

GARNET VALLEY SCHOOL DISTRICT  
GLEN MILLS, PENNSYLVANIA

AUDIT REPORT

JUNE 30, 2004

BARBACANE  
THORNTON  
& COMPANY  
CERTIFIED PUBLIC ACCOUNTANTS

GARNET VALLEY SCHOOL DISTRICT

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3 - 12
BASIC FINANCIAL STATEMENTS	
Entity-wide Financial Statements:	
- Statement of Net Assets	13
- Statement of Activities	14
Fund Financial Statements:	
- Balance Sheet - Governmental Funds	15
- Reconciliation of Governmental Funds Balance Sheet to Statement of Net Assets	16
- Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	17
- Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to Statement of Activities	18
- Budgetary Comparison Statement - General Fund	19
- Statement of Net Assets - Proprietary Fund	20
- Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Fund	21
- Statement of Cash Flows - Proprietary Fund	22
- Statement of Net Assets - Fiduciary Funds	23
- Statement of Changes in Net Assets - Fiduciary Funds	24
NOTES TO FINANCIAL STATEMENTS	25 - 40

GARNET VALLEY SCHOOL DISTRICT

TABLE OF CONTENTS

	<u>PAGE</u>
SINGLE AUDIT	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	41 - 42
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	43 - 44
Schedule of Findings and Recommendations	45
Schedule of Expenditures of Federal Awards and Certain State Grants	46
Notes to Schedule of Expenditures of Federal Awards and Certain State Grants	47

2089 South DuPont Highway  
Dover, Delaware 19901  
800.355.8210

25 West Third Street  
Media, Pennsylvania 19063  
610.565.5222

## INDEPENDENT AUDITORS' REPORT

202 Bancroft Building  
3411 Silverside Road  
Wilmington, Delaware 19810  
302.478.8940

FAX: 302.478.0133  
www.btcpa.com  
info@btcpa.com

September 7, 2004

Board of School Directors  
Garnet Valley School District  
Glen Mills, Pennsylvania

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Garnet Valley School District, Glen Mills, Pennsylvania, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparisons for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 7, 2004, on our consideration of Garnet Valley School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. 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.

Board of School Directors  
Garnet Valley School District

The management's discussion and analysis on pages 3 through 12 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Garnet Valley School District's basic financial statements. The accompanying schedule of expenditures of federal awards and certain state grants is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Nonprofit Organizations," and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Barbacane, Thornton & Company*  
BARBACANE, THORNTON & COMPANY

**Garnet Valley School District  
Management's Discussion and Analysis - Unaudited  
For the Fiscal Year Ended June 30, 2004**

Our discussion and analysis of Garnet Valley School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2004.

### **Financial Highlights**

The District's net assets decreased by \$418,343, primarily due to increased depreciation expense as a result of Bethel Springs Elementary School, which was substantially completed in June 2003 and placed in service in 2003-2004. Program revenues accounted for \$7.3 million, or 14.6 percent, of total revenues (\$49.9 million), and general revenues accounted for \$42.6 million, or 85.4 percent.

In July 2004, the District incurred new debt totaling \$42.695 million consisting of new general obligation bonds and notes to construct a new elementary school, to construct additions and make renovations to its high school and middle school, and to fund various other capital projects. These financings will ensure adequate resources to manage the District's continuing enrollment growth and to maintain current facilities without overburdening taxpayers or spending additional fund balances.

The general fund reported a positive fund balance of \$4.3 million, or 8.2 percent, of the 2004-2005 \$52.6 million operating budget, which is up slightly from the previous year.

### **Reporting the District as a Whole**

#### ***The Statement of Net Assets and Statement of Activities***

The Statement of Net Assets and the Statement of Activities report information about the District as a whole and about its overall activities. These statements include all assets and liabilities of the District (except for fiduciary funds held in trust for student purposes) using the accrual basis of accounting similar to the accounting used by private sector corporations. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the District's net assets and changes in them during the fiscal year. The change in net assets provides the reader a tool to assist in determining whether the District's financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors such as the District's property tax base, current property tax laws, student enrollment growth and facility conditions in arriving at a conclusion regarding the overall health of the District.

#### **Entity-wide Financial Analysis**

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceed liabilities by \$2.27 million at the close of the most recent fiscal year. In the prior year, assets exceeded liabilities by \$3.4 million.

The largest portion of the District's total assets (67 percent) reflects its investment in capital assets. The District uses capital assets to provide services; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Garnet Valley School District  
Management's Discussion and Analysis (cont'd) - Unaudited  
For the Fiscal Year Ended June 30, 2004**

A comparative analysis of fiscal year 2004 to 2003 follows:

Net Assets  
(Amounts expressed in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
<b>Assets:</b>						
Current and other assets	\$ 8,696	\$ 8,389	\$ 31	\$ 183	\$ 8,727	\$ 8,572
Capital assets	88,832	90,547	721	782	89,553	91,329
<b>Total Assets</b>	<b>\$ 97,528</b>	<b>\$ 98,936</b>	<b>\$ 752</b>	<b>\$ 965</b>	<b>\$ 98,280</b>	<b>\$ 99,901</b>
<b>Liabilities:</b>						
Current liabilities	\$ 8,975	\$ 8,624	\$ 31	\$ 183	\$ 9,006	\$ 8,807
Long-term liabilities	86,285	87,687	-	-	86,285	87,687
<b>Total Liabilities</b>	<b>95,260</b>	<b>96,311</b>	<b>31</b>	<b>183</b>	<b>95,291</b>	<b>96,494</b>
<b>Net Assets:</b>						
Invested in capital assets, net of debt	\$ 1,521	\$ 1,125	\$ 721	\$ 782	\$ 2,242	\$ 1,907
Restricted	217	227	-	-	217	227
Unrestricted	529	1,272	-	-	529	1,272
<b>Total Net Assets</b>	<b>\$ 2,267</b>	<b>\$ 2,624</b>	<b>\$ 721</b>	<b>\$ 782</b>	<b>\$ 2,988</b>	<b>\$ 3,406</b>

The District experienced a decrease in both its restricted and unrestricted net assets. The District's investment in total capital assets, net of debt, increased by \$335 thousand as a result of the completion of its high school, middle school and elementary construction projects, net of additional depreciation expense incurred during the 2003-2004 year.

**Governmental Activities**

Net assets of the District's governmental activities decreased by \$357 thousand, and unrestricted net assets reflect a positive balance of \$529 thousand. The decrease in net assets is primarily the result of repayment of long-term debt that had been capitalized during the construction of facilities and is now being recognized, as well as reflecting increased interest expense due to increases in the interest rate for the District's variable rate debt.

**Garnet Valley School District  
Management's Discussion and Analysis (cont'd) - Unaudited  
For the Fiscal Year Ended June 30, 2004**

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The table below reflects the cost of program services and the net cost of those services after taking into account the program revenues for the governmental activities (amounts expressed in thousands). General revenues include tax revenue of \$39.4 million, investment earnings of \$149 thousand, and unrestricted State entitlements of \$2.75 million that support the net cost of the District's services.

	Total Services	Net Services	Total Services	Net Services
	2004	2004	2003	2003
<b>PROGRAM EXPENSES</b>				
Governmental Activities:				
Instruction	\$ 29,693	\$ 26,175	\$ 25,603	\$ 22,709
Instructional student support	2,886	2,726	2,402	2,272
Administration	4,133	4,006	4,098	4,001
Maintenance	5,031	4,879	4,643	4,524
Pupil transportation	1,870	1,170	1,947	1,043
Student activities	1,735	1,183	1,547	1,019
Community services	138	-131	116	-102
Interest and fiscal charges	3,317	2,980	1,646	1,007
<b>Total Governmental Activities</b>	<b>\$ 48,803</b>	<b>\$ 42,988</b>	<b>\$ 42,002</b>	<b>\$ 36,473</b>
Business-Type Activities:				
Food service	\$ 1,524	\$ 70	\$ 1,564	\$ 204

The increases in the net cost of services for instruction are due to the increasing numbers of students (3,983 vs 3,823 in the prior year) as well as increases in special education needs. Increases in instructional support costs include the cost of maintaining new facilities which became fully operational in 2003-2004, as well as increases in energy costs and maintenance supplies.

The food service net costs decreased since the existing staff and equipment were able to service the additional students without adding additional resources.

**Changes in Net Assets  
(Amounts expressed in thousands)**

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
<b>REVENUES</b>						
Program Revenues:						
Charges for Services	\$ 867	\$ 849	\$ 1,325	\$ 1,225	\$ 2,192	\$ 2,074
Operating Grants	4,948	4,679	128	135	5,076	4,814
<b>Total Program Revenues</b>	<b>5,815</b>	<b>5,528</b>	<b>1,453</b>	<b>1,360</b>	<b>7,268</b>	<b>6,888</b>
General Revenues:						
Property Taxes	39,737	35,329	-	-	39,737	35,329
Grants and Entitlements	2,754	2,776	-	-	2,754	2,776
Investment Earnings	149	225	-	-	149	225
Miscellaneous	-	5	-	-	-	5
<b>Total General Revenues</b>	<b>42,640</b>	<b>38,335</b>	<b>-</b>	<b>-</b>	<b>42,640</b>	<b>38,335</b>
<b>TOTAL REVENUES</b>	<b>48,455</b>	<b>43,863</b>	<b>1,453</b>	<b>1,360</b>	<b>49,908</b>	<b>45,223</b>



**Garnet Valley School District  
Management's Discussion and Analysis (cont'd) - Unaudited  
For the Fiscal Year Ended June 30, 2004**

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
<b>EXPENSES</b>						
Program Services:						
Instruction	29,693	25,603	-	-	29,693	25,603
Support services:						
Instructional staff support	2,886	2,402	-	-	2,886	2,402
Administration	4,133	4,098	-	-	4,133	4,098
Maintenance	5,031	4,643	-	-	5,031	4,643
Pupil transportation	1,870	1,947	-	-	1,870	1,947
Community services	138	116	-	-	138	116
Student activities	1,735	1,547	-	-	1,735	1,547
Interest/fiscal charges	3,317	1,646	-	-	3,317	1,646
Food service	-	-	1,523	1,564	1,523	1,564
<b>TOTAL EXPENSES</b>	<b>48,803</b>	<b>42,002</b>	<b>1,523</b>	<b>1,564</b>	<b>50,326</b>	<b>43,566</b>
Excess (Deficit) before transfers	-348	1,861	-70	-204	-418	1,657
Transfers	-9	-985	9	985	-	-
<b>CHANGE IN NET ASSETS</b>	<b>\$ -357</b>	<b>\$ 876</b>	<b>\$ -61</b>	<b>\$ 781</b>	<b>\$ -418</b>	<b>\$ 1,657</b>

## **Reporting the District's Most Significant Funds**

### ***Governmental Funds***

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

### ***Proprietary Funds***

Proprietary funds use the accrual basis of accounting, the same as on the entity-wide statements; therefore, the statements will essentially match the business-type activities portion of the entity-wide statements.

**Garnet Valley School District  
Management's Discussion and Analysis (cont'd) - Unaudited  
For the Fiscal Year Ended June 30, 2004**

***Fiduciary Funds***

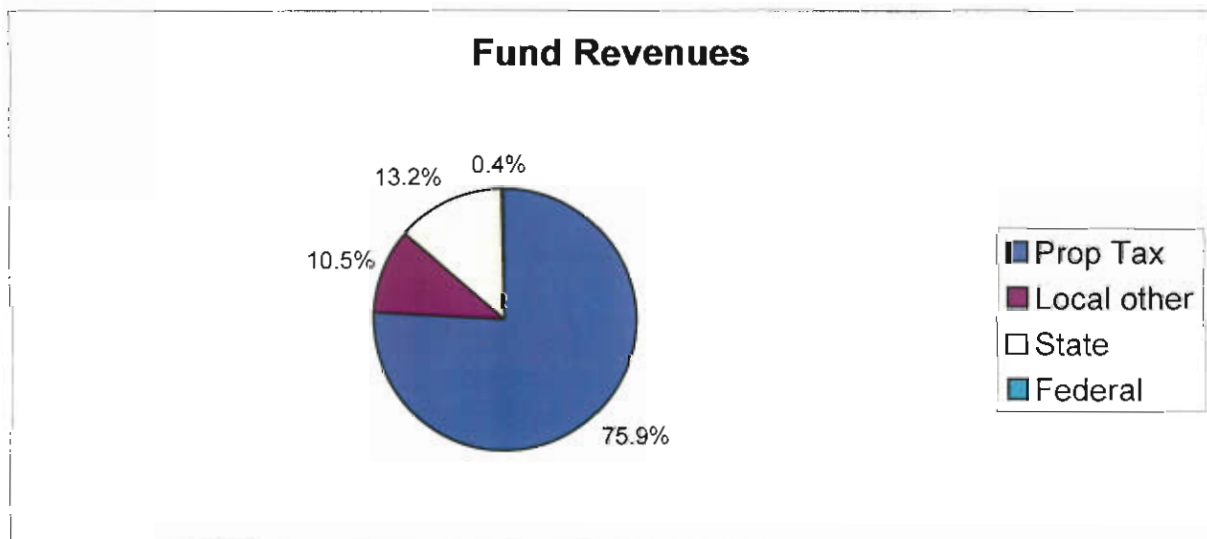
The District is the trustee, or fiduciary, for its scholarship program and other items listed as private purpose trust. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 23 and 24. We exclude these activities from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

***Fund Financial Statements***

The fund financial statements of the District's major funds begin on page 15 and provide detailed information about the most significant funds – not the District as a whole. Some funds are required to be established by State statute, while many other funds are established by the District to help manage money for particular purposes and compliance with various grant provisions. The District's three types of funds, governmental, proprietary and fiduciary, use different accounting approaches as further described in the notes to the financial statements.

The District's governmental funds reported a combined fund balance of \$4.7 million, which is above last year's total of \$4.6 million. The schedule below indicates the fund balance and the total change in fund balances as of June 30, 2004 and 2003.

	<u>Fund Balance June 30, 2004</u>	<u>Fund Balance June 30, 2003</u>	<u>Increase (Decrease)</u>
General	\$ 4,351,166	\$ 4,273,891	\$ 77,275
Capital Projects	367,330	357,555	9,775
Other Governmental	<u>4,458</u>	<u>4,394</u>	<u>64</u>
<b>TOTAL</b>	<b><u>\$ 4,722,954</u></b>	<b><u>\$ 4,635,840</u></b>	<b><u>\$ 87,114</u></b>



**Garnet Valley School District  
Management's Discussion and Analysis (cont'd) - Unaudited  
For the Fiscal Year Ended June 30, 2004**

The District's reliance upon tax revenues is demonstrated by the graph above that indicates 76 percent of total revenues for government activities come from local taxes.

**General Fund**

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

<b>Revenues</b>	<u>2004 Amount</u>	<u>2003 Amount</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Taxes	\$41,009,839	\$36,121,295	\$ 4,888,544	13.5 %
Investment Earnings	140,500	109,801	30,699	27.9 %
Intergovernmental	6,680,996	6,718,480	(37,484)	(0.6)%
Other Revenue	<u>1,288,171</u>	<u>1,062,768</u>	<u>225,403</u>	<u>21.2 %</u>
Total	<u>\$49,119,506</u>	<u>\$44,012,344</u>	<u>\$ 5,107,162</u>	<u>11.6 %</u>

The property tax revenue is up \$4.9 million due to growth in the District's tax base (61 percent of the increase in property tax revenue) and tax rate increase (39 percent of the increase in property tax revenue). Interest earnings are up \$30 thousand due to more funds being invested. Other revenue includes increases in local grants and more grant applications.

Intergovernmental revenue is down slightly for the fiscal year due to decreases in state appropriations.

**Other Funds**

The capital projects fund increase in fund balance is the net result of incurring more debt than what was actually paid for in construction costs. Ultimately, the entire amount of capital from this fund will be spent in accordance with provisions of the bond indenture.

Other governmental funds consist of special revenue funds. The increase in fund balance is due primarily to additional participation and revenues generated by student activities and athletics.

**Business-Type Activities**

Business-type activities include the food service program. This program had a decrease in net assets of \$61,012 for the fiscal year. The decrease was due primarily to depreciation charges.

**General Fund Budget Information**

The District's budget is prepared in accordance with Pennsylvania law and is based on the modified accrued basis of accounting. The most significant budgeted fund is the General Fund.

The final budget for expenditures reflects required changes in functional categories due to spending patterns.

**Garnet Valley School District  
Management's Discussion and Analysis (cont'd) - Unaudited  
For the Fiscal Year Ended June 30, 2004**

**Spending Review**

		<b>Spending Review</b>			
		<b>Final</b>			
		<b>Budget</b>	<b>Budget</b>	<b>Diff \$</b>	<b>Diff %</b>
<b>Instructional Services:</b>					
Regular Programs	1100	\$21,217,113	\$20,967,189	\$ 249,924	1.2%
Special Programs	1200	4,144,923	4,743,528	-598,605	-14.4%
Vocational Programs	1300	492,464	468,343	24,121	4.9%
Other Instructional Programs	1400	217,474	264,655	-47,181	-21.7%
Community College	1700	156,802	156,802	-	0.0%
Total Instructional Services		<u>26,228,776</u>	<u>26,600,517</u>	-371,741	-1.4%
<b>Support Services:</b>					
Pupil Personnel	2100	1,267,533	1,197,574	69,959	5.5%
Instructional Staff Services	2200	1,399,957	1,276,462	123,495	8.8%
Administrative Services	2300	3,056,647	3,369,932	-313,285	-10.2%
Pupil Health	2400	141,597	194,429	-52,832	-37.3%
Business Services	2500	908,187	715,938	192,249	21.2%
Operation and Maintenance of Plant	2600	4,261,555	4,977,270	-715,715	-16.8%
Student Transportation Services	2700	1,920,483	2,055,356	-134,873	-7.0%
Central Services	2800	-	5,344	-5,344	0.0%
Other Support Services	2900	53,224	55,904	-2,680	-5.0%
Total Support Services		<u>13,009,183</u>	<u>13,848,209</u>	-839,026	-6.4%
<b>Operation of Noninstructional Services:</b>					
Student Activities	3200	1,604,715	1,537,775	66,940	4.2%
Community Services	3300	141,650	127,772	13,878	9.8%
Total Operation of Noninstructional Services		<u>1,746,365</u>	<u>1,665,547</u>	80,818	4.6%
<b>Debt Service and Transfers:</b>					
Debt Service	5110	7,152,157	6,259,553	892,604	12.5%
Interfund Transfers	5200	715,316	477,971	237,345	33.2%
Total Debt Service and Transfers		<u>7,867,473</u>	<u>6,737,524</u>	1,129,949	14.4%
<b>TOTAL EXPENDITURES</b>		<u>\$48,851,797</u>	<u>\$48,851,797</u>	\$ -	0.0%

Using spending variances in excess of \$10,000, and using five percent as a spending tolerance, the most significant changes in the District's expenditures vs. planned expenditures were:

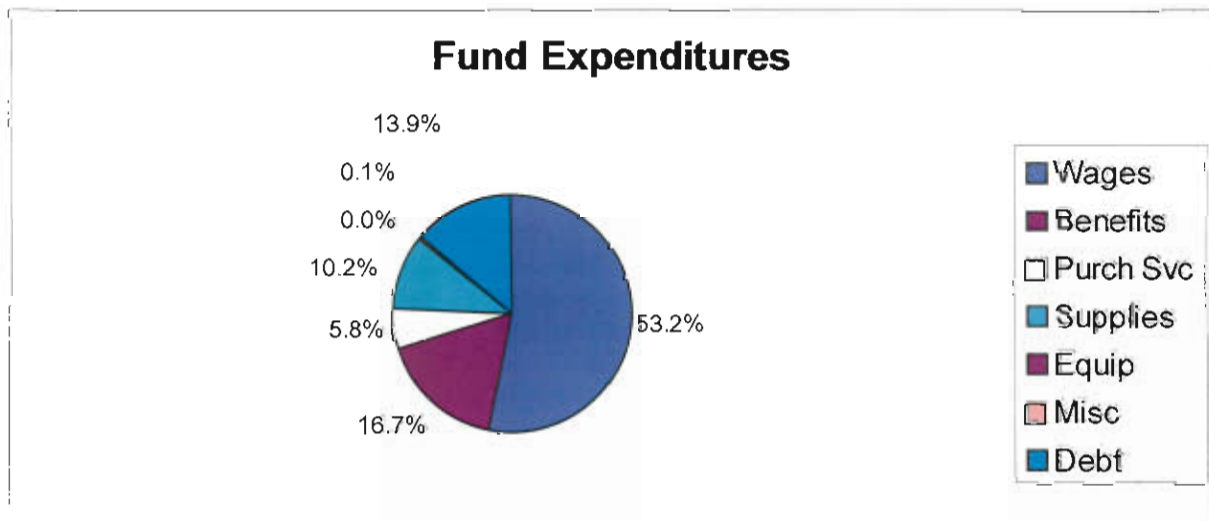
**Garnet Valley School District  
Management's Discussion and Analysis (cont'd) - Unaudited  
For the Fiscal Year Ended June 30, 2004**

		<b>Original Budget</b>	<b>Final Budget</b>	<b>Diff \$</b>	<b>Diff %</b>
Special Programs	1200	\$ 4,144,923	\$ 4,743,528	\$ -598,605	-14.4%
Other Instructional Programs	1400	217,474	264,655	-47,181	-21.7%
Pupil Personnel	2100	1,267,533	1,197,574	69,959	5.5%
Instructional Staff Services	2200	1,399,957	1,276,462	123,495	8.8%
Administrative Services	2300	3,056,647	3,369,932	-313,285	-10.2%
Pupil Health	2400	141,597	194,429	-52,832	-37.3%
Business Services	2500	908,187	715,938	192,249	21.2%
Operation and Maintenance of Plant	2600	4,261,555	4,977,270	-715,715	-16.8%
Student Transportation Services	2700	1,920,483	2,055,356	-134,873	-7.0%
Community Services	3300	141,650	127,772	13,878	9.8%
Debt Service	5110	7,152,157	6,259,553	892,604	12.5%
Interfund Transfers	5200	715,316	477,971	237,345	33.2%
Sum of significant spending changes		<u>\$25,327,479</u>	<u>\$25,660,440</u>	<u>\$ -332,961</u>	<u>-1.3%</u>

Special program costs and other instructional program costs increased due to the District performing more programs within the District, and due to increased enrollment. Savings in pupil personnel and instructional staff services occurred as more staff resources were applied directly to special programs.

Administrative costs increased due to more staffing needs and partly due to costs associated with charter schools. Pupil health service cost increased due to regulatory changes. Business service cost decreased due to cost reductions and savings in service contracts. Physical plant costs incurred more energy and operating costs as the newly constructed facilities (high school and Bethel Springs Elementary School) became fully operating. Transportation costs increased because of additional extended school year costs and special education needs. Debt service costs and interfund transfer costs were reduced by the District's restructuring of debt, and by reductions in the debt service interest rates.

As the graph below illustrates, the largest portions of general fund expenditures are for salaries and fringe benefits. The District is a service entity and as such is labor intensive.



**Garnet Valley School District  
Management's Discussion and Analysis (cont'd) - Unaudited  
For the Fiscal Year Ended June 30, 2004**

Expenditures by Object	2004	2003	Change	Percent
Wages	\$26,079,797	\$23,917,522	\$2,162,275	9.0%
Benefits	8,188,542	6,249,535	1,939,007	31.0%
Purchased services	2,845,535	2,681,820	163,715	6.1%
Supplies	5,014,562	4,272,511	742,051	17.4%
Equipment	9,292	29,094	-19,802	-68.1%
Miscellaneous	65,920	65,085	835	1.3%
Debt and transfers	6,838,583	6,487,371	351,212	5.4%
<b>Total</b>	<b>\$49,042,231</b>	<b>\$43,702,938</b>	<b>\$5,339,293</b>	<b>12.2%</b>

Expenditures were up \$5.3 million, or 12.2 percent, over the prior year mostly due to salary and benefit increases associated with new and existing staff, and increases in debt service. Revenues exceeded expenditures during the fiscal year resulting in an increase to the general fund balance.

### Capital Assets

The District has \$89.5 million invested in capital assets net of depreciation, with \$88.8 million attributed to governmental activities. Acquisitions for governmental activities totaled \$1.7 million and depreciation expense for the year was \$3.5 million. The majority of these acquisitions were for furniture and computer equipment replacement throughout the District. Detailed information regarding capital asset activity is included in the notes to the basic financial statements (Note 5).

During July 2004, the District incurred new debt totaling \$42.695 million. This debt is to be used to fund additional facilities and renovations, and to fund various capital projects as follows:

New Concord Elementary School	\$ 20,240,000
High School Addition and Renovations	7,867,688
Middle School Addition and Renovations	3,676,850
Other Capital Projects	7,198,000
Capitalized Interest	3,393,637
Net Financing Costs	<u>318,825</u>
<b>TOTAL</b>	<b><u>\$ 42,695,000</u></b>

### Debt

At June 30, 2004, the District had \$89.2 million in outstanding bonds, capital lease obligations and notes payable. The District reduced its outstanding debt by \$2.2 million during the fiscal year. Detailed information regarding long-term debt and notes payable activity is included in the notes to the basic financial statements (Note 7).

**Garnet Valley School District  
Management's Discussion and Analysis (cont'd) - Unaudited  
For the Fiscal Year Ended June 30, 2004**

Under current state statutes, the District's general obligation bonded debt issues are subject to legal limitation based on 225 percent of the average revenues for the prior three years. At June 30, 2004, the District's general obligation debt was \$42.7 million below the legal limit. At the end of July 2004, the District had incurred new debt and used nearly all of its remaining borrowing capacity to fund the new capital projects mentioned above.

**Factors Expected to have an Effect on Future Operations**

The District has experienced significant growth over the last 10 years. If the growth patterns in student population change so that more students enter the District than currently anticipated, adjustments will have to be made to the financial models upon which assumptions have been made.

The District's property tax base is expected to continue to grow approximately six percent a year for the next four years and then reduce to about three percent a year as residential vacant lots and commercial tracts are fully developed.

The District's ability to raise new property tax revenues will be curtailed if the District elects to receive future gambling revenues under Act 72 of 2004 and thereby commits itself to limited future taxing authority subject to new, state mandated "indexed" millage rate increases. The School Board is required to make a decision by May 31, 2005 whether or not the District will participate under Act 72 provisions to receive a share of new gambling revenues and conform to the new property tax compliance provisions. If the District does participate under Act 72, then proposed future property tax increases in excess of the annual index will be subject to voter referendum if not otherwise exempted under the Act.

The District's enrollment is expected to continue to grow at a rate of about 3.3 percent through fiscal year 2008-2009. The District's facilities are being expanded to adequately encompass the expected increases in student growth. While all the District's facilities are new or recently renovated, and while all these facilities meet current federal, state, county and municipal guidelines for health and safety criteria, new mandates for facility upgrades can be imposed by any of these governments at any time.

The reader is invited to review additional tax and enrollment information and information about Act 72 of 2004 available on the District's web page ([www.garnetvalleyschools.com](http://www.garnetvalleyschools.com)) and to review official offering statements of recent District bond issues that contain related housing, commercial and demographic information available at its business office located at the Garnet Valley Education Center.

**Contacting the District Financial Management**

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors and creditors with a general overview of the District's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact Thomas E. Delaney, Director of Business and Support Services / Board Treasurer, at Garnet Valley School District, 80 Station Road, Glen Mills, Pennsylvania 19342-2280, (610) 579-7374.

GARNET VALLEY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2004

(With Summarized Financial Information for the Year Ended June 30, 2003)

	Governmental Activities	Business-Type Activities	Totals	
	2004	2003	2004	2003
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,049,500	\$ 333,212	\$ 1,382,712	\$ 1,394,642
Investments	4,103,681	90,947	4,194,628	4,755,720
Taxes receivable	1,481,701	-	1,481,701	793,119
Due from other governments	753,991	16,193	770,184	1,123,763
Other receivables	82,538	(426,675)	82,538	15,200
Internal balances	426,675	17,209	-	12,450
Inventories	-	-	17,209	348,951
Prepaid expenses	299,557	-	299,557	128,223
Deferred charges	168,734	-	168,734	4,587,471
Land	4,587,471	-	4,587,471	2,328,763
Land improvements	2,334,353	-	2,334,353	98,605,405
Buildings and improvements	99,164,446	-	99,164,446	10,960,285
Furniture and equipment	10,589,207	1,243,982	11,833,189	(25,153,064)
Accumulated depreciation	(27,843,842)	(523,130)	(28,366,972)	-
Land held for resale	329,709	-	329,709	-
<b>TOTAL ASSETS</b>	<b>\$ 97,527,721</b>	<b>\$ 751,738</b>	<b>\$ 98,279,459</b>	<b>\$ 99,900,928</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>LIABILITIES:</b>				
Accounts payable	\$ 943,607	\$ 24,523	\$ 968,130	\$ 1,448,928
Accrued salaries and benefits	1,591,389	-	1,591,389	1,487,133
Accrued interest	1,633,306	-	1,633,306	1,445,886
Deferred revenue	273,398	6,363	279,761	8,094
Due to other governments	132,025	-	132,025	-
Long-term liabilities				
Portion due or payable within one year:				
Bonds payable	1,480,000	-	1,480,000	3,159,000
Less: Deferred amounts on refunding	(73,931)	-	(73,931)	(64,925)
Notes payable	1,623,000	-	1,623,000	-
Capital leases payable	571,239	-	571,239	544,834
Accumulated compensated absences/early retirement incentive	800,697	-	800,697	778,252
Portion due or payable after one year:				
Bonds payable in future years	40,686,546	-	40,686,546	68,697,546
Less: Deferred amounts on refunding	(786,126)	-	(786,126)	(779,098)
Notes payable in future years	26,333,000	-	26,333,000	-
Capital leases payable in future years	18,555,000	-	18,555,000	19,126,239
Accumulated compensated absences/early retirement incentive	1,497,082	-	1,497,082	642,355
<b>TOTAL LIABILITIES</b>	<b>95,260,232</b>	<b>30,886</b>	<b>95,291,118</b>	<b>96,494,244</b>
<b>NET ASSETS:</b>				
Invested in capital assets, net of related debt	1,521,455	720,852	2,242,307	1,907,312
Restricted for student activities	212,459	-	212,459	222,365
Restricted for athletics	4,458	-	4,458	4,394
Unrestricted	529,117	-	529,117	1,272,613
<b>TOTAL NET ASSETS</b>	<b>2,267,489</b>	<b>720,852</b>	<b>2,988,341</b>	<b>3,406,684</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 97,527,721</b>	<b>\$ 751,738</b>	<b>\$ 98,279,459</b>	<b>\$ 99,900,928</b>

The accompanying notes are an integral part of these financial statements.



GARNET VALLEY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2004  
(With Summarized Financial Information for the Year Ended June 30, 2003)

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets			
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals
<b>GOVERNMENTAL ACTIVITIES</b>						
Instruction	\$ 96,372	\$ 3,421,384	\$ -	\$(26,174,903)	\$ -	\$(22,709,068)
Instructional student support	-	160,590	-	(2,725,906)	-	(2,771,624)
Administrative and financial support services	-	126,465	-	(4,006,348)	-	(4,001,153)
Operation and maintenance of plant services	-	151,780	-	(4,879,005)	-	(4,524,443)
Pupil transportation	-	699,805	-	(1,170,304)	-	(1,043,553)
Student activities	505,151	46,894	-	(1,183,030)	-	(1,018,809)
Community services	265,721	3,896	-	131,405	-	102,102
Interest on long-term debt	-	337,190	-	(2,979,604)	-	(1,006,875)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<u>867,244</u>	<u>4,948,004</u>	<u>-</u>	<u>(42,987,695)</u>	<u>-</u>	<u>(36,473,423)</u>
<b>BUSINESS-TYPE ACTIVITIES</b>						
Food service	1,523,536	128,278	-	(70,022)	-	(204,022)
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<u>1,523,536</u>	<u>128,278</u>	<u>-</u>	<u>(70,022)</u>	<u>-</u>	<u>(204,022)</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<u>\$2,192,480</u>	<u>\$ 5,076,282</u>	<u>\$ -</u>	<u>(42,987,695)</u>	<u>(70,022)</u>	<u>(36,677,446)</u>
<b>GENERAL REVENUES</b>						
Property taxes, levied for general purposes				38,452,549	-	38,452,549
Taxes levied for specific purposes				1,283,644	-	1,283,644
Grants and entitlements not restricted to specific programs				2,754,121	-	2,754,121
Investment earnings				148,906	-	148,906
Miscellaneous				154	-	154
TRANSFERS				(9,010)	9,010	-
<b>TOTAL GENERAL REVENUES AND TRANSFERS</b>				<u>42,630,364</u>	<u>9,010</u>	<u>42,639,374</u>
<b>CHANGE IN NET ASSETS</b>				<u>(357,331)</u>	<u>(61,012)</u>	<u>1,657,572</u>
<b>NET ASSETS, BEGINNING OF YEAR</b>				<u>2,624,820</u>	<u>781,864</u>	<u>1,749,112</u>
<b>NET ASSETS, END OF YEAR</b>				<u>\$ 2,267,489</u>	<u>\$ 720,852</u>	<u>\$ 3,406,684</u>

The accompanying notes are an integral part of these financial statements.

GARNET VALLEY SCHOOL DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2004

(With Summarized Financial Information for the Year Ended June 30, 2003)

	Major Funds			Nonmajor Fund	Totals	
	General Fund	Prison Fund	Capital Projects Fund		2004	2003
<b>ASSETS</b>						
Cash and cash equivalents	\$1,045,042	\$ -	\$ -	\$ 4,458	\$ 1,049,500	\$ 1,248,397
Investments	3,025,133	-	1,078,548	-	4,103,681	4,747,634
Taxes receivable	1,481,701	-	-	-	1,481,701	793,119
Due from other funds	1,459,600	-	-	-	1,459,600	784,459
Due from other governments	620,453	132,025	1,513	-	753,991	1,107,720
Other receivables	82,538	-	-	-	82,538	15,200
Prepaid expenses	34,853	-	264,704	-	299,557	348,951
Land held for resale	-	-	329,709	-	329,709	-
<b>TOTAL ASSETS</b>	<b>\$7,749,320</b>	<b>\$ 132,025</b>	<b>\$1,674,474</b>	<b>\$ 4,458</b>	<b>\$ 9,560,277</b>	<b>\$ 9,045,480</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES:</b>						
Due to other funds	\$ -	\$ -	\$1,032,925	\$ -	\$ 1,032,925	\$ 735,212
Due to other governments	-	132,025	-	-	132,025	-
Accounts payable	669,388	-	274,219	-	943,607	1,323,445
Accrued salaries and benefits	1,591,389	-	-	-	1,591,389	1,487,133
Accrued compensated absences/early retirement incentive	278,212	-	-	-	278,212	240,676
Deferred revenues	859,165	-	-	-	859,165	623,174
<b>TOTAL LIABILITIES</b>	<b>3,398,154</b>	<b>132,025</b>	<b>1,307,144</b>	<b>-</b>	<b>4,837,323</b>	<b>4,409,640</b>
<b>FUND BALANCES</b>						
Reserved for:						
Student purposes	212,459	-	-	-	212,459	226,759
Capital projects	-	-	37,621	-	37,621	357,555
Athletic purposes	-	-	-	4,458	4,458	4,394
Land held for resale	-	-	329,709	-	329,709	-
Unreserved	4,138,707	-	-	-	4,138,707	4,047,132
<b>TOTAL FUND BALANCES</b>	<b>4,351,166</b>	<b>-</b>	<b>367,330</b>	<b>4,458</b>	<b>4,722,954</b>	<b>4,635,840</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$7,749,320</b>	<b>\$ 132,025</b>	<b>\$1,674,474</b>	<b>\$ 4,458</b>	<b>\$ 9,560,277</b>	<b>\$ 9,045,480</b>

The accompanying notes are an integral part of these financial statements.

GARNET VALLEY SCHOOL DISTRICT  
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO STATEMENT OF NET ASSETS  
JUNE 30, 2004

TOTAL GOVERNMENTAL FUND BALANCES \$ 4,722,954

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	4,587,471
Land improvements	2,334,353
Buildings	99,164,446
Furniture and equipment	10,589,207
Accumulated depreciation	(27,843,842)

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Bonds payable	(42,166,546)
Notes payable	(27,956,000)
Capital leases payable	(19,126,239)
Accumulated compensated absences/early retirement incentive	(2,019,567)
Accrued interest	(1,633,306)

Refunded debt and bond issuance costs resulted in deferred charges which will be amortized over the life of new debt but do not represent current rights.	1,028,791
---	-----------

Some of the District's revenues will be collected after year end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds	<u>585,767</u>
---	----------------

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 2,267,489

These accompanying notes are an integral part of these financial statements.

GARNET VALLEY SCHOOL DISTRICT  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2004  
 (with Summarized Financial Information for the Year Ended June 30, 2003)

	Major Funds				Totals	
	General Fund	Prison Fund	Capital Projects Fund	Nonmajor Fund	2004	2003
<b>REVENUES</b>						
Local sources	\$42,438,510	\$ 85,444	\$ 8,406	\$ 22,311	\$ 42,554,671	\$ 37,260,233
State sources	6,482,289	514,913	-	-	6,997,202	6,913,549
Federal sources	198,707	-	-	-	198,707	541,991
<b>TOTAL REVENUES</b>	<u>49,119,506</u>	<u>600,357</u>	<u>8,406</u>	<u>22,311</u>	<u>49,750,580</u>	<u>44,715,773</u>
<b>EXPENDITURES</b>						
Current:						
Instruction	26,600,431	640,570	-	-	27,241,001	24,110,364
Support services	13,848,075	-	-	-	13,848,075	12,146,317
Operation of noninstructional services	1,665,536	-	-	71,641	1,737,177	1,545,857
Capital outlay	-	-	1,372,460	-	1,372,460	12,013,906
Debt service	6,259,553	-	-	-	6,259,553	5,793,511
<b>TOTAL EXPENDITURES</b>	<u>48,373,595</u>	<u>640,570</u>	<u>1,372,460</u>	<u>71,641</u>	<u>50,458,266</u>	<u>55,609,955</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>745,911</u>	<u>(40,213)</u>	<u>(1,364,054)</u>	<u>(49,330)</u>	<u>(707,686)</u>	<u>(10,894,182)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Issuance of debt	-	-	800,000	-	800,000	-
Issuance of debt - refunding	-	-	9,480,000	-	9,480,000	28,080,000
Payment of debt - refunding	-	-	(9,429,955)	-	(9,429,955)	(24,135,000)
Issuance costs	-	-	(55,245)	-	(55,245)	(137,252)
Transfers in	-	40,213	579,029	49,394	668,636	710,462
Transfers out	(668,636)	-	-	-	(668,636)	(726,327)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(668,636)</u>	<u>40,213</u>	<u>1,373,829</u>	<u>49,394</u>	<u>794,800</u>	<u>3,791,883</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>77,275</u>	<u>-</u>	<u>9,775</u>	<u>64</u>	<u>87,114</u>	<u>(7,102,299)</u>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>4,273,891</u>	<u>-</u>	<u>357,555</u>	<u>4,394</u>	<u>4,635,840</u>	<u>11,738,139</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 4,351,166</u>	<u>\$ -</u>	<u>\$ 367,330</u>	<u>\$ 4,458</u>	<u>\$ 4,722,954</u>	<u>\$ 4,635,840</u>

The accompanying notes are an integral part of these financial statements.

GARNET VALLEY SCHOOL DISTRICT  
 RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2004

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ 87,114
Capital outlays are reported in governmental funds as expenditures recorded as either district-wide (capital outlay) or function-specific (i.e. instruction, pupil services). However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation (\$3,441,020) exceeded capital outlays (\$1,725,659) in the period.	(1,715,361)
Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Deferred tax revenues decreased by this amount this year.	129
Debt proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets. This is the amount by which debt repayments (\$12,558,834) exceeded debt proceeds (\$10,280,000).	2,278,834
Governmental funds report bond issuance costs and deferred amounts on refunding as expenditures. However, these amounts are reported on the statement of net assets as deferred charges and are amortized over the life of the debt. This is the amount by which current bond issue costs and deferred amounts on refunding (\$145,200) exceeded amortization (\$88,655).	56,545
In the statement of activities, certain operating expenses - compensated absences (vacations and sick leave) and special termination benefits (early retirement) - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This is the amount by which current period absences and benefits earned (\$1,928,655) exceeded the amount that was actually paid (\$1,051,483).	(877,172)
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and, thus, requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	<u>(187,420)</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ (357,331)</u>

The accompanying notes are an integral part of these financial statements.

GARNET VALLEY SCHOOL DISTRICT  
 BUDGETARY COMPARISON STATEMENT - GENERAL FUND  
 FOR THE YEAR ENDED JUNE 30, 2004

	Budgeted Amounts		Actual (GAAP Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Local sources	\$41,574,111	\$41,574,111	\$42,438,510	\$ 864,399
State sources	6,382,686	6,382,686	6,482,289	99,603
Federal sources	250,000	250,000	198,707	(51,293)
<b>TOTAL REVENUES</b>	<u>48,206,797</u>	<u>48,206,797</u>	<u>49,119,506</u>	<u>912,709</u>
<b>EXPENDITURES</b>				
Instruction:				
Regular programs	21,217,113	20,967,189	20,967,129	60
Special programs	4,144,923	4,743,512	4,743,512	16
Vocational programs	492,464	468,343	468,339	4
Other instructional programs	217,474	264,655	264,649	6
Community/junior college educational programs	156,802	156,802	156,802	-
<b>Total Instruction</b>	<u>26,228,776</u>	<u>26,600,431</u>	<u>26,600,431</u>	<u>86</u>
Support services:				
Pupil personnel services	1,267,533	1,197,574	1,197,562	12
Instructional staff services	1,399,957	1,276,462	1,276,444	18
Administrative services	3,056,647	3,369,932	3,369,903	29
Pupil health	141,597	194,429	194,424	5
Business services	908,187	715,938	715,931	7
Operation and maintenance of plant services	4,261,555	4,977,270	4,977,221	49
Student transportation services	1,920,483	2,055,356	2,055,342	14
Central	-	5,344	5,344	-
Other support services	53,224	55,904	55,904	-
<b>Total Support services</b>	<u>13,009,183</u>	<u>13,848,209</u>	<u>13,848,075</u>	<u>134</u>
Operation of Noninstructional activities:				
Student activities	1,604,715	1,537,775	1,537,766	9
Community services	141,650	127,772	127,770	2
<b>Total Operation of Noninstructional Services</b>	<u>1,746,365</u>	<u>1,665,547</u>	<u>1,665,536</u>	<u>11</u>
Debt service	7,152,157	6,259,553	6,259,553	-
<b>TOTAL EXPENDITURES</b>	<u>48,136,481</u>	<u>48,373,826</u>	<u>48,373,595</u>	<u>231</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>70,316</u>	<u>(167,029)</u>	<u>745,911</u>	<u>912,940</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	645,000	645,000	-	(645,000)
Transfers out	(70,316)	(477,971)	(668,636)	(190,665)
Budgetary reserve	(645,000)	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(70,316)</u>	<u>167,029</u>	<u>(668,636)</u>	<u>(835,665)</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	-	77,275	77,275
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>4,273,891</u>	<u>4,273,891</u>	<u>4,273,891</u>	-
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 4,273,891</u>	<u>\$ 4,273,891</u>	<u>\$ 4,351,166</u>	<u>\$ 77,275</u>

The accompanying notes are an integral part of these financial statements.

GARNET VALLEY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS - PROPRIETARY FUND  
JUNE 30, 2004

	Major Enterprise Fund	
	Food Service Fund	
	2004	2003
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 333,212	\$ 146,245
Investments	90,947	8,086
Due from other governments	16,193	16,043
Inventories	17,209	12,450
Total Current Assets	457,561	182,824
<b>CAPITAL ASSETS</b>		
Capital assets	1,243,982	1,234,972
Accumulated depreciation	(523,130)	(453,108)
Capital Assets, Net	720,852	781,864
<b>TOTAL ASSETS</b>	<b>\$1,178,413</b>	<b>\$ 964,688</b>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 24,523	\$ 125,483
Due to other funds	426,675	49,247
Deferred revenue	6,363	8,094
Total Current Liabilities	457,561	182,824
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	720,852	781,864
Total Net Assets	720,852	781,864
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$1,178,413</b>	<b>\$ 964,688</b>

The accompanying notes are an integral part of these financial statements.

GARNET VALLEY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2004

	Major Enterprise Fund	
	Food Service Fund	
	2004	2003
OPERATING REVENUES		
Food service revenue	<u>\$ 1,325,236</u>	<u>\$ 1,225,009</u>
Total Operating Revenues	<u>1,325,236</u>	<u>1,225,009</u>
OPERATING EXPENSES		
Salaries	520,456	501,285
Employee benefits	150,308	109,681
Supplies	782,750	764,664
Depreciation	<u>70,022</u>	<u>187,525</u>
Total Operating Expenses	<u>1,523,536</u>	<u>1,563,155</u>
OPERATING LOSS	<u>(198,300)</u>	<u>(338,146)</u>
NONOPERATING REVENUES (EXPENSES)		
State sources	26,411	28,121
Federal sources	<u>101,867</u>	<u>106,002</u>
Total Nonoperating Revenues	<u>128,278</u>	<u>134,123</u>
LOSS BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(70,022)	(204,023)
Capital contribution from capital projects	9,010	969,389
Transfers in	<u>-</u>	<u>15,865</u>
CHANGE IN NET ASSETS	(61,012)	781,231
NET ASSETS, BEGINNING OF YEAR	<u>781,864</u>	<u>633</u>
NET ASSETS, END OF YEAR	<u>\$ 720,852</u>	<u>\$ 781,864</u>

The accompanying notes are an integral part of these financial statements.



GARNET VALLEY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS - PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Major Enterprise Fund</u>	
	<u>Food Service Fund</u>	
	<u>2004</u>	<u>2003</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$1,323,505	\$1,225,009
Payments to employees for services	(485,728)	(822,962)
Payments to suppliers for goods and services	<u>(670,764)</u>	<u>(610,966)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>167,013</u>	<u>(208,919)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Grants and subsidies received for nonoperating activities:		
State sources	26,676	23,816
Federal sources	76,139	65,453
Transfer from general fund	<u>-</u>	<u>15,865</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>102,815</u>	<u>105,134</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(82,861)	-
Proceeds from sale and maturity of investments	<u>-</u>	<u>121,691</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(82,861)</u>	<u>121,691</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	186,967	17,906
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>146,245</u>	<u>128,339</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 333,212</u>	<u>\$ 146,245</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating loss	\$ (198,300)	\$ (338,146)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Depreciation	70,022	187,525
Donated commodities	25,313	28,811
(Increase) Decrease in:		
Inventories	(4,759)	(205)
Increase (Decrease) in:		
Accounts payable	(100,960)	96,788
Due to other funds	377,428	(183,386)
Deferred revenue	<u>(1,731)</u>	<u>(306)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 167,013</u>	<u>\$ (208,919)</u>
SUPPLEMENTAL DISCLOSURE:		
Noncash Investing activity:		
Capital contribution from capital projects	<u>\$ 9,010</u>	<u>\$ 969,389</u>
Noncash noncapital financing activity:		
USDA donated commodities	<u>\$ 25,313</u>	<u>\$ 28,811</u>

The accompanying notes are an integral part of these financial statements.

GARNET VALLEY SCHOOL DISTRICT  
 STATEMENT OF NET ASSETS - FIDUCIARY FUNDS  
 JUNE 30, 2004

	Private Purpose Trust	
	2004	2003
ASSETS		
Investments	\$ <u>145,968</u>	\$ <u>142,228</u>
TOTAL ASSETS	\$ <u>145,968</u>	\$ <u>142,228</u>
LIABILITIES	\$ <u>-</u>	\$ <u>-</u>
NET ASSETS		
Reserved for trust	\$ <u>145,968</u>	\$ <u>142,228</u>

The accompanying notes are an integral part of these financial statements.

GARNET VALLEY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN NET ASSETS - FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2004

	Private-Purpose Trust	
	2004	2003
ADDITIONS		
Local contributions	\$ 11,867	\$ 21,784
TOTAL ADDITIONS	11,867	21,784
DEDUCTIONS		
Fees paid and scholarships awarded	8,127	13,837
TOTAL DEDUCTIONS	8,127	13,837
CHANGE IN NET ASSETS	3,740	7,947
NET ASSETS, BEGINNING OF YEAR	142,228	134,281
NET ASSETS, END OF YEAR	\$ 145,968	\$ 142,228

The accompanying notes are an integral part of these financial statements.

## GARNET VALLEY SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Garnet Valley School District operates three elementary schools, one middle school and one senior high school to provide education and related services to the residents of Bethel and Concord Townships and Chester Heights Borough. The District operates under current standards prescribed by the Pennsylvania Department of Education in accordance with the provisions of the School Laws of Pennsylvania as a school district of the third class. The District operates under a locally elected nine-member Board form of government.

The District's financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles. The more significant of these accounting policies are as follows:

#### Reporting Entity

The Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity," established the criteria for determining the activities, organizations and functions of government to be included in the financial statements of the reporting entity. In evaluating the District as a reporting entity, management has addressed all potential component units which may or may not fall within the District's financial accountability. The criteria used to evaluate component units for possible inclusion as part of the District's reporting entity are financial accountability and the nature and significance of the relationship. Garnet Valley School District is considered to be an independent reporting entity and has no component units.

#### Basis of Presentation

##### *Entity-Wide Financial Statements*

The statement of net assets and the statement of activities display information about the District as a whole. These statements distinguish between activities that are governmental and those that are considered business-type. These statements include the financial activities of the primary government, except for fiduciary funds.

The entity-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting as further defined under proprietary funds below. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the entity-wide statements and the statements of governmental funds.

The entity-wide statement of activities presents a comparison between expenses and program revenues for each function of the business-type activities of the District and for each governmental function. Expenses are those that are specifically associated with a service or program and are therefore clearly identifiable to a particular function. Program revenues

GARNET VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (cont'd)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each function is self-financing or draws from the general revenues of the District.

Except for interfund activity and balances between the funds that underlie governmental activities and the funds that underlie business-type activities, which are reported as transfers and internal balances, the effect of interfund activity has been removed from these statements.

The entity-wide financial statements report net assets in one of three components. Invested in net assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of borrowings attributable to acquiring, constructing or improving those assets. Net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Those restrictions affect net assets arising from special revenue and capital projects funds. Unrestricted net assets consist of net assets that do not meet the definition of "invested in capital assets, net of related" or "restricted."

*Fund Financial Statements*

During the school year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. The single nonmajor governmental fund is presented in a single column on the governmental fund financial statements. Fiduciary fund financial statements are presented by fund type.

*Governmental Funds*

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. The District reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Capital Projects Fund is used to account for the acquisition, construction and renovation of major capital facilities and their related capital assets.

GARNET VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (cont'd)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The Prison Fund is used to account for education services provided to juveniles detained at the Delaware County Prison located in Concord Township.

Revenue Recognition

In applying the "susceptible to accrual concept" under the modified accrual basis, revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers tax revenue to be available if collected within 60 days of the end of the fiscal period. Revenue from federal, state and other grants designated for payment of specific District expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are reported as deferred revenues until earned.

Other revenues, including certain other charges for services and miscellaneous revenues, are recorded as revenue when received in cash because they are generally not measurable until actually received.

Expenditure Recognition

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt, which has not matured, are recognized when paid. Liabilities for compensated absences and special termination benefits are recognized as fund liabilities to the extent they mature each period. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

*Proprietary Funds*

Proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when they are earned and expenses are recognized when they are incurred. Allocations of certain costs, such as depreciation, are recorded in proprietary funds. The District does not attempt to allocate all "building-wide costs" to the enterprise fund. Thus, general fund expenditures which partially benefit the enterprise fund (utilities, janitorial services, insurance, etc.) are not proportionately recognized with the enterprise fund. Similarly, the enterprise fund does not recognize a cost for the building space it occupies.

These funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund are food service charges. Operating expenses for the District's enterprise fund include food production costs, supplies and administrative costs. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

GARNET VALLEY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (cont'd)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 are followed in both the entity-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

*Fiduciary Fund*

The fiduciary fund accounts for assets held by the District as a trustee for individuals, private organization and/or governmental units and is, therefore, not available to support the District's own programs. The District accounts for these assets in a private-purpose trust fund. The private-purpose trust fund accounts for activities in various scholarship accounts, whose sole purpose is to provide annual scholarships to particular students as described by donor stipulations. The measurement focus and basis of accounting for the private-purpose trust is the same as for proprietary funds.

Cash and Cash Equivalents

To improve cash management, all cash received by the District is pooled under Act 72 of the Pennsylvania General Assembly of 1971. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained throughout the District's records.

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

Repurchase agreements and nonnegotiable certificates of deposit are reported at cost. Mutual funds are reported at current share price. U.S. Treasury bills are reported at stated amortized cost. All of those amounts approximate fair value.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the entity-wide financial statements as "internal balances."

The District does not record an allowance for uncollectible taxes because it is considered to be immaterial.

GARNET VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (cont'd)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Property Taxes

Property taxes attach as an enforceable lien on property as of July 1. Taxes are levied on July 1 and are payable in the following periods:

- July 1 - August 31 - Discount period, 2% of gross levy
- September 1 - October 31 - Face Period
- October 31 to collection - Penalty Period, 10% of gross levy
- February 28 - Lien Date

The District's taxes are billed and collected by local elected tax collectors. The tax on real estate for public school purposes for fiscal 2003-2004 was 22.27 mills (\$22.27 for \$1,000 of assessed valuation) for Bethel Township (includes additional levy for Delaware County Community College) and 21.92 mills (\$21.92 per \$1,000 of assessed valuation) for Chester Heights Borough and Concord Township. Taxpayers have the option of paying in one-third installments.

Prepaid Items and Inventories

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both entity-wide and fund financial statements.

All inventories are valued at the lower of cost (first-in, first-out method) or market.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the entity-wide and proprietary fund financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed, inclusive of ancillary costs.

Property, plant and equipment of the District is depreciated using the straight-line method over the following estimated useful lives:

School buildings	40-50 years
Portable classrooms	20-25 years
Site improvements	15-20 years
Equipment	5-10 years
Vehicles	8-10 years
Library books	5-7 years



GARNET VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (cont'd)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Compensated Absences

The District's policies regarding vacation and sick time permit certain employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as long-term debt in the entity-wide financial statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

Long-Term Obligations

In the entity-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds.

Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. Deferred amounts on refunding are recorded as a decrease to debt payable and amortized over the life of the old debt or the life of the new debt, whichever is shorter. All amounts are amortized using the straight-line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received and discounts paid on debt issuances are reported as other financing sources and uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures, except for refundings paid from proceeds which are reported as other financing uses.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. The proprietary funds report the same three components of net assets as do the entity-wide financial statements. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first and then unrestricted resources as they are needed.

Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation. However, presentation of prior year totals by fund and activity type have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Summarized comparative information should be read in conjunction with the District's financial statements for the year ended June 30, 2003, from which the summarized information was derived.

GARNET VALLEY SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS (cont'd)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

An annual budget is adopted prior to the beginning of each year for the general fund on the modified accrual basis of accounting. The general fund is the only fund for which a budget is legally required, although project-length financial plans are adopted for all capital projects funds. Legal budgetary control is maintained at the sub-function/major object level. The Board of School Directors (the "Board") may make transfers of funds appropriated to any particular item of expenditure by legislative action in accordance with the Pennsylvania School Code. Management may amend the budget at the sub-function/sub-object level without Board approval. Appropriations lapse at the end of the fiscal period. Budgetary information reflected in the financial statements is presented at or below the level of budgetary control and include the effect of approved budget amendments.

NOTE 3 DEPOSITS AND INVESTMENTS

Deposits - At June 30, 2004, the carrying amount of the District's deposits was \$1,382,712 and the bank balance was \$1,691,053. Of the bank balance, \$200,000 was covered by Federal depository insurance, and \$1,491,053 was uninsured, but covered by collateral held by the depository's agent but not in the District's name.

Investments - Statutes authorize the District to invest in U.S. Treasury bills, time or share accounts of institutions insured by the Federal Deposit Insurance Corporation or Federal Savings and Loan Insurance Corporation or in certificates of deposit when they are secured by proper bond or collateral, repurchase agreements, State Treasurer's investment pools or mutual funds.

In general, all District investments are categorized as either (1) insured or registered or for which the securities are held by the District or its agent in the District's name; (2) uninsured and unregistered for which the securities are held by the broker's or dealer's trust department or agent in the District's name; or (3) uninsured and unregistered for which the securities are held by the broker or dealer, or by its trust department or agent but not in the District's name. Investments which can be categorized are summarized as follows:

	Category			Value
	1	2	3	
U.S. Treasury Investments	\$ 97,298	\$ -	\$ -	\$ 97,298

GARNET VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (cont'd)

NOTE 3 DEPOSITS AND INVESTMENTS (cont'd)

A portion of the District's cash investments is in the Pennsylvania School District Liquid Asset Fund (PSDLAF) and the Pennsylvania Treasurer's Program for Local Governments (INVEST), which are funds very similar to mutual funds. GASB Statement No. 3, paragraph 69 provides that certain types of cash investments, such as investments in a state treasurer's investment pool or mutual fund, cannot be assigned a credit risk category because the government does not own the specific securities. Therefore, the PSDLAF and INVEST cash investments included in these statements will not be assigned a credit risk category. The carrying amount of PSDLAF and INVEST cash investments at June 30, 2004 is \$4,243,298. The fair value of the position in these investments is the same as the value of the pool shares, i.e. they maintain a stable net asset value of \$1 per share. PSDLAF and INVEST are not SEC-registered. All investments are monitored weekly by Standard & Poors and are subject to an independent audit on an annual basis.

NOTE 4 DEFERRED REVENUES

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition with resources that have been received, but not yet earned. At the end of the current fiscal year, deferred revenue reported in the governmental funds resulted from delinquent property taxes receivable and revenue received but not earned.

Deferred revenue in the proprietary funds and the entity-wide financial statements represents resources that have been received but not yet earned.

NOTE 5 CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 4,587,471	\$ -	\$ -	\$ 4,587,471
Total Capital Assets Not Being Depreciated	<u>4,587,471</u>	<u>-</u>	<u>-</u>	<u>4,587,471</u>
Capital assets being depreciated:				
Land Improvements	2,328,763	5,590	-	2,334,353
Buildings and improvements	98,605,405	559,041	-	99,164,446
Furniture and equipment	<u>9,725,313</u>	<u>1,161,028</u>	<u>297,134</u>	<u>10,589,207</u>
Total Capital Assets Being Depreciated	<u>110,659,481</u>	<u>1,725,659</u>	<u>297,134</u>	<u>112,088,006</u>

GARNET VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (cont'd)

NOTE 5 CAPITAL ASSETS (cont'd)

Less accumulated depreciation for:				
Land improvements	1,062,169	120,020	-	1,182,189
Buildings and improvements	16,993,342	2,412,250	-	19,405,592
Furniture and equipment	<u>6,644,445</u>	<u>908,750</u>	<u>297,134</u>	<u>7,256,061</u>
Total accumulated depreciation	<u>24,699,956</u>	<u>3,441,020</u>	<u>297,134</u>	<u>27,843,842</u>
Total Capital Assets Being Depreciated, Net	<u>85,959,525</u>	<u>(1,715,361)</u>	<u>-</u>	<u>84,244,164</u>
Governmental Activities Assets, Net	<u>\$ 90,546,996</u>	<u>\$ (1,715,361)</u>	<u>\$ -</u>	<u>\$ 88,831,635</u>
Business-type Activities:				
Capital assets being depreciated:				
Furniture and equipment	<u>\$ 1,234,972</u>	<u>\$ 9,010</u>	<u>\$ -</u>	<u>\$ 1,243,982</u>
Total Capital Assets Being Depreciated	<u>1,234,972</u>	<u>9,010</u>	<u>-</u>	<u>1,243,982</u>
Less accumulated depreciation for:				
Furniture and equipment	<u>453,108</u>	<u>70,022</u>	<u>-</u>	<u>523,130</u>
Total accumulated depreciation	<u>453,108</u>	<u>70,022</u>	<u>-</u>	<u>523,130</u>
Business-type Activities, Net	<u>\$ 781,864</u>	<u>\$ (61,012)</u>	<u>\$ -</u>	<u>\$ 720,852</u>

Depreciation expense was charged to functions/programs of the District as follows:

Governmental activities:	
Instruction	\$ 2,173,446
Instructional student support	218,030
Administrative and financial support services	338,846
Operation and maintenance of plant services	406,675
Pupil transportation	167,936
Student activities	125,647
Community Services	<u>10,440</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 3,441,020</u>

NOTE 6 INTERNAL RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2004 is as follows:

<u>Receivable From</u>	<u>Amount</u>	<u>Payable From</u>	<u>Amount</u>
General Fund	\$1,032,925	Capital Projects Fund	\$1,032,925
General Fund	<u>426,675</u>	Food Service Fund	<u>426,675</u>
Total	<u>\$1,459,600</u>		<u>\$1,459,600</u>

GARNET VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (cont'd)

NOTE 6 INTERNAL RECEIVABLES, PAYABLES AND TRANSFERS (cont'd)

Interfund balances between funds represent temporary loans recorded at year end subsequent to a final allocation of expenses. The balances generally are paid shortly after year end.

Interfund Transfers:

Transfer Out:	Transfers In:	
General Fund	Nonmajor Fund	\$ 49,394
General Fund	Capital Projects Fund	\$ 579,029
General Fund	Prison Fund	\$ 40,213

Transfers represent funds set aside for the anticipation of future capital needs and funds transferred from the general fund to subsidize prison operations and athletic activities.

NOTE 7 GENERAL LONG-TERM DEBT

The following summarizes the changes in the long-term liabilities of governmental activities for the year ended June 30, 2004:

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004	Amounts Due within One Year
Bonds payable	\$43,776,546	\$ 9,480,000	\$11,090,000	\$42,166,546	\$1,480,000
Notes payable	28,080,000	800,000	924,000	27,956,000	1,623,000
Deferred amount on refunding	(844,023)	(89,965)	(73,931)	(860,057)	(73,931)
Accumulated compensated absences/ early retirement incentive	1,420,607	1,928,655	1,051,483	2,297,779	800,697
Capital leases payable	<u>19,671,073</u>	<u>-</u>	<u>544,834</u>	<u>19,126,239</u>	<u>571,239</u>
TOTALS	<u>\$92,104,203</u>	<u>\$12,118,690</u>	<u>\$13,536,386</u>	<u>\$90,686,507</u>	<u>\$4,401,005</u>

Payments of long-term debt are expected to be funded by the general fund.

*General Obligation Bonds*

Series of 2001, maturing through February 15, 2018, bearing interest ranging from 4.80% to 5.75%. Capital appreciation bonds, accreting interest semi-annually on February 15 and August 15. \$ 2,646,546

Series A of 1998, maturing through April 1, 2016, bearing interest ranging from 3.6% to 5%, interest payable semi-annually on April 1 and October 1. 7,870,000

Series of 2002, maturing through April 1, 2015, bearing interest ranging from 4.0% to 5.5%, interest payable semi-annually on February 15 and August 15. 14,070,000

GARNET VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (cont'd)

NOTE 7 GENERAL LONG-TERM DEBT (cont'd)

Series A of 2001, maturing through February 15, 2025, bearing interest ranging from 3.2% to 5.0%, interest payable semi-annually on February 15 and August 15. 8,100,000

Series of 2003, maturing through February 15, 2013, bearing interest ranging from 1.6% to 3.7%, interest payable semi-annually on February 15 and August 15. The Series of 2003 was used to currently refund the Series of 1999. The current refunding resulted in an economic gain of \$250,000 and a reduction of \$396,232 in future debt service payments. 9,480,000

*General Obligation Notes*

Series of 2003, maturing through August 25, 2027 with interest at variable rates, payable monthly. Interest rates change on a weekly basis and are determined by the Bond Market Association Index. 27,156,000

2003 Equipment Note, maturing through December 25, 2008, with interest at variable rates, payable monthly. Interest rates change on a weekly basis and are determined by the Bond Market Association Index. The Note was used to fund the acquisition of equipment. 800,000

TOTAL \$ 70,122,546

Presented below is a summary of debt service and lease requirements to maturity by years:

<u>Year Ending June 30,</u>	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total Maturities</u>
2005	\$ 3,103,000	\$ 2,629,348	\$ 5,732,348
2006	3,785,000	2,497,547	6,282,547
2007	3,544,000	2,397,799	5,941,799
2008	3,327,000	2,288,731	5,615,731
2009	3,235,000	2,176,025	5,411,025
2010-2014	18,234,000	8,885,289	27,119,289
2015-2019	14,825,546	8,411,959	23,237,505
2020-2024	11,448,000	3,061,007	14,509,007
2025-2028	<u>8,621,000</u>	<u>345,702</u>	<u>8,966,702</u>
	<u>\$ 70,122,546</u>	<u>\$ 32,693,407</u>	<u>\$102,815,953</u>

GARNET VALLEY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (cont'd)

NOTE 7 GENERAL LONG-TERM DEBT (cont'd)

*Advance Refunding*

In prior years, the District defeased certain outstanding bond issues. The defeased bonds are not included in the District's financial statements. The principal balances of defeased bonds outstanding at June 30, 2004 are as follows:

	<u>Final Maturity</u>	<u>Interest</u>	<u>Principal Outstanding June 30, 2004</u>
General Obligation Bonds:			
Series of 1993	04/01/2015	4.90% - 5.75%	\$ 13,770,000
Series of 1990	04/01/2015	6.80% - 7.20%	12,785,000
Series of 1996	02/15/2015	4.40% - 5.60%	<u>8,795,000</u>
Total			<u>\$ 35,350,000</u>

NOTE 8 CAPITAL LEASES - LESSEE

The District has entered into an appropriation-based lease with the State Public School Building Authority for financing the construction of the Bethel Springs Elementary School. In addition, the District has entered into two other lease agreements for financing the acquisition of a fiber optic cable and a sound and lighting system in the high school auditorium. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the inception date.

The assets acquired through the capital leases are as follows:

Bethel Springs Elementary School	\$ 20,000,000
Fiber optic cable	150,259
Auditorium sound and lighting system	32,750
Less: Accumulated depreciation	<u>(509,150)</u>
Total	<u>\$ 19,673,859</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2004 were as follows:

Year Ending June 30,

2005	\$ 1,603,700
2006	1,534,933
2007	1,535,553
2008	1,539,468
2009	1,541,680

GARNET VALLEY SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS (cont'd)

NOTE 8 CAPITAL LEASES - LESSEE (cont'd)

Year Ending June 30,

2010-2014	7,741,840
2015-2019	7,775,575
2020-2024	7,891,950
2025	<u>1,603,600</u>
Total minimum lease payments	32,768,299
Less: Amount representing interest	<u>(13,642,060)</u>
Present value of minimum lease payments	<u>\$ 19,126,239</u>

NOTE 9 OPERATING LEASES

The District currently is obligated under operating lease agreements for various office equipment and vehicles. The following is a summary of the minimum rental costs for the next five years:

Year Ending June 30,

2005		\$ 215,159
2006		210,223
2007		207,006
2008		<u>91,085</u>
Total		<u>\$ 723,473</u>

Rental expense for the year ended June 30, 2004 was \$270,289.

NOTE 10 PENSION PLAN

Plan Description

The District contributes to the Public School Employees' Retirement System (PSERS), a governmental cost-sharing multiple-employer defined benefit pension plan administered by the Commonwealth of Pennsylvania Public School Employees' Retirement System. The PSERS provides retirement and disability, legislatively mandated *ad hoc* cost-of-living adjustments and certain health care insurance premium assistance to plan members and their beneficiaries. The Public School Employees' Retirement Code (Act No. 96, of October 2, 1975, as amended) provides the authority to establish and amend benefit provisions. The PSERS issues a comprehensive annual financial report that includes financial statements and



GARNET VALLEY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (cont'd)

NOTE 10 PENSION PLAN (cont'd)

required supplementary information for the plan. A copy of the report may be obtained by writing to Public School Employees' Retirement System, P.O. Box 125, Harrisburg, PA 17108-0125 or by accessing its website at <http://www.psers.state.pa.us/publications/cafr/index.htm>.

Funding Policy

The contribution policy is established in the Public School Employees' Retirement Code and requires contributions by active members, employers and the Commonwealth. Individual employees contribute between 5.25 and 7.5 percent of salary depending on their membership status. Contributions required of employers are based upon an actuarial valuation. For fiscal year ended June 30, 2004, the rate of employer contribution was 3.77 percent of covered payroll. The District's contributions to PSERS for the years ended June 30, 2002, 2003 and 2004 were \$362,773, \$254,861 and \$963,652, respectively, equal to the required contribution for each year. The Commonwealth contributes to PSERS by reimbursing the District 50 percent of its contribution each year.

NOTE 11 JOINT VENTURES

The District participates in a joint venture with the other school districts of Delaware County, Pennsylvania in the operation of a Vocational-Technical School Authority (DCV TSA). The DCV TSA is governed by seven members. Each member must be a citizen of a school district where the DCV TSA leases a project. The DCV TSA oversees acquiring, holding, constructing, improving and maintaining the public area vocational-technical school buildings. The financial statements of the Vocational-Technical School Authority are available from the DCV TSA located at 200 Yale Avenue, Morton, Pennsylvania 19070.

The District also participates in a joint venture with other school districts of Delaware County, Pennsylvania to support the Delaware County Community College. The financial statements of the Community College Authority are available from the Delaware County Community College Authority (DCCCA) located at 901 South Media Line Road, Media, Pennsylvania 19063.

The District has entered into lease agreements with the DCCCA and the DCV TSA to provide rental payments to retire the Authority's outstanding debt obligations. The lease agreements generally provide that in the event the individual Authorities either retire all of their outstanding obligations which were issued to finance school facilities construction or acquisition, or accumulate sufficient reserves to cover such obligations prior to the expiration of the applicable schedules, there will be no subsequently scheduled rental payments made. Inasmuch as the annual rentals include reserve funds which either are invested by Authorities or used for advance retirement of obligations, it is anticipated that less than scheduled rentals will eventually be paid.

GARNET VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (cont'd)

NOTE 11 JOINT VENTURES (cont'd)

Future Authority rental payments are:

<u>Year Ending June 30,</u>	<u>DCCCA</u>	<u>DCV TSA</u>
2005	\$ 10,624	\$ 27,025
2006	10,634	26,964
2007	10,782	26,861
2008	10,780	26,947
2009	10,636	26,966
2010-2014	40,122	107,425
2015-2018	<u>40,816</u>	<u>-</u>
Total	134,394	242,188
Less: Interest requirements	<u>30,294</u>	<u>44,682</u>
Outstanding rental payments	<u>\$ 104,100</u>	<u>\$ 197,506</u>

NOTE 12 SPECIAL TERMINATION BENEFITS

The District from time to time offers additional retirement incentives, known as "early retirement incentive plans" (ERIPs) to senior professional and administrative staff contemplating retirement. There is no contractual requirement for the District to offer ERIP incentives. These special termination benefits are formally approved by School Board action in the year an ERIP plan is implemented.

In order for an employee to retire and participate in a district-sponsored ERIP, the District must first decide whether or not to offer a special termination plan in the year the employee is retiring; the retiring employee must meet certain age and district service year requirements; a specified minimum number of employees must opt into the ERIP; and the retiring employee must be eligible to receive other pension benefits provided through the PSERS, described in Note 10. The District's various ERIP plans can provide for the payment of specific annuity amounts to the participating retiree; the payment of specified dollar amounts to be applied toward participating retiree healthcare premiums; or the payment of both a specified annuity amount and a healthcare premium amount, for a limited number of years.

As of June 30, 2004, the District had six ERIP plans in effect. The number of participants and the present value of those benefits as of June 30, 2004 are summarized below:

<u>ERIP Began</u>	<u>Participants</u>	<u>Total</u>	<u>Annuity</u>	<u>Healthcare Premium</u>
July 1, 1995	1	\$ 56,490	\$ 21,467	\$ 35,023
July 1, 1996	2	120,664	17,916	102,748
July 1, 1999	3	197,439	70,021	127,418
July 1, 2000	3	51,614	-	51,614
July 1, 2002	3	217,233	217,233	-
July 1, 2004	13	<u>1,083,169</u>	<u>1,083,169</u>	<u>-</u>
		<u>\$ 1,726,609</u>	<u>\$ 1,409,806</u>	<u>\$ 316,803</u>

During the year ended June 30, 2004, the cost of these benefits was \$212,093.

GARNET VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (cont'd)

NOTE 13 CONTINGENCIES

The District participates in both state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The District is potentially liable for any expenditures which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

NOTE 14 RISK MANAGEMENT

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. Significant losses are covered by commercial insurance for all major programs except for workers' compensation, for which the District retains risk of loss. For insured programs, there were no significant reductions in insurance coverages during the 2003-2004 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 15 SUBSEQUENT EVENT

Subsequent to June 30, 2004, the District issued bonds dated August 1, 2004 in the amount of \$26,560,000 for the purpose of (i) to plan, design, construct, furnish and equip a new elementary school; to provide funds to plan and design renovations and additions to Garnet Valley Middle School; to provide funds for other capital improvements to school buildings for public school purposes in the District; and (ii) to pay the costs of issuing and insuring the bonds.

On July 27, 2004, the Board approved a bond issue to be settled in December of 2004 in the amount of \$15,500,000 for the purpose of (i) to plan, design, construct, furnish and equip a new elementary school; to provide funds to plan and design renovations and additions to Garnet Valley High School; to provide funds for other capital improvements to school buildings for public school purposes in the District; and (ii) to pay the costs of issuing and insuring the bonds.

NOTE 16 LAND HELD FOR RESALE

In April of 2004, the District purchased the residence and grounds of the estate of Henry Oakes located at 573 Smithbridge Road, Glen Mills, Pennsylvania at a purchase price of \$320,000. The District has designated the property as land held for resale in its financial records. The property has been recorded at the lower of cost or net realizable value. At June 30, 2004, land held for resale totaled \$329,709, with this amount offset by a reservation of fund balance in the governmental fund financial statements and a reservation of net assets in the statement of net assets.

SINGLE AUDIT

2089 South DuPont Highway  
Dover, Delaware 19901  
800.355.8210

25 West Third Street  
Media, Pennsylvania 19063  
610.565.5222

INDEPENDENT AUDITORS' REPORT ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

202 Bancroft Building  
3411 Silverside Road  
Wilmington, Delaware 19810  
302.478.8940  
FAX: 302.478.0133  
www.btcpa.com  
info@btcpa.com

September 7, 2004

Board of School Directors  
Garnet Valley School District  
Glen Mills, Pennsylvania

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Garnet Valley School District, Glen Mills, Pennsylvania as of and for the year ended June 30, 2004, and have issued our report thereon dated September 7, 2004.

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.

Internal Control Over Financial Reporting

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

However, we noted other matters involving the internal control over financial reporting that we have reported to management of Garnet Valley School District, Glen Mills, Pennsylvania, in a separate letter dated September 7, 2004.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Garnet Valley School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and

Board of School Directors  
Garnet Valley School District

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 or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of School Directors, the Audit Committee, 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.

*Barbacane, Thornton & Company*  
BARBACANE, THORNTON & COMPANY

2089 South DuPont Highway  
Dover, Delaware 19901  
800.355.8210

25 West Third Street  
Media, Pennsylvania 19063  
610.565.5222

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

202 Bancroft Building  
3411 Silverside Road  
Wilmington, Delaware 19810  
302.478.8940

FAX: 302.478.0133  
www.btcpa.com  
info@btcpa.com

September 7, 2004

Board of School Directors  
Garnet Valley School District  
Glen Mills, Pennsylvania

Compliance

We have audited the compliance of Garnet Valley School District, Glen Mills, Pennsylvania, 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, 2004. Garnet Valley School District's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and recommendations. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Garnet Valley School District's management. Our responsibility is to express an opinion on Garnet Valley School District's compliance based on our audit.

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

In our opinion, Garnet Valley School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2004.

Internal Control Over Compliance

The management of Garnet Valley School District, Glen Mills, Pennsylvania, 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 Garnet Valley School District's internal control over compliance with requirements that could

To the Board of School Directors  
Garnet Valley School District

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 reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grant agreements caused by error or fraud 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 solely for the information and use of management, the Board of School Directors, the Audit Committee, 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.

  
BARBACANE, THORNTON & COMPANY



GARNET VALLEY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS

**PART A - SUMMARY OF AUDITORS' RESULTS**

1. The auditors' report expresses unqualified opinions on the financial statements of Garnet Valley School District.
2. No reportable conditions relating to the audit of the financial statements are reported in the "Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards."
3. No instances of noncompliance relating to the financial statements of Garnet Valley School District were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award program are reported in the "Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133."
5. The auditors' report on compliance for the major federal award program for Garnet Valley School District expresses an unqualified opinion.
6. The auditee is considered to be a low-risk auditee. The dollar threshold for determining a Type A program is \$300,000.
7. The program tested as a major program was:

<u>Program Name</u>	<u>CFDA #</u>
I.D.E.A.	84.027

**PART B - FINDINGS RELATED TO FINANCIAL STATEMENTS**

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.

**PART C - FINDINGS RELATED TO FEDERAL AWARDS**

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.

GARNET VALLEY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND CERTAIN STATE GRANTS  
FOR THE YEAR ENDED JUNE 30, 2004

FEDERAL GRANTOR/ PROJECT TITLE	SOURCE CODE	FEDERAL CFDA NUMBER	Pass-through Grantor's Number	GRANT PERIOD BEGINNING/ ENDING DATES	GRANT AMOUNT	TOTAL RECEIVED FOR YEAR	ACCRUED (DEFERRED) REVENUE AT 6/30/03	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED (DEFERRED) REVENUE AT 6/30/04
US Department of Education Passed Through the Pennsylvania Department of Education:										
Title I	I	84.010	013-03-0161	07/01/02-09/30/03	\$ 67,944	\$ 4,854	\$ 4,854	\$ -	\$ -	\$ -
Title I	I	84.010	013-04-0161	07/01/03-09/30/04	101,793	94,962	-	101,793	101,793	6,831
Title V	I	84.298	011-03-0161	07/01/02-09/30/03	13,079	1,869	1,869	-	-	-
Title V	I	84.298	011-04-0161	07/01/02-09/30/04	14,216	11,373	-	14,216	14,216	2,843
Title II-Improving Teacher Quality	I	84.367	020-03-0161	07/01/03-09/30/03	60,648	17,328	-	17,328	-	-
Title II-Improving Teacher Quality	I	84.367	020-04-0161	07/01/03-09/30/04	67,716	49,658	-	67,716	67,716	18,058
Title II-Education Technology	I	84.318	055-04-0161	07/01/03-09/30/04	2,395	2,395	-	2,395	2,395	-
Drug-Free Schools	I	84.186	100-03-0161	07/01/02-09/30/03	9,999	6,153	6,153	-	-	-
Drug-Free Schools	I	84.186	100-04-0161	07/01/03-09/30/04	10,333	2,214	-	10,333	10,333	8,119
Passed Through the Delaware County Intermediate Unit										
I.D.E.A.	I	84.027	062-03-0025	07/01/02-06/30/03	343,230	278,508	278,508	-	-	-
I.D.E.A.	I	84.027	062-04-0025	07/01/03-06/30/04	506,217	-	-	506,217	506,217	506,217
Total US Department of Education						469,314	308,712	702,670	702,670	542,068
US Department of Agriculture Passed Through the Pennsylvania Department of Agriculture										
Value of USDA Doanted Commodities	I	10.550	N/A		N/A	30,072 a)	(12,450) b)	25,313	25,313 c)	(17,209) d)
Passed Through the Pennsylvania Department of Education										
National School Lunch Program	I	10.555	N/A	07/01/02-06/30/03	N/A	11,423	11,423	-	-	-
National School Lunch Program	I	10.555	N/A	07/01/03-06/30/04	N/A	62,779	-	74,590	74,590	11,811
Breakfast Program	I	10.553	N/A	07/01/02-06/30/03	N/A	315	315	-	-	-
Breakfast Program	I	10.553	N/A	07/01/03-06/30/04	N/A	1,622	-	1,964	1,964	342
State Matching Share	S	N/A	N/A	07/01/02-06/30/03	N/A	4,305	4,305	-	-	-
State Matching Share	S	N/A	N/A	07/01/03-06/30/04	N/A	22,371	-	26,411	26,411	4,040
Total US Department of Agriculture						132,887	3,593	128,278	128,278	(1,016)
TOTAL FEDERAL AWARDS AND STATE GRANTS						\$602,201	\$312,305	\$830,948	\$830,948	\$541,052

Source Codes: Test of 25% Rule: Major Program Tested:

I = Indirect Funding Total Expenditures \$ 830,948 Total Programs Tested \$ 506,217  
 S = State Funding Less State Share (26,411) Total Federal Expenditures \$ 804,537 = 62.92%

Footnotes:

- a) Total amount of commodities received from U.S. Department of Agriculture
- b) Beginning inventory at July 1.
- c) Total amount of commodities used.
- d) Ending inventory at June 30.

GARNET VALLEY SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND CERTAIN STATE GRANTS

NOTE A SCOPE OF THIS SCHEDULE

The Schedule of Expenditures of Federal Awards and Certain State Grants reflects federal expenditures for all individual grants which were active during the fiscal year. Additionally, the Schedule reflects expenditures for certain state grants.

NOTE B BASIS OF ACCOUNTING

The District uses the modified accrual method of recording transactions except as noted for the accounting of donated commodities in Note C. Revenues are recorded when measurable and available. Expenditures are recorded when incurred.

NOTE C NONMONETARY FEDERAL AWARDS - DONATED FOOD

The Commonwealth of Pennsylvania distributes federal surplus food to institutions (schools, hospitals and prisons) and to the needy. Expenditures reported in the Schedule of Expenditures of Federal Awards and Certain State Grants under CFDA #10.550 Value of USDA Commodities represent surplus food consumed by the District during the 2003-2004 fiscal year.