next revaluation is scheduled for 2008.

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

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

The full tax rate at the fiscal year ended June 30, 2004 for operations was \$41.16 per \$1,000 of assessed valuation and for permanent improvements, \$1.55 per \$1,000 of assessed valuation. The assessed values of real and tangible personal property on which the fiscal year 2004 taxes were collected were as follows:

	2003 Assessed Values	2004 Assessed Values
Real Property:		
Agricultural/Residential and Other Real Estate	\$111,343,780	\$112,139,140
Commercial and Industrial	10,052,520	10,374,190
Personal Property:		
General	14,510,390	15,859,080
Public Utility	6,362,550	6,016,410
Total Assessed Value	\$142,269,240	\$144,388,820

Note 6 – Receivables

Receivables at June 30, 2004 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.

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A summary of the principal items of Intergovernmental Receivables follows:

Governmental Funds	
OSFC Construction Grant	\$ 3,605,795
Title I Grant	33,950
Title II Grant	<u>14,421</u>
Total Governmental Funds	3,654,166
Business-Type Funds:	
Federal Lunch Reimbursement	<u>26,429</u>
Total Intergovernmental Receivable	<u>\$ 3,680,595</u>

Note 7 – Interfund Balances

A. Interfund Transfers

Interfund transfers for the year ended June 30, 2004, consisted of the following, as reported on the fund financial statements:

Fund	Transfer Out	Transfer In
Governmental Funds:		
General	\$ 102,121	
Permanent Improvement		\$ 91,121
Special Trust Fund		30,783
Athletic Fund		11,000
School Improvement Grant	16,646	16,646
Fiduciary Fund Type		
Private Purpose Trust	30,783	

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorization. Transfers are also used to close out the funds that are no longer required.

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Note 8 – Capital Assets

In fiscal year 2004, the District began to depreciate the capital assets in the governmental activities.

	Balance 6/30/2003	Adjustments	GASB 34 Adjustments	Balance 7/1/2003
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 855,353	\$ -	\$ -	\$ 855,353
Construction-in-progress	-	-	-	-
<i>Total Capital Assets, not being depreciated:</i>	<u>855,353</u>	<u>-</u>	<u>-</u>	<u>855,353</u>
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	3,320,098	4,400	-	3,324,498
Furniture, Equipment and Fixtures	1,963,510	14,250	-	1,977,760
Vehicles	1,102,457	(106,151)	-	996,306
<i>Total Capital Assets, being depreciated:</i>	<u>6,386,065</u>	<u>(87,501)</u>	<u>-</u>	<u>6,298,564</u>
Less Accumulated Depreciation:				
Building and Improvements	-	-	(2,218,158)	(2,218,158)
Furniture, Equipment, and Fixtures	-	-	(1,576,691)	(1,576,691)
Vehicles	-	-	(585,299)	(585,299)
<i>Total Accumulated Depreciation</i>	<u>-</u>	<u>-</u>	<u>(4,380,148)</u>	<u>(4,380,148)</u>
<i>Total Capital Assets being depreciated, net</i>	<u>6,386,065</u>	<u>(87,501)</u>	<u>(4,380,148)</u>	<u>1,918,416</u>
Governmental Activities Capital Assets, Net	<u>\$ 7,241,418</u>	<u>\$ (87,501)</u>	<u>\$(4,380,148)</u>	<u>\$ 2,773,769</u>

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Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	Balance 7/1/2003	Addition	Deletion	Balance 6/30/2004
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 855,353	\$ -	\$ -	\$ 855,353
Construction-in-progress	-	9,787,837	-	9,787,837
<i>Total Capital Assets, not being depreciated:</i>	<u>855,353</u>	<u>9,787,837</u>	<u>-</u>	<u>10,643,190</u>
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	3,324,498	-	-	3,324,498
Furniture, Equipment and Fixtures	1,977,760	106,065	(52,722)	2,031,103
Vehicles	996,306	68,356	-	1,064,662
<i>Total Capital Assets, being depreciated:</i>	<u>6,298,564</u>	<u>174,421</u>	<u>(52,722)</u>	<u>6,420,263</u>
Less Accumulated Depreciation:				
Building and Improvements	(2,218,158)	(73,022)	-	(2,291,180)
Furniture, Equipment, and Fixtures	(1,576,691)	(106,297)	35,435	(1,647,553)
Vehicles	(585,299)	(78,455)	-	(663,754)
<i>Total Accumulated Depreciation</i>	<u>(4,380,148)</u>	<u>(257,774)</u>	<u>35,435</u>	<u>(4,602,487)</u>
<i>Total Capital Assets being depreciated, net</i>	<u>1,918,416</u>	<u>(83,353)</u>	<u>(17,287)</u>	<u>1,817,776</u>
Governmental Activities Capital Assets, Net	<u>\$ 2,773,769</u>	<u>\$ 9,704,484</u>	<u>\$ (17,287)</u>	<u>\$ 12,460,966</u>
Business-Type Activities				
Furniture, Equipment and Fixtures	\$ 198,580	\$ -	\$ -	\$ 198,580
Less Accumulated Depreciation	(123,764)	(6,369)	-	(130,133)
Business-Type Activities Capital Assets, Net	<u>\$ 74,816</u>	<u>\$ (6,369)</u>	<u>\$ -</u>	<u>\$ 68,447</u>

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Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 108,216
Special	1,348
Vocational	345
Support Services:	
Instructional Staff	8,549
Administration	5,445
Fiscal	2,023
Business	175
Operation and Maintenance of Plant	42,703
Pupil Transportation	86,975
Extracurricular Activities	1,995
Total Depreciation Expense	\$ 257,774

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 (11 and 12 month) are eligible for vacation time. The number of days granted is determined upon length of service. For fiscal year 2004 the superintendent and treasurer were granted twenty days of vacation.

Classified employees earn five to twenty-five days of vacation per year, depending upon length of service. Any vacation time which is unused as of the employee's anniversary date is expired and not available for use in a subsequent year unless approved by the superintendent. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment.

The classified personnel accumulate vacation based on the following schedule:

Years Service	Vacation Weeks
< 6 months - 1	1
1 - 4	2
5 - 11	3
12 - 19	4
20 - beyond	5

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 320 days and for classified employees is 290 days.

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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 certified employee receiving retirement severance pay shall be entitled to a dollar amount equivalent to one-fourth of the first 220 days of sick leave credited to that employee, up to 55 days and 1 severance day for every 10 accumulated sick days above 220 days. The maximum attainable is 65 days. Any classified employee receiving retirement severance pay shall be entitled to a dollar amount equivalent to one-fourth of accumulated sick leave credited to that employee up to 50 days.

Note 10 – Defined Benefit Pension Plans

A. School Employees Retirement System

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003 and 2002 were \$176,044, \$169,368 and \$157,536 respectively; 44.80 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002.

B. State Teachers Retirement System

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

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New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2004, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2004, 2003, and 2002 were \$572,087 \$574,152 and \$564,384 respectively; 83.6 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002. Contributions to the DC and Combined Plans for fiscal year 2004 were \$7,544 made by the School District and \$7,214 made by plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by SERS or STRS have an option to choose Social Security or SERS/STRS. As of June 30, 2004, certain members of the Board of Education have elected Social Security. The District's liability is 6.20 percent of wages paid

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For the Year Ended June 30, 2004

Note 11 – Postemployment Benefits

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2004, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$94,479 for fiscal year 2004.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2004 the balance in the Fund was \$3.1 billion. For the year ended June 30, 2004, net health care costs paid by STRS were \$268,739,000 and STRS had 111,853 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll, a decrease of .92 percent from fiscal year 2003. 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 2004, the minimum pay has been established as \$25,400. For the School District, the amount to fund health care benefits, including surcharge, during the 2004 fiscal year equaled \$80,038.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2004 were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

Grand Valley Local School District
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2004

Note 12 – 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.

Professional liability insurance is maintained in the amount of \$1,000,000 for each occurrence and \$3,000,000 in the aggregate. The District carries excess liability insurance in the of \$2,000,000 for each occurrence and \$2,000,000 in the aggregate.

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

The District maintains replacement cost insurance on buildings and contents in the amount of \$24,164,334.

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

B. Health Insurance

In July, 1987, the District joined the Ashtabula County Schools Council of Governments Employees Insurance Consortium to insure its medical claims. The consortium currently includes seven member school districts. Contributions are determined by the consortium's board of directors. The program is operated as a full indemnity program with no financial liability (other than monthly premiums) or risk to the District.

C. Workers' Compensation

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), and 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 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.

Grand Valley Local School District
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2004

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.

Note 13 – Notes and Long-Term Debt

A summary of changes in long-term obligations for the year ended June 30, 2004, are as follows:

	Principal Outstanding 6/30/2003	Additions	Reductions	Principal Outstanding 6/30/2004	Amounts Due in One Year
Governmental Activities					
1988 Library Construction Bonds	\$ 67,500	\$ -	\$ (11,250)	\$ 56,250	\$ 11,250
2002 Classroom Improvement Bonds	12,750,976	-	(405,000)	12,345,976	430,000
Capital Leases Payable	10,605	-	(7,740)	2,865	2,865
Intergovernmental Payable	65,250	-	(39,328)	25,922	25,922
Pension Obligation Payable	-	127,166	-	127,166	127,166
Compensated Absences	529,212	326,871	(244,570)	611,513	58,665
Total Governmental Activities	<u>\$ 13,423,543</u>	<u>454,037</u>	<u>(707,888)</u>	<u>\$ 13,169,692</u>	<u>\$ 655,868</u>
Business-Type Activities					
Compensated Absences	\$ 8,452	\$ 3,315	\$ -	\$ 11,767	\$ 3,052
Total Business-Type Activities	<u>\$ 8,452</u>	<u>3,315</u>	<u>-</u>	<u>\$ 11,767</u>	<u>\$ 3,052</u>

1988 Library Construction Bonds The District issued Library Construction Bonds in the amount of \$225,000. The bonds mature in July 2008 and have an average interest rate of 7.25%. The annual maturities of the general obligation bonds as of June 30, 2004, and related interest payments are as follows:

Grand Valley Local School District
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2004

	Principal	Interest	Payment
FY 2005	\$11,250	\$3,670	\$14,920
FY 2006	11,250	2,854	14,104
FY 2007	11,250	2,039	13,289
FY 2008	11,250	1,223	12,473
FY 2009	11,250	407	11,657
Total	\$56,250	\$10,193	\$66,443

2002 Classroom Facilities Improvement Bonds The District issued Classroom Facilities Improvement Bonds for the purpose of paying the local share of school construction under the State of Ohio Classroom Facilities Assistance Program on March 28, 2002. The bonds, in the amount of \$13,035,975 will be repaid over 22 years at an average interest rate of 4.90%. The annual maturities of the general obligation bonds as of June 30, 2004, and related interest payments are as follows:

	Principal	Interest	Payment
FY 2005	\$430,000	\$531,441	\$961,441
FY 2006	455,000	518,166	973,166
FY 2007	288,020	693,320	981,340
FY 2008	259,375	721,967	981,342
FY 2009	233,581	747,761	981,342
FY 2010 - 2014	2,540,000	2,299,169	4,839,169
FY 2015 - 2019	3,170,000	1,648,041	4,818,041
FY 2020 and Thereafter	4,970,000	781,500	5,751,500
Total	\$12,345,976	\$7,941,365	\$20,287,341

Capital Leases The District is making installment payments on certain equipment capitalized on the Statement of Net Assets. The obligation has an outstanding balance of \$2,865 as of June 30, 2004. The payment schedule follows:

Grand Valley Local School District
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2004

	Principal	Interest	Payment
FY 2005	2,865	112	2,977
Total	\$2,865	\$112	\$2,977

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 .1% of the total assessed value of property. The District has no unvoted debt. The District's unvoted debt limit is \$144,389. The voted debt limit at June 30, 2004 is \$12,994,994.

Note 14 – Jointly Governed Organizations and Public Entity Risk Pools

Northeast Ohio Management Information Network (NEOMIN) 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.

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 a treasurer from each county. The District was not represented on the Governing Board during fiscal year 2004. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. A complete set of separate financial statements may be obtained from the Trumbull County Educational Service Center, 347 North Park Avenue, Warren, Ohio, 44481.

Northeast Ohio Special Education Regional Resources Center (NEO/SERRC) NEO/SERRC 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 the children with disabilities and their parents.

NEO/SERRC 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 terms rotate each 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, 100 DeBartolo Place, Youngstown, Ohio 44512.

Grand Valley Local School District
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2004

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.

Ashtabula County Schools Council of Governments The District's Superintendent is a member of the governing board of the Ashtabula County Schools Council of Governments, a separate entity formed for the purpose of purchasing health insurance. The District has no ongoing financial interest or financial responsibility to the Council of Governments other than via participation by purchasing health insurance.

Grand Valley Public Library Association The Grand Valley Public Library Association (the Library) is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by seven member Board of Trustees appointed by each other. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the District for operational subsidies. Although the District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Grand Valley Public Library, Majorie Sharp, Clerk/Treasurer, at 1 North School Street, Orwell, Ohio 44076.

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, 2004.

B. Litigation

The District is not party to any legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending at June 30, 2004.

Note 16 – School Funding Decision

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

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

Grand Valley Local School District
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2004

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

Note 17 – Statutory Reserves

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

Effective April 10, 2001, Am. Sub. Senate Bill 345 amended ORC Section 5705.29 (h), effectively eliminating the requirement for the District to establish and maintain a budget stabilization reserve. However, restrictions have been placed on the disposition of any balances remaining in the previously required budget reserve.

The following cash basis information describes the change in the year-end set aside amounts for textbooks and capital acquisition. Disclosure of this information is required by State statute. The District had offsets and qualifying disbursements during the year that reduced the set-aside amounts to below zero. These extra amounts may be used to reduce the set-aside requirements of future years. Negative amounts, however, are not presented as being carried forward to the next fiscal year.

	<u>Textbooks</u>	<u>Capital Improvement</u>	<u>Budget Stabilization</u>	<u>Total</u>
Set-aside cash balance as of June 30, 2003	\$ 1,171	\$ -	\$ 89,901	\$ 91,072
Current year set-aside requirement	195,704	195,704	-	391,408
Offset Credit	-	(13,163,540)	-	(13,163,540)
Qualifying expenditures	<u>(138,315)</u>	<u>(282,918)</u>	<u>-</u>	<u>(421,233)</u>
Totals	<u>\$ 58,560</u>	<u>\$ (13,250,754)</u>	<u>\$ 89,901</u>	<u>\$ (13,102,293)</u>
Set-aside cash balance carried forward to FY 2004	<u>\$ 58,560</u>	<u>\$ -</u>	<u>\$ 89,901</u>	<u>\$ 148,461</u>
Amount available to offset future set-aside requirements	<u>\$ -</u>	<u>\$ (13,163,540)</u>	<u>\$ -</u>	

Grand Valley Local School District
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2004

Note 18 – Changes in Accounting Principles and Restatement of Fund Balance

Changes in Accounting Principles For the fiscal year 2004, the School District has implemented GASB No. 34, “Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments”, GASB No. 37, “Basic Financial Statements for State and Local Governments: Omnibus”, GASB No. 38, “Certain Financial Statement Note Disclosures”, GASB No. 41, “Budgetary Comparison Schedules – Perspective Differences – an amendment of GASB Statement No. 34”, and GASB Interpretation No. 6, “Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.” At June 30, 2003, there was no effect on fund balances as a result of implementing GASB Statements No. 37, 38, and 41.

Restatement of Fund Balances The restatements of fund equity for correction of prior year accrual balances and assets and fund reclassification had the following effect on the fund balances of the major and non-major funds of the School District as they were previously reported.

	General Fund	Debt Service Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
Fund Balances at June 30, 2003	\$ 2,985,181	\$ 885,314	\$ 19,461,583	\$ 678,764	\$ 24,010,842
Fund Reclassification	-	-	-	32,731	32,731
Fund Balances at July 1, 2003	<u>\$ 2,985,181</u>	<u>\$ 885,314</u>	<u>\$ 19,461,583</u>	<u>\$ 711,495</u>	<u>\$ 24,043,573</u>

In fiscal year 2003, the Special Trust Funds and part of the Private-Purpose Trust Funds which were previously reported under Fiduciary Funds were reclassified to Special Revenue Funds.

GASB 34 creates new basic financial statements for reporting on the School District’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Non-major funds are presented in total in one column.

The transition from governmental fund balance to net assets of the governmental activities is presented as follow:

Grand Valley Local School District
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2004

	General Fund	Debt Service Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
Fund Balances at June 30, 2003	\$ 2,985,181	\$ 885,314	\$ 19,461,583	\$ 711,495	\$ 24,043,573
Adjustments:					
Capital Assets					2,773,768
GASB Interpretation No. 6					(529,212)
GASB 34					
Accounts Payable					(112,000)
Capital Leases Payable					(10,605)
Intergovernmental Payables					(65,250)
Early Retirement Incentive					(20,000)
Long-term Liabilities					(12,818,476)
Governmental Activities Net Assets at June 30, 2003					\$ 13,261,798

The transition from fiduciary fund equity to net assets is presented as followed:

	Private-Purpose Trust Fund
Fund Equity as June 30, 2003	\$ 73,883
Fund Reclassification	(32,731)
Net Assets as June 30, 2003	\$ 41,152

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GRAND VALLEY LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2004

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through The Ohio Department of Education:</i>						
<i>Nutrition Cluster:</i>						
Food Distribution Program		10.550		\$32,193		\$32,193
School Breakfast Program	05-PU-2003 05-PU-2004	10.553	\$13,263 39,525		\$13,263 39,525	
Subtotal -- School Breakfast Program			52,788		52,788	
National School Lunch Program	LL-P4 2003 LL-P4 2004	10.555	41,765 113,344		41,765 113,344	
Subtotal -- School National School Lunch Program			155,109		155,109	
Total U.S. Department of Agriculture – Nutrition Cluster			207,897	32,193	207,897	32,193
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
<i>Passed Through The Ohio Department of Mental Retardation and Developmental Disabilities</i>						
<i>Medicaid Cluster:</i>						
Medical Assistance Program -- CAFS	FY 2004	93.778	4,485		4,485	
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through The Ohio Department of Education:</i>						
Grants to Local Educational Agencies Title I School Subsidy	C1-S1-2003 C1-S1-2004	84.010	21,189 343,677		72,443 297,337	
Total – Title I School Subsidy			364,866		369,780	
Title -- IV Drug Free Education – Subsidy	DR-S1-2003	84.186	10,444		10,444	
Title -- V Innovative Education Program Strategies	CS-S1-2003 CS-S1-2004	84.298	8,209		4,079 8,209	
Total – Title V Innovative Education Program Strategies			8,209		12,288	
Title -- II D Tech	TJ-S1-2003 TJ-S1-2004	84.318	(411) 9,753		2,363 6,335	
Total – Title II D Tech			9,342		8,698	
Title - II-A Improving Teacher Quality State Grants	TR-S1-2003 TR-S1-2004	84.367	1,134 82,252		7,084 79,047	
Total – Title II-A Improving Teacher Quality Grants			83,386		86,131	
Total – U.S. Department of Education			476,247		487,341	
U.S. Office of Library Services						
<i>Passed Through The Ohio Library Board:</i>						
Library Services and Technology Act		45.310	23,860			
Totals			\$712,489	\$32,193	\$699,723	\$32,193

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

**GRAND VALLEY LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR FISCAL YEAR ENDED JUNE 30, 2004**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B- FOOD DISTRIBUTION

Program regulations do not require the District to maintain separate inventory records for the purchased food and food received from the U. S. Department of Agriculture. This nonmonetary assistance (expenditure) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the U. S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE C - MATCHING REQUIREMENTS

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



**Auditor of State
Betty Montgomery**

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

Grand Valley Local School District
Ashtabula County
315 N. Maple Street
P.O. Box 279
Orwell, Ohio 44076

To the Board of Education:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Grand Valley Local School District, Ashtabula County (the District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 23, 2005. The District also adopted Governmental Accounting Standards Board Statement No. 34 and Implementation No. 6. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated June 23, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the District's management dated June 23, 2005, we reported one matter related to noncompliance we deemed immaterial.

Grand Valley Local School District
Ashtabula County
Independent Accountants' Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of the audit committee, management, the Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

June 23, 2005



Auditor of State Betty Montgomery

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

Grand Valley Local School District
Ashtabula County
315 N. Maple Street
P.O. Box 279
Orwell, Ohio 44076

To the Board of Education:

Compliance

We have audited the compliance of Grand Valley Local School District, Ashtabula 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 apply to its major federal program for the year ended June 30, 2004. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe 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 Grand Valley Local School District, Ashtabula County complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2004.

Internal Control Over Compliance

The District's management 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 directly and materially affect a major federal program 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 reportable 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 caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted one matter involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated June 23, 2005.

We intend this report solely for the information and use of the audit committee, management, the Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

June 23, 2005

GRAND VALLEY LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY
JUNE 30, 2004

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 ' .505

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Program's Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under ' .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Title One - CFDA # 84.010
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: > \$100,000
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

Finding Number	None
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3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	None
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**Auditor of State
Betty Montgomery**

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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.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 16, 2005**