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STATE OF OHIO



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January 21, 2003

The attached audit was conducted and prepared for release prior to the commencement of my term of office on January 13, 2003. Thus, I am releasing this audit under the signature of my predecessor.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

**GRAND VALLEY LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

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

We have audited the accompanying general-purpose financial statements of the Grand Valley Local School District, Ashtabula County, (the District) as of and for the year ended June 30, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Grand Valley Local School District, Ashtabula County, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund type and nonexpendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2002 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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Jim Petro
Auditor of State

December 31, 2002

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**Grand Valley Local School District
Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2002**

	Governmental Fund Types			Proprietary	Fiduciary	Account Groups		Totals	
	General	Special Revenue	Debt Service	Capital Project	Fund Types Enterprise	Trust and Agency	General Fixed Assets	General Long Term Debt	2002 (Memorandum) (Only)
Assets and Other Debits:									
Equity in Pooled Cash and Investments	\$ 2,244,466	203,936	432,674	13,971,277	110,768	94,291	0	0	\$ 17,057,412
Restricted Assets	89,901	0	0	0	0	0	0	0	89,901
Taxes Receivable	2,727,448	58,379	911,168	120,417	0	0	0	0	3,817,412
Intergovernmental Receivables	684	4,371	20	23,808,664	23,091	0	0	0	23,836,830
Accounts Receivable	32,229	199	3,300	38,728	72	279	0	0	74,807
Supplies Inventory	44,216	0	0	0	2,480	0	0	0	46,696
Inventory for Resale	0	0	0	0	11,665	0	0	0	11,665
Property, Plant & Equipment	0	0	0	0	199,932	0	6,907,859	0	7,107,791
Accumulated Depreciation, where applicable	0	0	0	0	(119,607)	0	0	0	(119,607)
Amount Available in Debt Service	0	0	0	0	0	0	0	741,553	741,553
Amount to be Provided for Retirement of General Long Term Debt	0	0	0	0	0	0	0	12,981,400	12,981,400
Total Assets and Other Debits	\$ 5,138,944	266,885	1,347,162	37,939,086	228,401	94,570	6,907,859	13,722,953	\$ 65,645,860

(Continued)

**Grand Valley Local School District
Combined Balance Sheet
All Fund Types and Account Groups, Continued
June 30, 2002**

	Governmental Fund Types				Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Totals 2002
	General	Special Revenue	Debt Service	Capital Project	Enterprise	Trust and Agency	General Fixed Assets	General Long Term Debt	(Memorandum) (Only)
Liabilities:									
Intergovernmental Payable	\$ 133,803	9,178	0	0	8,453	0	0	54,959	\$ 206,393
Accounts Payable	89,900	8,723	0	155,713	48	368	0	0	254,752
Accrued Salaries and Benefits	590,186	47,363	0	0	11,572	0	0	0	649,121
Deferred Revenue	1,866,265	39,281	605,609	23,890,222	12,413	0	0	0	26,413,790
Due to Others	0	0	0	0	0	30,508	0	0	30,508
General Obligation Bonds Payable	0	0	0	0	0	0	0	13,114,725	13,114,725
Capital Leases Payable	0	0	0	0	0	0	0	23,942	23,942
Retirement Incentive	0	0	0	0	0	0	0	60,000	60,000
Compensated Absences Payable	152,613	4,619	0	0	7,394	0	0	469,327	633,953
Total Liabilities	2,832,767	109,164	605,609	24,045,935	39,880	30,876	0	13,722,953	41,387,184
Fund Equity and Other Credits:									
Investment in General Fixed Assets	0	0	0	0	0	0	6,907,859	0	6,907,859
Contributed Capital	0	0	0	0	97,445	0	0	0	97,445
Retained Earnings	0	0	0	0	91,076	32,097	0	0	123,173
Retained Earnings-Reserved	0	0	0	0	0	10,000	0	0	10,000
Fund Balances:									
Reserved for Budget Stabilization	89,901	0	0	0	0	0	0	0	89,901
Reserved for Inventory	44,216	0	0	0	0	0	0	0	44,216
Reserved for Encumbrances	64,756	2,744	0	105,444	0	0	0	0	172,944
Reserved for Future Appropriation	861,183	19,097	305,558	38,827	0	0	0	0	1,224,665
Unreserved Fund Balance	1,246,121	135,880	435,995	13,748,880	0	21,597	0	0	15,588,473
Total Fund Equity	2,306,177	157,721	741,553	13,893,151	0	21,597	0	0	17,120,199
Total Fund Balances/Retained Earnings and Other Credits	2,306,177	157,721	741,553	13,893,151	188,521	63,694	6,907,859	0	24,258,676
Total Liabilities, Fund Equity, and Other Credits	\$ 5,138,944	266,885	1,347,162	37,939,086	228,401	94,570	6,907,859	13,722,953	\$ 65,645,860

See Accompanying Notes to the General Purpose Financial Statements

Grand Valley Local School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balance
All Governmental Fund Types and Expendable Trust Funds
Year Ended June 30, 2002

	Governmental Fund Types				Fiduciary	Totals (Memorandum) (Only)
	General	Special Revenue	Debt Service	Capital Project	Expendable Trust	
REVENUE:						
Taxes	\$ 2,576,784	47,160	755,669	122,085	0	\$ 3,501,698
Tuition	159,343	0	0	0	0	159,343
Earnings on Investments	135,276	0	0	234,438	542	370,256
Extracurricular Activities	0	127,160	0	0	0	127,160
Classroom Materials and Fees	26,124	0	0	0	0	26,124
Miscellaneous	53,734	12,304	0	0	864	66,902
Revenue from Intermediate Sources						
Unrestricted Grants-in-Aid	0	0	0	0	3,843	3,843
Revenue from State Sources						
Unrestricted Grants-in-Aid	5,331,968	3,138	46,478	15,742	0	5,397,326
Restricted Grants-in-Aid	177,914	92,589	0	459,840	0	730,343
Revenue from Federal Sources						
Unrestricted Grants-in-Aid	468	343,917	0	0	0	344,385
Restricted Grants-in-Aid	0	77,243	0	0	0	77,243
Total Revenue	<u>8,461,611</u>	<u>703,511</u>	<u>802,147</u>	<u>832,105</u>	<u>5,249</u>	<u>10,804,623</u>
EXPENDITURES:						
Current:						
Instruction						
Regular	3,798,116	207,572	0	37,433	4,843	4,047,964
Special	371,795	341,408	0	0	0	713,203
Vocational	126,858	0	0	0	0	126,858
Other	366,612	0	0	0	0	366,612
Supporting Services						
Pupils	188,089	8,712	0	2,008	0	198,809
Instructional Staff	353,023	39,639	0	15,000	0	407,662
Board of Education	13,088	0	0	0	0	13,088
Administration	835,301	5,358	0	0	0	840,659
Fiscal Services	209,819	1,221	10,515	3,090	0	224,645
Business Services	14,683	0	0	0	0	14,683
Operation & Maintenance-Plant	670,435	0	0	0	0	670,435
Pupil Transportation	861,800	3,077	0	0	0	864,877
Central Services	11,457	0	0	0	0	11,457
Extracurricular Activities						
Academic & Subject Oriented	41,969	23,665	0	0	0	65,634
Sports Oriented	119,210	42,952	0	0	0	162,162
Co-Curricular Activities	0	78,850	0	0	0	78,850
Capital Outlay						
Facility Acquisition & Construction	0	0	0	252,826	0	252,826
Debt Service						
Repayment of Debt	0	0	13,210,418	0	0	13,210,418
Total Expenditures	<u>7,982,255</u>	<u>752,454</u>	<u>13,220,933</u>	<u>310,357</u>	<u>4,843</u>	<u>22,270,842</u>
Excess (Deficiency) of Revenues						
Over (Under) Expenditures	479,356	(48,943)	(12,418,786)	521,748	406	(11,466,219)
Other Financing Sources and Uses:						
Other Financing Sources						
Premium & Accrued Interest	0	0	62,615	0	0	62,615
Sale of Bonds	0	0	13,036,000	0	0	13,036,000
Proceeds of Notes	0	0	0	13,036,000	0	13,036,000
Transfers-In	0	8,000	0	0	0	8,000
Other Financing Uses						
Transfers-Out	(8,000)	0	0	0	0	(8,000)
Net Other Financing Sources and Uses	<u>(8,000)</u>	<u>8,000</u>	<u>13,098,615</u>	<u>13,036,000</u>	<u>0</u>	<u>26,134,615</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditure						
Disbursement and Other Uses	471,356	(40,943)	679,829	13,557,748	406	14,668,396
Decrease in Inventory	(18,350)	0	0	0	0	(18,350)
Beginning Fund Balance	1,853,171	198,664	61,724	335,403	21,191	2,470,153
Ending Fund Balance	<u>\$ 2,306,177</u>	<u>157,721</u>	<u>741,553</u>	<u>13,893,151</u>	<u>21,597</u>	<u>\$ 17,120,199</u>

See Accompanying Notes to the General Purpose Financial Statements.

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Grand Valley Local School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types and Expendable Trust Funds
Year Ended June 30, 2002

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$ 2,618,058	2,627,321	9,263	30,900	28,062	\$ (2,838)
Tuition	178,004	159,343	(18,661)	0	0	0
Earnings on Investment	76,285	134,975	58,690	0	0	0
Extracurricular Activities	0	0	0	125,512	127,567	2,055
Classroom Materials & Fees	25,629	25,948	319	0	0	0
Miscellaneous	43,743	22,857	(20,886)	11,349	12,264	915
Local Unrestricted Grants-in-Aid	0	0	0	0	0	0
State Unrestricted Grants-in-Aid	5,194,410	5,333,112	138,702	2,000	2,868	868
State Restricted Grants-in-Aid	177,423	177,914	491	104,750	108,200	3,450
Federal Unrestricted Grants-in-Aid	13,696	3,420	(10,276)	377,221	377,215	(6)
Federal Restricted Grants-in-Aid	0	0	0	81,529	81,529	0
Total Revenue	8,327,248	8,484,890	157,642	733,261	737,705	4,444
Expenditures:						
Regular Instruction	3,811,049	3,735,239	75,810	231,104	211,625	19,479
Special Instruction	361,660	357,168	4,492	407,000	340,637	66,363
Vocational Instruction	132,419	128,065	4,354	0	0	0
Other Instruction	407,000	367,689	39,311	0	0	0
Support Services-Pupils	206,290	185,512	20,778	11,132	8,947	2,185
Support Services-Instructional Staff	374,349	358,360	15,989	39,639	39,639	0
Support Services-Board of Education	13,830	13,084	746	0	0	0
Support Services-Administration	870,987	849,010	21,977	5,705	5,353	352
Fiscal Services	216,192	210,810	5,382	3,358	1,206	2,152
Support Services-Business	15,767	15,276	491	0	0	0
Operation & Maintenance-Plant	880,305	734,818	145,487	0	0	0
Support Services-Transportation	902,842	858,071	44,771	3,077	3,077	0
Support Services-Central	12,000	11,457	543	0	0	0
Academic & Subject Oriented	47,550	41,728	5,822	35,223	23,665	11,558
Sports Oriented	136,200	119,122	17,078	49,102	43,527	5,575
Co-Curricular Activities	0	0	0	119,737	83,525	36,212
Site Acquisition	111,000	0	111,000	0	0	0
Site Improvement	0	0	0	0	0	0
Building Improvement	0	0	0	0	0	0
Other Fac. Acq. & Construction	0	0	0	0	0	0
Repayment of Debt	0	0	0	0	0	0
Total Expenditures	8,499,440	7,985,409	514,031	905,077	761,201	143,876
Excess of Revenue Over (Under) Expenditures	(172,192)	499,481	671,673	(171,816)	(23,496)	148,320
Other Financing Sources (Uses):						
Premium & Accrued Interest	0	0	0	0	0	0
Sale of Bonds	0	0	0	0	0	0
Transfers-In	0	0	0	8,000	8,000	0
Refund of Prior Years Expenditures	23,232	23,232	0	0	0	0
Transfers-Out	(8,000)	(8,000)	0	0	0	0
Refund of Prior Years Receipts	0	0	0	(15,611)	(15,611)	0
Total Other Sources (Uses)	15,232	15,232	0	(7,611)	(7,611)	0
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(156,960)	514,713	671,673	(179,427)	(31,107)	148,320
Beginning Fund (Deficit) Balance	1,557,726	1,557,726	--	211,272	211,272	--
Prior Year Carry Over Encumbrances	113,399	113,399	--	12,289	12,289	--
Ending Fund (Deficit) Balance	\$ 1,514,165	2,185,838	671,673	44,134	192,454	\$ 148,320

(Continued)

Grand Valley Local School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types and Expendable Trust Funds - Continued
Year Ended June 30, 2002

	Debt Service Fund			Capital Project Fund		
	Revised	Actual	Variance	Revised	Actual	Variance
	Budget		Favorable (Unfavorable)	Budget		Favorable (Unfavorable)
Revenues:						
Taxes	\$ 407,593	454,060	46,467	146,400	145,671	\$ (729)
Tuition	0	0	0	0	0	0
Earnings on Investment	0	0	0	100,000	195,709	95,709
Extracurricular Activities	0	0	0	0	0	0
Classroom Materials & Fees	0	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0
Local Unrestricted Grants-in-Aid	0	0	0	0	0	0
State Unrestricted Grants-in-Aid	43,440	46,459	3,019	15,000	15,730	730
State Restricted Grants-in-Aid	0	0	0	459,840	459,840	0
Federal Unrestricted Grants-in-Aid	0	0	0	0	0	0
Federal Restricted Grants-in-Aid	0	0	0	0	0	0
Total Revenue	451,033	500,519	49,486	721,240	816,950	95,710
Expenditures:						
Regular Instruction	0	0	0	40,481	38,120	2,361
Special Instruction	0	0	0	0	0	0
Vocational Instruction	0	0	0	0	0	0
Other Instruction	0	0	0	0	0	0
Support Services-Pupils	0	0	0	5,338	2,080	3,258
Support Services-Instructional Staff	0	0	0	15,000	15,000	0
Support Services-Board of Education	0	0	0	0	0	0
Support Services-Administration	0	0	0	0	0	0
Fiscal Services	10,800	10,515	285	4,000	3,090	910
Support Services-Business	0	0	0	0	0	0
Operation & Maintenance-Plant	0	0	0	0	0	0
Support Services-Transportation	0	0	0	0	0	0
Support Services-Central	0	0	0	0	0	0
Academic & Subject Oriented	0	0	0	0	0	0
Sports Oriented	0	0	0	0	0	0
Co-Curricular Activities	0	0	0	0	0	0
Site Acquisition	0	0	0	0	0	0
Site Improvement	0	0	0	25,000	24,525	475
Building Improvement	0	0	0	239,492	138,966	100,526
Other Fac. Acq. & Construction	0	0	0	6,000	5,336	664
Repayment of Debt	13,210,867	13,210,418	449	0	0	0
Total Expenditures	13,221,667	13,220,933	734	335,311	227,117	108,194
Excess of Revenue Over (Under) Expenditures	(12,770,634)	(12,720,414)	50,220	385,929	589,833	203,904
Other Financing Sources (Uses):						
Premium & Accrued Interest	108,800	59,314	(49,486)	0	0	0
Sale of Bonds	13,036,000	13,036,000	0	13,036,000	13,036,000	0
Transfers-In	0	0	0	0	0	0
Refund of Prior Years Expenditures	0	0	0	0	0	0
Transfers-Out	0	0	0	0	0	0
Refund of Prior Years Receipts	0	0	0	0	0	0
Total Other Sources (Uses)	13,144,800	13,095,314	(49,486)	13,036,000	13,036,000	0
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	374,166	374,900	734	13,421,929	13,625,833	203,904
Beginning Fund (Deficit) Balance	57,774	57,774	--	214,211	214,211	--
Prior Year Carry Over Encumbrances	0	0	--	60,472	60,472	--
Ending Fund (Deficit) Balance	\$ 431,940	\$ 432,674	734	\$ 13,696,612	\$ 13,900,516	\$ 203,904

(Continued)

Grand Valley Local School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types and Expendable Trust Funds - Continued
Year Ended June 30, 2002

	Expendable Trust Fund			Totals (Memorandum Only)		
	Revised		Variance	Revised		Variance
	Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)
Revenues:						
Taxes	\$ 0	0	0	3,202,951	3,255,114	\$ 52,163
Tuition	0	0	0	178,004	159,343	(18,661)
Earnings on Investment	512	512	0	176,797	331,196	154,399
Extracurricular Activities	0	0	0	125,512	127,567	2,055
Classroom Materials & Fees	0	0	0	25,629	25,948	319
Miscellaneous	888	864	(24)	55,980	35,985	(19,995)
Local Unrestricted Grants-in-Aid	3,843	3,843	0	3,843	3,843	0
State Unrestricted Grants-in-Aid	0	0	0	5,254,850	5,398,169	143,319
Federal Unrestricted Grants-in-Aid	0	0	0	742,013	745,954	3,941
Federal Unrestricted Grants-in-Aid	0	0	0	390,917	380,635	(10,282)
Federal Restricted Grants-in-Aid	0	0	0	81,529	81,529	0
Total Revenue	5,243	5,219	(24)	10,238,025	10,545,283	307,258
Expenditures:						
Regular Instruction	4,843	4,843	0	4,087,477	3,989,827	97,650
Special Instruction	0	0	0	768,660	697,805	70,855
Vocational Instruction	0	0	0	132,419	128,065	4,354
Other Instruction	0	0	0	407,000	367,689	39,311
Support Services-Pupils	0	0	0	222,760	196,539	26,221
Support Services-Instructional Staff	0	0	0	428,988	412,999	15,989
Support Services-Board of Education	0	0	0	13,830	13,084	746
Support Services-Administration	0	0	0	876,692	854,363	22,329
Fiscal Services	0	0	0	234,350	225,621	8,729
Support Services-Business	0	0	0	15,767	15,276	491
Operation & Maintenance-Plant	0	0	0	880,305	734,818	145,487
Support Services-Transportation	0	0	0	905,919	861,148	44,771
Support Services-Central	0	0	0	12,000	11,457	543
Academic & Subject Oriented	0	0	0	82,773	65,393	17,380
Sports Oriented	0	0	0	185,302	162,649	22,653
Co-Curricular Activities	0	0	0	119,737	83,525	36,212
Site Acquisition	0	0	0	111,000	0	111,000
Site Improvement	0	0	0	25,000	24,525	475
Building Improvement	0	0	0	239,492	138,966	100,526
Other Fac. Acq. & Construction	0	0	0	6,000	5,336	664
Repayment of Debt	0	0	0	13,210,867	13,210,418	449
Total Expenditures	4,843	4,843	0	22,966,338	22,199,503	766,835
Excess of Revenue Over (Under) Expenditures	400	376	(24)	(12,728,313)	(11,654,220)	1,074,093
Other Financing Sources (Uses):						
Premium & Accrued Interest	0	0	0	108,800	59,314	(49,486)
Sale of Bonds	0	0	0	26,072,000	26,072,000	0
Transfers-In	0	0	0	8,000	8,000	0
Refund of Prior Years Expenditures	0	0	0	23,232	23,232	0
Transfers-Out	0	0	0	(8,000)	(8,000)	0
Refund of Prior Years Receipts	0	0	0	(15,611)	(15,611)	0
Total Other Sources (Uses)	0	0	0	26,188,421	26,138,935	(49,486)
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	400	376	(24)	13,460,108	14,484,715	1,024,607
Beginning Fund (Deficit) Balance	21,191	21,191	--	2,062,174	2,062,174	--
Prior Year Carry Over Encumbrances	0	0	--	186,160	186,160	--
Ending Fund (Deficit) Balance	\$ 21,591	21,567	(24)	15,708,442	16,733,049	\$ 1,024,607

See Accompanying Notes to the General Purpose Financial Statements.

Grand Valley Local School District
Combined Statement of Revenues, Expenses, and Changes in Retained Earnings
All Proprietary Fund Types and Non-Expendable Trust Funds
Year Ended June 30, 2002

	Proprietary Fund Types		Totals (Memorandum) (Only)
	Enterprise Funds	Non-Expendable Trust Funds	
Operating Revenues:			
Food Service	\$ 218,094	0	\$ 218,094
Total Operating Revenue	218,094	0	218,094
Operating Expenses:			
Personal Services - Salary	124,583	0	124,583
Employee Benefits	72,100	0	72,100
Purchased Services	3,273	0	3,273
Supplies and Materials	209,189	0	209,189
Other Objects	675	2,435	3,110
Depreciation	6,317	0	6,317
Total Operating Expenses	416,137	2,435	418,572
Operating Loss	(198,043)	(2,435)	(200,478)
Non-Operating Revenues:			
Earnings On Investments	2,442	1,582	4,024
State Unrestricted Grants-In-Aid	6,545	0	6,545
State Restricted Grants-in-Aid	5,327	0	5,327
Federal Unrestricted Grants-in-Aid	181,221	0	181,221
Federal Restricted Grants-In-Aid	29,357	0	29,357
Total Non-Operating Revenues	224,892	1,582	226,474
Non-Operating Expenses:			
Loss on Disposal of Assets	442	0	442
Total Non-Operating Expenses	442	0	442
Net Income (Loss)	26,407	(853)	25,554
Beginning Retained Earnings	64,669	42,950	107,619
Retained Earnings at End of Year	\$ 91,076	42,097	\$ 133,173

See Accompanying Notes to the General Purpose Financial Statements.

Grand Valley Local School District
Combined Statement of Changes in Cash Flows
All Proprietary Fund Types and Non-Expendable Trust Funds
Year Ended June 30, 2002

	Proprietary Fund Types		Totals (Memorandum) (Only)
	Enterprise Funds	Non-Expendable Trust Fund	
Cash Flows from Operating Activities			
Operating Loss	\$ (198,043)	(2,435)	\$ (200,478)
Adjustment to Reconcile Operating Loss			
to Net Cash used in Operating Activities:			
Depreciation	6,317	0	6,317
Net (Increase) Decrease in Assets:			
Accounts Receivable	(66)	0	(66)
Inventory	28,701	0	28,701
Net Increase (Decrease) in Liabilities:			
Accounts Payable	(734)	0	(734)
Intergovernmental Payable	(1,130)	0	(1,130)
Accrued Wages and Benefits	1,093	0	1,093
Compensated Absences	421	0	421
Total Adjustments	<u>34,602</u>	<u>0</u>	<u>34,602</u>
Net Cash Used in Operating Activities	(163,441)	(2,435)	(165,876)
Cash Flows from Investing Activities:			
Earnings on Investments	2,442	1,582	4,024
Cash Flows from Noncapital Activities:			
Operating Grants from State Sources	11,872	0	11,872
Operating Grants from Federal Sources	<u>158,130</u>	<u>0</u>	<u>158,130</u>
Net Cash Provided by Noncapital Financing Sources	170,002	0	170,002
Cash Flows from Capital Activities:			
Acquisition of Capital Assets	<u>(14,512)</u>	<u>0</u>	<u>(14,512)</u>
Net Cash Provided by Capital Financing Sources			
Net Decrease in Cash & Cash Equivalents	(5,509)	(853)	(6,362)
Cash and Cash Equivalents at Beginning of Year	<u>116,277</u>	<u>42,950</u>	<u>159,227</u>
Cash and Cash Equivalents at End of Year	<u>\$ 110,768</u>	<u>42,097</u>	<u>\$ 152,865</u>

See Accompanying Notes to General Purpose Financial Statements.

**GRAND VALLEY LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2002**

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

Average daily membership (ADM) as of October 1, 2001, was 1413. 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 general purpose financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, in that the financial statements include all organizations, activities and functions for which the District is financially accountable. This report includes all activities considered by management to be part of the District by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

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

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

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

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

**GRAND VALLEY LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2002
(Continued)**

1. Summary of Significant Accounting Policies (continued)

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

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

B. Fund Accounting

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

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

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

Governmental Fund Types

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

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

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

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

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

**GRAND VALLEY LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2002
(Continued)**

1. Summary of Significant Accounting Policies (continued)

Proprietary Fund Types

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

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

Fiduciary Fund Types

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

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

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

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

Account Groups

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

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

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

**GRAND VALLEY LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2002
(Continued)**

1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds and nonexpendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e. net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e. expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements as well as relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental, expendable trust, and agency funds.

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. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year. The available period for the District is sixty days after fiscal 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. Revenue from grants, entitlements and donations is recognized in the 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 specific 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.

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

**GRAND VALLEY LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2002
(Continued)**

1. Summary of Significant Accounting Policies (continued)

The District reports deferred revenues on its combined balance sheet that arise when revenue does not meet both the measurable and available criteria recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2002 that are intended to finance fiscal year 2003 operations, and delinquent property taxes, whose availability is indeterminable have been recorded as deferred revenue.

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 the governmental funds.

The proprietary fund type and nonexpendable trust funds utilize the full accrual basis of accounting for reporting purposes. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

D. Budget and Budgetary Accounting

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

- 1) A Tax Budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by January 20th of each year, for the fiscal year commencing the following July 1st. The Board of Education normally adopts the Tax Budget at its regular board meeting in January.
- 2) The County Budget Commission certifies its actions to the District by March 1st. As part of this certification, the District receives the Official Certificate of Estimated Resources which states the projected receipts of each fund. During the month of July, this certificate is amended to include any unencumbered balances from the preceding fiscal year.
- 3) An annual appropriation measure must be passed by the Board of Education by October 1st of each year for the period July 1st to June 30th. Unencumbered appropriations lapse at year-end and the encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated. The Board of Education usually adopts temporary appropriations at its regular board meeting in June. The Annual Appropriation Resolution is usually adopted at the September regular board meeting. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources and expenditures may not exceed appropriations in any fund at the object level.

**GRAND VALLEY LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2002
(Continued)**

1. Summary of Significant Accounting Policies (continued)

- 4) The District prepares its budget on a basis of accounting that differs from generally accepted accounting principles (GAAP). The actual results of operations are presented in the "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual--All Governmental Fund Types" in accordance with the budget basis of accounting.

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

- a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- b) Expenditures are recorded when encumbered (budget basis) as opposed to when the liability is incurred (GAAP basis);
- c) Encumbrances are recorded as the equivalent of expenditures (budget basis) as opposed to a reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund types (GAAP basis); and
- d) For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP).

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

E. Cash and Investments

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

Under existing Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the General Fund during the fiscal year amounted to \$135,276.

For the District, all investment earnings accrue to the General Fund, Capital Projects Fund, Expendable Trust Fund, Non-expendable Trust Fund, and Lunchroom Fund as authorized by board resolution. Interest income earned in fiscal year 2002 totaled \$374,280.

**GRAND VALLEY LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2002
(Continued)**

1. Summary of Significant Accounting Policies (continued)

F. Taxes Receivable

The financial statements reflect taxes receivable as of June 30, 2002. 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, 2002 and accordingly have been recorded as deferred revenue in the accompanying financial statements. Taxes that become delinquent remain recorded in deferred revenue until they are determined to be uncollectible.

G. Inventories

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

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2002, are recognized under the nonallocation method. The nonallocation method of prepayments and deferrals is consistent with the basic governmental concept that only expendable financial resources are reported by a specific governmental fund. Payments for the prepaid items or deferrals are fully recognized as an expenditure in the year of payment. Under the nonallocation method no asset for the prepayment or deferral is created, and no expenditure allocation to future accounting periods is required.

I. Fixed Assets

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

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

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

**GRAND VALLEY LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2002
(Continued)**

1. Summary of Significant Accounting Policies (continued)

J. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds." Short-term interfund loans are classified as "interfund receivables/payables." At June 30, 2002, the District had neither "Due to/from other Funds" nor "Interfund Receivables/Payables."

K. Advances to Other Funds

Non-current portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and therefore are not available for appropriation. At June 30, 2002 the District had no long-term interfund loans.

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

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

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

**GRAND VALLEY LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2002
(Continued)**

1. Summary of Significant Accounting Policies (continued)

M. Contributed Capital

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. The assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expended and closed to unreserved retained earnings at year end. Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources. At June 30, 2002, the District had \$97,445 in contributed capital.

N. Long-Term Obligations

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

O. Interfund Transactions

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

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

P. Fund Balance Reserves

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

Q. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. A fund balance reserve has also been established.

**GRAND VALLEY LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2002
(Continued)**

1. Summary of Significant Accounting Policies (continued)

R. Estimates

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

S. Memorandum Only - Total Columns

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

2. Budgetary Basis of Accounting

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

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

	General Fund	Special Revenue	Debt Service	Capital Project	Expendable Trust
GAAP Basis	\$ 471,356	(40,943)	679,829	13,557,748	\$ 406
Increase (Decrease):					
Due to Revenues:					
Net Adjustments to Revenue Accruals	23,279	34,194	(301,628)	(15,155)	(30)
Due to Expenditures:					
Net Adjustments to Expenditure Accruals	(3,154)	(8,747)	(3,301)	83,240	0
Due to Other Sources/Uses	23,232	(15,611)	0	0	0
Budget Basis	<u>\$ 514,713</u>	<u>(31,107)</u>	<u>374,900</u>	<u>13,625,833</u>	<u>\$ 376</u>

3. Cash and Investments

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

**GRAND VALLEY LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2002
(Continued)**

3. Cash and Investments (continued)

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

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

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

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

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

**GRAND VALLEY LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2002
(Continued)**

3. Cash and Investments (continued)

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

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

Deposits: At year end, the carrying amount of the District's deposits was \$4,666,972 and the bank balance was \$4,779,887, of which \$251,130 was covered by the Federal Deposit Insurance Corporation. \$4,528,757 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institutions in the pledging institutions' names and all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

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

	Category			Carrying Value	Fair Value
	1	2	3		
Victory Federal Money Market Mutual Fund	\$ 0	0	1,371,620	1,371,620	\$ 1,371,620
No-Load Mutual Funds	0	0	83,559	83,559	83,559
Federal Agency Securities	0	0	11,025,112	11,025,112	11,012,681
Total Investments			<u>\$12,480,291</u>	<u>\$12,480,291</u>	<u>\$12,467,860</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*.

**GRAND VALLEY LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2002
(Continued)**

3. Cash and Investments (continued)

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

	Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$ 17,147,313	\$ 0
Investments:		
No-Load Mutual Funds	(83,559)	83,559
Federal Agency Securities	(11,025,112)	11,025,112
Victory Federal Money Market Mutual Fund	(1,371,620)	1,371,620
Cash on Hand	(50)	0
GASB Statement No. 3	\$ 4,666,972	\$ 12,480,291

4. Property Tax

Property taxes are levied, assessed and collected on a calendar year basis. They include amounts levied against all real, public utility, and tangible personal property located in the District. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the Ashtabula County Auditor at 35% of appraised market value. All property is required to be revalued every six years. The last revaluation for the District was completed in 2002; an update will be done in 2005. The next revaluation is scheduled for 2008.

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

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

**GRAND VALLEY LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2002
(Continued)**

4. Property Tax (continued)

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

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

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

The full tax rate at the fiscal year ended June 30, 2002 for operations was \$40.66 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 2002 taxes were collected were as follows:

Real Property-Commercial/Industrial	\$ 8,262,730
Real Property-Residential/Agricultural	89,833,200
Personal Property-General	14,866,090
Personal Property-Public Utilities	<u>6,499,270</u>
Total Assessed Value	<u>\$ 119,461,290</u>

**GRAND VALLEY LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2002
(Continued)**

5. Receivables

Receivables at June 30, 2002 consisted of taxes, accounts (miscellaneous), and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current guarantee of Federal funds.

A summary of the principal items of Intergovernmental Receivables follows:

General Fund:	
Tax Rollbacks	\$ 684
Total General Fund	<u>684</u>
Debt Service Fund:	
Tax Rollbacks	20
Total Debt Service Fund	<u>20</u>
Special Revenue Fund:	
Classroom Facilities-Tax Rollbacks	269
Title I Grant	4,027
Title II Grant	75
Total Special Revenue Fund	<u>4,371</u>
Capital Project Fund:	
Ohio School Facilities Grant	23,808,633
Tax Rollbacks	31
Total Capital Project Fund	<u>23,808,664</u>
Proprietary Funds:	
Federal Lunchroom Reimbursements	23,091
Total Proprietary Fund	<u>23,091</u>
Grand Total	<u>\$ 23,836,830</u>

**GRAND VALLEY LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2002
(Continued)**

6. Fixed Assets

The following is a summary of the Proprietary Fund property, plant and equipment at June 30, 2002:

Enterprise Fund	June 30, 2002
Furniture and Equipment	\$ 199,932
Less Accumulated Depreciation	(119,607)
Net Fixed Assets	\$ 80,325

The following is a summary of changes in the General Fixed Assets Account Group during the fiscal year 2002:

	General Fixed Assets June 30, 2001	Additions	Deletions	General Fixed Assets June 30, 2002
Land and Improvements	\$ 535,353	0	0	\$ 535,353
Buildings	2,641,256	0	0	2,641,256
Improvements other than	658,851	6,786	0	665,637
Furniture and Equipment	1,845,082	111,982	25,689	1,931,375
Vehicles	1,195,995	221,818	283,575	1,134,238
Total General Fixed Assets	\$ 6,876,537	340,586	309,264	\$ 6,907,859

There was no significant construction in progress at June 30, 2002.

**GRAND VALLEY LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2002
(Continued)**

7. Defined Benefit Pension Plans

A. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2002, 5.46 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 District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$157,536, \$174,360 and \$151,176, respectively; 46 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$86,533 representing the unpaid contribution for fiscal year 2002, including the surcharge, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

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

For the fiscal year ended June 30, 2002, plan members are required to contribute 9.3 percent of their annual covered salaries. The District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year 2000 (the latest information available), 6 percent was used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$564,384, \$538,488 and \$492,432, respectively; 83 percent has been contributed for fiscal year 2002, and 100 percent for fiscal years 2001 and 2000. \$94,065 representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds.

**GRAND VALLEY LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2002
(Continued)**

8. Postemployment Benefits

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2001 (the latest information available), the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund, a decrease of 3.5 percent for fiscal year 2001. For the District, this amount equaled \$181,409 for fiscal year 2002.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2001, (the latest information available) the balance in the Fund was \$3.256 billion. For the year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000 and STRS had 102,132 eligible benefit recipients.

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

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, 2002, employer contributions to fund health care benefits were 8.54 percent of covered payroll, a decrease of 1.26 percent for fiscal year 2002. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay has been established at \$12,400. For the District, the amount to fund health care benefits, including surcharge, during the 2002 fiscal year equaled \$103,863.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2002, were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 participants receiving health care benefits.

**GRAND VALLEY LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2002
(Continued)**

9. Compensated Absences

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

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

The classified personnel accumulate vacation based on the following schedule:

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

Each employee earns sick leave at the rate of one and one-fourth days per month. Sick leave shall accumulate during active employment on a continuous year-to-year basis. Maximum sick leave accumulation for certified employees is 320 days and for classified employees, 290 days.

For all employees, retirement severance is paid to each employee retiring from the District at a per diem rate of the annual salary at the time of retirement. Any 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. Maximum attainable days for severance pay 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.

**GRAND VALLEY LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2002
(Continued)**

10. Risk Management

A. General Risk

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

General liability insurance is maintained in the amount of \$1,000,000 for each occurrence and \$3,000,000 in the aggregate. The District carries excess liability insurance in the amount of \$2,000,000 for each occurrence and \$3,000,000 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 \$19,993,265.

B. Workers' Compensation

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

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

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

C. Health Insurance

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

**GRAND VALLEY LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2002
(Continued)**

11. Long-Term Debt

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

	Balance			Balance	
	July 1, 2001	Additions	Deletions	June 30, 2002	
Intergovernmental Payable	\$ 58,729	54,959	58,729	\$ 54,959	
Bonds Payable	90,000	13,035,975	11,250	13,114,725	
Leases Payable	37,039	0	13,097	23,942	
Retirement Incentive	30,000	60,000	30,000	60,000	
Compensated Absences Payable	532,844	469,327	532,844	469,327	
	<u>\$ 748,612</u>	<u>13,620,261</u>	<u>645,920</u>	<u>\$ 13,722,953</u>	

The Ohio Revised Code (ORC) provides that the net debt of a school district, whether or not approved by the people, shall not exceed 9.0% of the total value of all property in the District as listed and assessed for taxation. In addition, the unvoted net debt of a school district cannot exceed .01% of the total assessed value of property. The District has no unvoted debt, the District's unvoted debt limit is \$119,461. The voted debt limit at June 30, 2002 is \$10,751,516.

General Obligation Bonds

Library Construction Bonds, Series 1988: The District issued Library Construction Bonds in October, 1988 in the amount of \$225,000 at an annual rate of 7.25 percent for 20 years. The outstanding obligation for these bonds at June 30, 2002, is \$78,750.

The annual maturities of the Library Construction Bonds as of June 30, 2002, and related interest payments are as follows:

	Principal	Interest	Payment
FY 2003	\$ 11,250	5,301	\$ 16,551
FY 2004	11,250	4,485	15,735
FY 2005	11,250	3,670	14,920
FY 2006	11,250	2,854	14,104
FY 2007 and thereafter	33,750	3,369	37,119
	<u>\$ 78,750</u>	<u>19,679</u>	<u>\$ 98,429</u>

**GRAND VALLEY LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2002
(Continued)**

11. Long-Term Debt (continued)

Classroom Facilities Improvement Bonds, Series 2002:

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 percent. The final maturity of the bonds will be December, 2024.

The annual maturities of the Classroom Facilities Improvement Bonds as of June 30, 2002, and related interest payments are as follows:

	Principal	Interest	Payment
FY 2003	\$ 285,000	693,964	\$ 978,964
FY 2004	405,000	543,966	948,966
FY 2005	430,000	531,441	961,441
FY 2006	455,000	518,166	973,166
FY 2007 and thereafter	11,460,975	6,891,758	18,352,733
	<u>\$ 13,035,975</u>	<u>9,179,295</u>	<u>\$ 22,215,270</u>

Capital Leases

The District is making installment payments on four copiers and a van. This equipment has been capitalized in the general fixed assets account group. This obligation has an outstanding balance of \$23,942 at June 30, 2002.

Payment schedule for the installment purchase obligations as of June 30, 2002:

	Principal	Interest	Payment
FY 2003	\$ 13,337	1,370	\$ 14,707
FY 2004	8,352	484	8,836
FY 2005	2,253	112	2,365
	<u>\$ 23,942</u>	<u>1,966</u>	<u>\$ 25,908</u>

Operating Lease

The District has entered into an operating lease for the rental of two copiers. The annual payment for the lease is \$12,120.

**GRAND VALLEY LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2002
(Continued)**

12. Jointly Governed Organizations

NORTHEAST OHIO MANAGEMENT INFORMATION NETWORK- (NEOMIN) is a jointly governed organization among thirty school districts in Trumbull and Ashtabula Counties. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the districts support NEOMIN based upon a per pupil charge. The District contributed \$21,195 to NEOMIN for fiscal year 2002.

Superintendents of the participating school districts are eligible to be voting members of the Governing Board which consists of ten members: the Trumbull and Ashtabula County superintendents (permanent members), three superintendents from Ashtabula County school districts, three superintendents from Trumbull County districts, and two treasurers, one from each county. The District was not represented on the Governing Board during fiscal year 2002. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. To obtain a copy of a complete set of separate financial statements, write to the Trumbull County Educational Service Center, 347 North Park Avenue, Warren, Ohio, 44481.

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

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

ASHTABULA COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

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

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

13. Contingencies

A. Grants

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

**GRAND VALLEY LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2002
(Continued)**

13. Contingencies (continued)

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, 2002.

B. Litigation

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

14. School Funding Decision

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

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

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

15. Ohio Schools Council

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

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

16. Statutory Reserves

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

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

**GRAND VALLEY LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2002
(Continued)**

16. Statutory Reserves (continued)

The following cash basis information describes the change in the year-end set aside amounts for textbooks, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute.

During the fiscal year ended June 30, 2002, the reserve activity was as follows:

	Textbook Reserve	Capital Maintenance Reserve	Budget Stabilization Reserve	Total
Set-Aside Cash Balance as of June 30, 2001	\$ 0	\$ 0	\$ 89,901	\$ 89,901
Current Year Set-Aside	163,878	163,878	0	327,756
Current Offset Credits	0	(163,878)	0	(163,878)
Qualifying Disbursements	(163,878)	0	0	(163,878)
Total	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 89,901</u>	<u>\$ 89,901</u>
Cash Balance Carried Forward to FY 2003	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 89,901</u>	<u>\$ 89,901</u>
Amount Restricted for Budget Stabilization				<u>\$ 89,901</u>
Total Restricted Assets				<u>\$ 89,901</u>

17. Fund Deficits

Fund balances at June 30, 2002, included the following individual fund deficit:

Special Revenue Funds	
Title VI-R	\$ (1,345)

This fund deficit resulted from adjustments for accrued liabilities. The general fund is liable for any deficits in the funds and provides operating transfers when cash is required, not when accruals occur.

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GRAND VALLEY LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2002

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program		10.550		\$29,451		\$29,357
National School Breakfast Program	05-PU-2001 05-PU-2002	10.553	\$4,695 <u>32,737</u>		\$4,695 <u>32,737</u>	
Subtotal - National Breakfast Program			37,432		37,432	
National School Lunch Program	LL-P4-2001 LL-P4-2002	10.555	16,906 <u>103,792</u>		16,906 <u>103,792</u>	
Subtotal - National School Lunch Program			120,698		120,698	
Total Department of Agriculture - Nutrition Cluster			158,130	29,451	158,130	29,357
UNITED STATES DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Grants to Local Educational Agencies (ESEA Title I)	C1-S1-2001 C1-S1-2001	84.010	37,325 <u>332,806</u>		83,809 <u>264,263</u>	
Subtotal - Grants to Local Educational Agencies			370,131		348,072	
Safe and Drug Free Schools	DR-S1-2002	84.186	5,376		5,376	
Goals 2000 - Continuous Improvement	G2-S2-2000 G2-S2-2001 G2-SP-2001	84.276	0 0 <u>1,000</u>		13,083 11,322 <u>1,000</u>	
Subtotal - Goals 2000			1,000		25,405	
Eisenhower Professional Development State Grants	MS-S1-2002	84.281	10,129		8,899	
Innovative Educational Program Strategies	C2-S1-2002	84.298	7,084		7,084	
Class Size Reduction	CR-S1-2001 CR-S1-2002	84.340	4,361 <u>60,663</u>		9,478 <u>52,419</u>	
Subtotal - Class Size Reduction			65,024		61,897	
Total Department of Education			458,744		456,733	
UNITED STATES DEPARTMENT OF HEALTH & HUMAN SERVICES						
<i>Passed Through Ohio Department of Human Services; passed through Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
Medicaid Cluster:						
Medical Assistance Program - Title XIX - Community Alternative Funding System		93.778	3,420		3,420	
Totals			<u>\$620,294</u>	<u>\$29,451</u>	<u>\$618,283</u>	<u>\$29,357</u>

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

**GRAND VALLEY LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY**

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

NOTE A -- SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards expenditures is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B – FOOD DISTRIBUTION

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

NOTE C - MATCHING REQUIREMENTS

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



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

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

We have audited the financial statements of the Grand Valley Local School District, Ashtabula County, (the District) as of and for the year ended June 30, 2002, and have issued our report thereon dated December 31, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

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

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

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

Jim Petro
Auditor of State

December 31, 2002



**STATE OF OHIO
OFFICE OF THE AUDITOR**

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

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

Compliance

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

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

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

Internal Control Over Compliance

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

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

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized loop at the end.

Jim Petro
Auditor of State

December 31, 2002

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505**

**GRAND VALLEY LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY
JUNE 30, 2002**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



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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
FEBRUARY 4, 2003**