

GARNET VALLEY SCHOOL DISTRICT  
GLEN MILLS, PENNSYLVANIA

AUDIT REPORT

JUNE 30, 2005

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 - 41

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 <i>Government Auditing Standards</i>	42 - 43
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	44 - 45
Schedule of Findings and Recommendations	46
Schedule of Expenditures of Federal Awards and Certain State Grants	47
Notes to Schedule of Expenditures of Federal Awards and Certain State Grants	48

Dover, Delaware  
800.355.8210

Media, Pennsylvania  
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 9, 2005

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, 2005, 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. The prior year summarized comparative information has been derived from the District's 2004 financial statements and, in our report dated September 7, 2004, we expressed an unqualified opinion on those financial statements.

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, 2005, 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 9, 2005, 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 considered in assessing 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 accounting principles generally accepted in the United States of America. 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, 2005**

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, 2005.

### **Financial Highlights**

The District's net assets related to governmental activities increased by \$1.7 million, primarily due to increases in local taxes and capital assets net of depreciation related to ongoing construction. Program revenues accounted for \$7.8 million, or 13.8 percent, of total revenues (\$56.7 million), and general revenues accounted for \$48.9 million, or 86.2 percent.

In July 2004, the District incurred new debt totaling \$43 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 \$6.5 million, or 11.1 percent (including designated funds of \$2.9 million for future employee benefits), of the 2005-2006 \$58.7 million operating budget.

### **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 scholarships) 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 exceeded liabilities by \$4.3 million at the close of the most recent fiscal year. In the prior year, assets exceeded liabilities by \$2.7 million.

The largest portion of the District's total net assets (81.6 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 - Unaudited (cont'd)**  
**For the Fiscal Year Ended June 30, 2005**

A comparative analysis of fiscal year 2005 to 2004 follows:

Net Assets  
(Amounts expressed in thousands)

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
<b>Assets:</b>						
Current and other assets	\$ 51,780	\$ 8,697	\$ 75	\$ 31	\$ 51,855	\$ 8,728
Capital assets	90,306	88,831	651	721	90,957	89,552
<b>Total Assets</b>	<b>\$ 142,086</b>	<b>\$ 97,528</b>	<b>\$ 726</b>	<b>\$ 752</b>	<b>\$ 142,812</b>	<b>\$ 98,280</b>
<b>Liabilities:</b>						
Current liabilities	\$ 11,578	\$ 9,253	\$ 75	\$ 31	\$ 11,653	\$ 9,284
Long-term liabilities	126,822	86,286	-	-	126,822	86,286
<b>Total Liabilities</b>	<b>138,400</b>	<b>95,539</b>	<b>75</b>	<b>31</b>	<b>138,475</b>	<b>95,570</b>
<b>Net Assets:</b>						
Invested in capital assets, net of debt	3,008	1,521	651	721	3,659	2,242
Restricted	343	217	-	-	343	217
Unrestricted	335	251	-	-	335	251
<b>Total Net Assets</b>	<b>\$ 3,686</b>	<b>\$ 1,989</b>	<b>\$ 651</b>	<b>\$ 721</b>	<b>\$ 4,337</b>	<b>\$ 2,710</b>

The District experienced an increase in both its restricted and its unrestricted net assets. The District's investment in total capital assets, net of debt, increased by \$1.417 million as a result of the associated debt used to acquire the assets being paid faster than the related capital assets are being depreciated.

***Governmental Activities***

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).

**Garnet Valley School District**  
**Management's Discussion and Analysis - Unaudited (cont'd)**  
**For the Fiscal Year Ended June 30, 2005**

	Total Services	Net Services	Total Services	Net Services
	2005	2005	2004	2004
<b>PROGRAM EXPENSES</b>				
Governmental Activities:				
Instruction	\$ 32,370	\$ 27,900	\$ 29,693	\$ 26,175
Instructional student support	3,288	3,019	2,886	2,726
Administration	5,204	5,003	4,133	4,006
Maintenance	5,052	4,858	5,031	4,879
Pupil transportation	2,282	1,524	1,870	1,170
Student activities	1,880	1,103	1,735	1,183
Community services	191	(141)	138	(131)
Interest and fiscal charges	4,725	3,895	3,317	2,980
<b>Total Governmental Activities</b>	<b>\$ 54,992</b>	<b>\$ 47,161</b>	<b>\$ 48,803</b>	<b>\$ 42,988</b>
Business-type Activities:				
Food service	\$ 1,566	\$ 81	\$ 1,524	\$ 70

The increases in the net cost of services for instruction are due to the increasing numbers of students (4,154 vs 4,008 in the prior year) as well as increases in special education needs.

The food service net costs increased since more staff and equipment were used to service the additional students.

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

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
<b>REVENUES</b>						
Program Revenues:						
Charges for Services	\$ 1,173	\$ 867	\$ 1,331	\$ 1,325	\$ 2,504	\$ 2,192
Operating Grants	6,658	4,948	154	128	6,812	5,076
<b>Total Program Revenues</b>	<b>7,831</b>	<b>5,815</b>	<b>1,485</b>	<b>1,453</b>	<b>9,316</b>	<b>7,268</b>
General Revenues:						
Property Taxes	44,985	39,458	-	-	44,985	39,458
Grants and Entitlements	2,934	2,754	-	-	2,934	2,754
Investment Earnings	906	149	11	-	917	149
Miscellaneous	33	-	-	-	33	-
<b>Total General Revenues</b>	<b>48,858</b>	<b>42,361</b>	<b>11</b>	<b>-</b>	<b>48,869</b>	<b>42,361</b>
<b>TOTAL REVENUES</b>	<b>56,689</b>	<b>48,176</b>	<b>1,496</b>	<b>1,453</b>	<b>58,185</b>	<b>49,629</b>



Garnet Valley School District  
Management's Discussion and Analysis - Unaudited (cont'd)  
For the Fiscal Year Ended June 30, 2005

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
TOTAL EXPENSES						
Program Services:						
Instruction	32,370	29,693	-	-	32,370	29,693
Support services:						
Instructional staff support	3,288	2,886	-	-	3,288	2,886
Administration	5,204	4,133	-	-	5,204	4,133
Maintenance	5,052	5,031	-	-	5,052	5,031
Pupil transportation	2,282	1,870	-	-	2,282	1,870
Community services	191	138	-	-	191	138
Student activities	1,880	1,735	-	-	1,880	1,735
Interest/fiscal charges	4,725	3,317	-	-	4,725	3,317
Food service	-	-	1,566	1,523	1,566	1,523
TOTAL EXPENSES	54,992	48,803	1,566	1,523	56,558	50,326
Excess (Deficit) before transfers	1,697	-627	-70	-70	1,627	-697
Transfers	-	-9	-	9	-	-
CHANGE IN NET ASSETS	\$ 1,697	\$ -636	\$ -70	\$ -61	\$ 1,627	\$ -697

### 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 be readily 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 - Unaudited (cont'd)  
For the Fiscal Year Ended June 30, 2005**

***Fiduciary Funds***

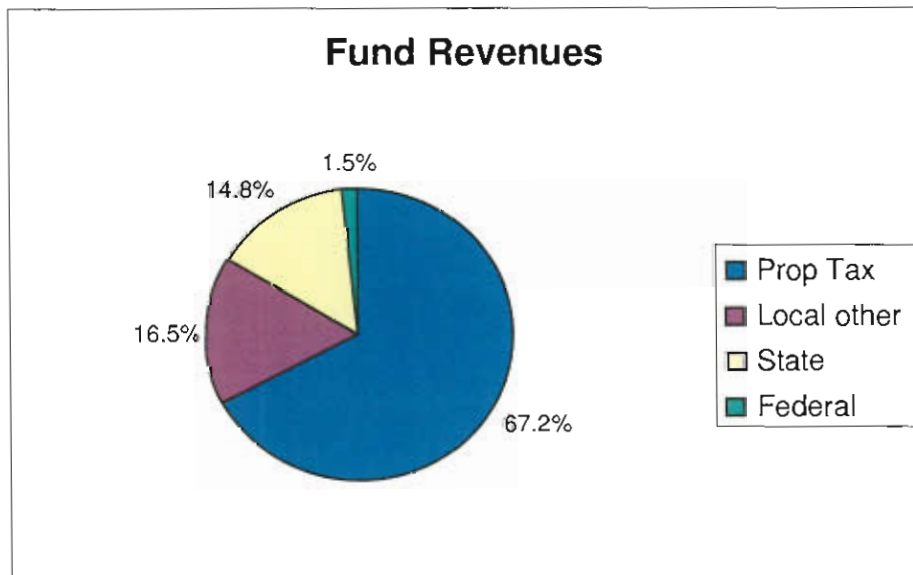
The District is the trustee, or fiduciary, for its scholarship program and other items listed as private-purpose trust. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 23 and 24. We exclude these activities 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 \$45 million, which is above last year's total of \$4.7 million. The schedule below indicates the fund balance and the total change in fund balances as of June 30, 2005 and 2004.

	Fund Balance <u>June 30, 2005</u>	Fund Balance <u>June 30, 2004</u>	Increase <u>(Decrease)</u>
General	\$ 6,512,837	\$ 4,351,166	\$ 2,161,671
Capital Projects	38,521,408	367,330	38,154,078
Other Governmental	<u>651</u>	<u>4,458</u>	<u>(3,807)</u>
<b>TOTAL</b>	<b><u>\$ 45,034,896</u></b>	<b><u>\$ 4,722,954</u></b>	<b><u>\$ 40,311,942</u></b>



Garnet Valley School District  
 Management's Discussion and Analysis - Unaudited (cont'd)  
 For the Fiscal Year Ended June 30, 2005

The District's reliance upon tax revenues is demonstrated by the graph above that indicates 67.2 percent of total revenues for government activities comes 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>	2005 Amount	2004 Amount	Dollar Change	Percent Change
Taxes	\$ 44,919,363	\$ 41,009,839	\$ 3,909,524	9.5
Investment earnings	439,409	140,500	298,909	212.7
Intergovernmental	8,421,616	6,680,996	1,740,620	26.1
Other revenue	<u>1,719,377</u>	<u>1,288,171</u>	<u>431,206</u>	33.4
Total	<u>\$ 55,499,765</u>	<u>\$ 49,119,506</u>	<u>\$ 6,380,259</u>	

The property tax revenue is up \$3.9 million due to growth in the District's tax base (58 percent of the increase in property tax revenue) and tax rate increase (42 percent of the increase in property tax revenue) as well as increases in interim and delinquent tax collections. Interest earnings are up \$299 thousand due to more funds being invested and higher yields. Intergovernmental revenue is up \$1.7 million due to increases in federal and state appropriations including a one-time catch-up lease rental subsidy of \$830 thousand.

**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 for athletic activities.

**Business-type Activities**

Business-type activities include the food service program. This program incurred a decrease in net assets of \$70,191 due 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 - Unaudited (cont'd)  
For the Fiscal Year Ended June 30, 2005

**Budget Review**

		Budget	Final Budget	Diff \$	Diff %
Instructional Services:					
Regular Programs	1100	\$21,779,033	\$21,597,334	\$-181,699	0.8
Special Programs	1200	5,143,706	5,331,951	188,245	3.6
Vocational Programs	1300	491,032	386,379	-104,653	-21.3
Other Instructional Programs	1400	312,345	336,541	24,196	7.75
Community College	1700	167,235	167,235	-	0.0
Total Instructional Services		<u>27,893,351</u>	<u>27,819,440</u>	<u>-73,911</u>	<u>0.26</u>
Support Services:					
Pupil Personnel	2100	1,256,873	1,280,308	23,435	1.9
Instructional Staff Services	2200	1,677,476	1,491,124	-186,352	-11.1
Administrative Services	2300	3,674,298	3,898,795	224,497	6.1
Pupil Health	2400	237,368	256,935	19,567	8.2
Business Services	2500	906,841	833,051	-73,790	-8.1
Operation and Maintenance of Plant	2600	4,703,329	4,652,427	-50,902	-1.1
Student Transportation Services	2700	2,088,394	2,101,590	13,196	0.6
Central Services	2800				
Other Support Services	2900	55,904	60,229	4,325	7.7
Total Support Services		<u>14,600,483</u>	<u>14,574,459</u>	<u>-26,024</u>	<u>-0.2</u>
Operation of Noninstructional Services:					
Student Activities	3200	1,728,567	1,647,604	-80,963	-4.7
Community Services	3300	127,600	176,215	48,615	38.1
Total Operation of Noninstructional Services		<u>1,856,167</u>	<u>1,823,819</u>	<u>-32,348</u>	<u>1.7</u>
Debt Service and Transfers:					
Debt Service	5110	7,859,939	8,061,289	201,350	2.56
Budgetary Reserve/Interfund Transfers	5200	360,000	290,933	-69,067	-19.2
Total Debt Service and Transfers		<u>8,219,939</u>	<u>8,352,222</u>	<u>132,283</u>	<u>1.6</u>
<b>TOTAL EXPENDITURES</b>		<u>\$52,569,940</u>	<u>\$52,569,940</u>	<u>-</u>	<u>0.0</u>

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:

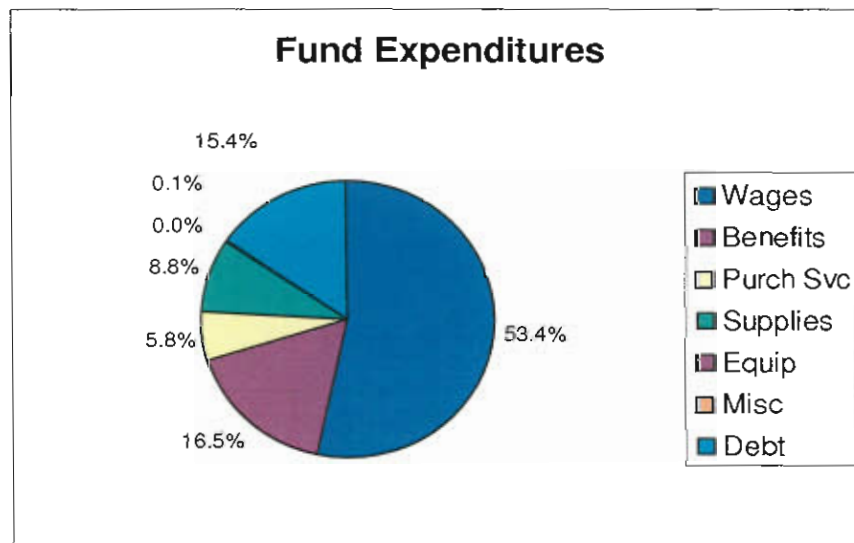
**Garnet Valley School District  
Management's Discussion and Analysis - Unaudited (cont'd)  
For the Fiscal Year Ended June 30, 2005**

		<b>Original Budget</b>	<b>Final Budget</b>	<b>Diff \$</b>	<b>Diff %</b>
Vocational Programs	1300	\$ 491,032	\$ 386,379	\$ -104,653	-21.3
Other Instructional Programs	1400	312,345	336,541	24,196	7.75
Instructional Staff Services	2200	1,677,476	1,491,124	-186,352	-11.1
Administrative Services	2300	3,674,298	3,898,795	224,497	6.1
Pupil Health	2400	237,368	256,935	19,567	8.2
Business Services	2500	906,841	833,051	-73,790	-8.1
Community Services	3300	127,600	176,215	48,615	38.1
Interfund Transfers	5200	360,000	290,933	-69,067	-19.2
Sum of significant budget transfers		<u>\$ 7,786,960</u>	<u>\$ 7,669,973</u>	<u>\$ -116,987</u>	<u>1.5</u>

Vocational program spending decreased and other instructional program spending increased as a result of changes in enrollment and the availability of federal and state grant funding. Instructional staff services decreased and administrative staff spending increased as a result of staffing changes.

Administrative costs increased due to more staffing needs and partly due to costs associated with charter schools. Pupil health service costs increased due to regulatory changes. Business service costs decreased due to cost reductions and savings in service contracts. Community service costs increased because of the additional informational mailouts required to publicize the Property Tax Reduction Act (Act 72 of 2004). Interfund transfer costs were reduced by the District's restructuring of debt and by reductions in capital needs.

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 - Unaudited (cont'd)**  
**For the Fiscal Year Ended June 30, 2005**

Expenditures by Object	2005	2004	Change	Percent
Wages	\$28,480,760	\$26,079,797	\$2,400,963	9.2
Benefits	8,823,767	8,188,542	635,225	7.8
Purchased services	3,076,504	2,845,535	230,969	8.1
Supplies	4,686,300	5,014,562	-328,262	-6.5
Equipment	4,935	9,292	-4,357	-46.9
Miscellaneous	71,081	65,920	5,161	7.8
Debt and transfers	8,194,734	6,838,583	1,356,151	19.8
<b>Total</b>	<b>\$53,338,081</b>	<b>\$49,042,231</b>	<b>\$4,295,850</b>	<b>8.8</b>

Expenditures were up \$4.3 million, or 8.8 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 \$90.9 million invested in capital assets net of depreciation, with \$90.3 million attributed to governmental activities. Acquisitions for governmental activities totaled \$4.7 million and depreciation expense for the year was \$3.3 million. The majority of these acquisitions was for construction-in-progress for construction of a new elementary school and additions and renovations to the high school and middle school. 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 \$43 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, 2005, the District had \$129.7 million in outstanding bonds, capital lease obligations and notes payable. The District increased its outstanding debt by \$40.5 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 - Unaudited (cont'd)  
For the Fiscal Year Ended June 30, 2005

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, 2005, the District's general obligation debt was \$14.2 million below the legal limit.

### **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 proposed property tax reduction legislation in the state legislature is enacted that limits the future taxing authority of the District.

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 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. This information is also available at its business office located at the Garnet Valley Education Center, 80 Station Road, Glen Mills, Pennsylvania.

### **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, 2005  
(with Summarized Comparative Data for June 30, 2004)

	Governmental Activities	Business-Type Activities	Totals	
	2005	2004	2005	2004
<b>ASSETS</b>				
Cash and cash equivalents	\$ 599,778	\$ 437,035	\$ 1,036,813	\$ 1,382,712
Investments	47,170,043	32,805	47,202,848	4,194,628
Taxes receivable	1,096,751	-	1,096,751	1,481,701
Due from other governments	1,248,026	6,515	1,254,541	770,184
Other receivables	117,366	-	117,366	82,538
Internal balances	424,830	(424,830)	-	-
Inventories	-	23,543	23,543	17,209
Prepaid expenses	-	-	-	299,557
Issuance costs	-	-	-	168,734
Land	792,826	-	792,826	4,587,471
Land improvements	4,587,471	-	4,587,471	-
Construction-in-progress	4,298,187	-	4,298,187	-
Buildings and improvements	2,371,272	-	2,371,272	2,334,353
Furniture and equipment	99,352,164	-	99,352,164	99,164,446
Accumulated depreciation	10,817,529	1,243,982	12,061,511	11,833,189
Land held for resale	(31,120,132)	(593,321)	(31,713,453)	(28,366,972)
<b>TOTAL ASSETS</b>	<b>\$142,085,820</b>	<b>\$ 725,729</b>	<b>\$142,811,549</b>	<b>\$ 98,279,459</b>
<b>LIABILITIES AND NET ASSETS</b>				
LIABILITIES:				
Accounts payable	\$ 1,995,753	\$ 55,885	\$ 2,051,638	\$ 968,130
Accrued salaries and benefits	2,128,992	-	2,128,992	1,591,389
Other liabilities	-	-	-	278,212
Accrued interest	1,820,941	19,183	1,820,941	1,633,306
Deferred revenue	288,948	-	288,948	279,761
Due to other governments	-	-	-	132,025
Long-term liabilities:				
Portion due or payable within one year:				
Bonds payable	855,000	-	855,000	1,480,000
Unamortized premium	15,343	-	15,343	-
Less: Deferred amounts on refunding	(119,371)	-	(119,371)	(73,931)
Notes payable	3,169,000	-	3,169,000	1,623,000
Capital leases payable	550,000	-	550,000	571,239
Accumulated compensated absences/early retirement incentive	873,171	-	873,171	800,697
Portion due or payable after one year:				
Bonds payable in future years	66,391,546	-	66,391,546	40,686,546
Unamortized premium	306,849	-	306,849	-
Less: Deferred amounts on refunding	(1,530,317)	-	(1,530,317)	(786,126)
Notes payable in future years	39,664,000	-	39,664,000	26,333,000
Capital leases payable	19,100,000	-	19,100,000	18,555,000
Accumulated compensated absences/early retirement incentive	2,889,586	-	2,889,586	1,497,082
<b>TOTAL LIABILITIES</b>	<b>138,399,441</b>	<b>75,068</b>	<b>138,474,509</b>	<b>95,569,330</b>
<b>NET ASSETS:</b>				
Invested in capital assets, net of related debt	3,008,218	650,661	3,658,879	2,242,307
Restricted for student activities	342,245	-	342,245	212,459
Restricted for athletics	651	-	651	4,458
Unrestricted	335,265	-	335,265	250,905
<b>TOTAL NET ASSETS</b>	<b>3,686,379</b>	<b>650,661</b>	<b>4,337,040</b>	<b>2,710,129</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$142,085,820</b>	<b>\$ 725,729</b>	<b>\$142,811,549</b>	<b>\$ 98,279,459</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, 2005  
(with Summarized Comparative data for the Year Ended June 30, 2004)

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
EXPENSES				
GOVERNMENTAL ACTIVITIES				
Instruction	\$ 32,369,518	\$ 4,326,016	\$ -	\$ (27,900,600)
Instructional student support	3,288,466	269,965	-	(3,018,501)
Administrative and financial support services	5,203,656	200,245	-	(5,003,411)
Operation and maintenance of plant services	5,052,014	194,409	-	(4,857,605)
Pupil transportation	2,282,091	758,458	-	(1,523,633)
Student activities	1,879,723	72,335	-	(1,102,296)
Community services	191,350	7,363	-	141,296
Interest on long-term debt	4,724,720	829,958	-	(3,894,762)
TOTAL GOVERNMENTAL ACTIVITIES	54,991,538	6,658,749	-	(47,159,512)
BUSINESS-TYPE ACTIVITIES				
Food service	1,565,996	153,580	-	(81,445)
TOTAL BUSINESS-TYPE ACTIVITIES	1,565,996	153,580	-	(81,445)
TOTAL PRIMARY GOVERNMENT	\$56,557,534	\$ 6,812,329	\$ -	(47,159,512)
GENERAL REVENUES				
Property taxes, levied for general purposes			43,415,213	43,415,213
Taxes levied for specific purposes			1,568,725	1,568,725
Grants and entitlements not restricted to specific programs			2,933,721	2,933,721
Investment earnings			905,832	917,086
Miscellaneous			33,123	33,123
TOTAL GENERAL REVENUES			48,856,614	48,867,868
CHANGE IN NET ASSETS			1,697,102	1,626,911
NET ASSETS, BEGINNING OF YEAR			1,989,277	2,710,129
NET ASSETS, END OF YEAR			\$ 3,686,379	\$ 4,337,040
TOTALS				
				\$ (26,174,903)
				(2,725,906)
				(4,006,348)
				(4,879,005)
				(1,170,304)
				(1,183,030)
				131,405
				(2,979,604)
				(42,987,695)
				(81,445)
				(81,445)
				(81,445)
				(43,057,717)
				38,174,337
				1,283,644
				2,754,121
				148,906
				154
				42,361,162
				(696,555)
				3,406,684
				\$ 2,710,129

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

GARNET VALLEY SCHOOL DISTRICT  
 BALANCE SHEET - GOVERNMENTAL FUNDS  
 JUNE 30, 2005  
 (with Summarized Comparative data for June 30, 2004)

	Major Funds			Nonmajor Fund	Totals	
	General Fund	Prison Fund	Capital Projects Fund		2005	2004
<b>ASSETS</b>						
Cash and cash equivalents	\$ 599,127	\$ -	\$ -	\$ 651	\$ 1,049,500	
Investments	6,066,266	-	41,103,777	-	4,103,681	
Taxes receivable	1,096,751	-	-	-	1,481,701	
Due from other funds	1,987,036	106,720	-	-	1,459,600	
Due from other governments	1,064,285	182,228	1,513	-	1,753,991	
Other receivables	117,366	-	-	-	82,538	
Prepaid expenses	-	-	329,709	-	299,557	
Land held for resale	-	-	-	-	329,709	
<b>TOTAL ASSETS</b>	<b>\$10,930,831</b>	<b>\$ 288,948</b>	<b>\$41,434,999</b>	<b>\$ 651</b>	<b>\$ 9,560,277</b>	
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES:</b>						
Due to other funds	\$ -	\$ 288,948	\$ 1,668,926	\$ -	\$ 1,032,925	
Due to other governments	-	-	-	-	132,025	
Accounts payable	751,088	-	1,244,665	-	943,607	
Accrued salaries and benefits	2,128,992	-	-	-	1,591,389	
Accrued compensated absences/early retirement incentive	873,171	-	-	-	278,212	
Deferred revenues	664,743	-	-	-	859,163	
<b>TOTAL LIABILITIES</b>	<b>4,417,994</b>	<b>288,948</b>	<b>2,913,591</b>	<b>-</b>	<b>4,837,323</b>	
<b>FUND BALANCES</b>						
Reserved for:						
Student purposes	342,245	-	-	-	212,459	
Capital projects	-	-	38,191,699	-	37,621	
Athletic purposes	-	-	-	651	4,438	
Land held for resale	-	-	329,709	-	329,709	
Unreserved - designated	2,889,586	-	-	-	-	
Unreserved - undesignated	3,281,006	-	-	-	4,138,707	
<b>TOTAL FUND BALANCES</b>	<b>6,512,837</b>	<b>-</b>	<b>38,521,408</b>	<b>651</b>	<b>4,722,954</b>	
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$10,930,831</b>	<b>\$ 288,948</b>	<b>\$41,434,999</b>	<b>\$ 651</b>	<b>\$ 9,560,277</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, 2005

TOTAL GOVERNMENTAL FUND BALANCES \$ 45,034,896

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
Construction-in-progress	4,298,187
Land improvements	2,371,272
Buildings	99,352,164
Furniture and equipment	10,817,529
Accumulated depreciation	(31,120,132)

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	(67,246,546)
Notes payable	(42,833,000)
Capital leases payable	(19,650,000)
Accumulated compensated absences/early retirement incentive	(2,889,586)
Accrued interest	(1,820,941)

Refunded and new debt resulted in deferred charges and credits which will be amortized over the life of new debt but do not represent current rights.	2,120,322
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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>664,743</u>
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NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 3,686,379

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, 2005  
 (With Summarized Comparative Data for the Year Ended June 30, 2004)

	Major Funds				Nonmajor Fund	Totals	
	General Fund	Prison Fund	Capital Projects Fund	2005		2004	
REVENUES							
Local sources	\$46,428,608	\$ 104,876	\$ 466,423	\$ 47,031,581	\$ 42,554,671		
State sources	8,186,458	506,939	-	8,693,397	6,997,202		
Federal sources	884,686	-	-	884,686	198,707		
TOTAL REVENUES	<u>55,499,752</u>	<u>611,815</u>	<u>466,423</u>	<u>56,609,664</u>	<u>49,750,580</u>		
EXPENDITURES							
Current:							
Instruction	28,587,581	718,535	-	29,306,116	27,241,001		
Support services	14,574,459	-	670,099	15,244,558	13,903,320		
Operation of noninstructional services	1,823,819	-	-	1,910,068	1,737,177		
Capital outlay	-	-	5,359,224	5,359,224	1,372,460		
Debt service	8,061,289	-	909,002	8,970,291	6,259,553		
TOTAL EXPENDITURES	<u>53,047,148</u>	<u>718,535</u>	<u>6,938,325</u>	<u>60,790,257</u>	<u>50,513,511</u>		
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>2,452,604</u>	<u>(106,720)</u>	<u>(6,471,902)</u>	<u>(4,180,593)</u>	<u>(762,931)</u>		
OTHER FINANCING SOURCES (USES)							
Issuance of debt	-	-	43,060,000	43,060,000	800,000		
Issuance of debt - refunding	-	-	19,650,000	19,650,000	9,480,000		
Payment of debt - refunding	-	-	(18,555,000)	(18,555,000)	(9,429,955)		
Bond premiums	-	-	337,535	337,535	-		
Transfers in	-	106,720	133,445	290,033	668,636		
Transfers out	(290,933)	-	-	(290,033)	(668,636)		
TOTAL OTHER FINANCING SOURCES (USES)	<u>(290,933)</u>	<u>106,720</u>	<u>44,625,980</u>	<u>44,492,535</u>	<u>850,045</u>		
NET CHANGE IN FUND BALANCES	2,161,671	-	38,154,078	40,311,942	87,114		
FUND BALANCES, BEGINNING OF YEAR	<u>4,351,166</u>	<u>-</u>	<u>367,330</u>	<u>4,722,954</u>	<u>4,635,840</u>		
FUND BALANCE, END OF YEAR	<u>\$ 6,512,837</u>	<u>\$ -</u>	<u>\$38,521,408</u>	<u>\$ 45,034,896</u>	<u>\$ 4,722,954</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, 2005

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 40,311,942

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 capital outlays (\$4,751,146) exceeded depreciation (\$3,276,290) in the period. 1,474,856

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 increased by this amount this year. 64,584

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 14,390

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 proceeds (\$62,710,000) exceeded debt repayments (\$22,229,239). (40,480,761)

Governmental funds report issuance costs and deferred amounts on refunding as expenditures and bond premiums as revenue. However, these amounts are reported on the statement of net assets as deferred charges and credits and are amortized over the life of the debt. This is the amount by which current issuance costs and deferred amounts on refunding net of bond premiums (\$1,241,566) exceeded net amortization (\$150,033). 1,091,533

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 exceeded the amount that was actually paid. (591,807)

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. (187,635)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 1,697,102

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, 2005

	Original	Budgeted Amounts	Final	Actual (GAAP Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>					
Local sources	\$44,391,891		\$44,391,891	\$46,428,608	\$ 2,036,717
State sources	7,126,956		7,126,956	8,186,458	1,059,502
Federal sources	691,093		691,093	884,686	193,593
<b>TOTAL REVENUES</b>	<b>52,209,940</b>		<b>52,209,940</b>	<b>55,499,752</b>	<b>3,289,812</b>
<b>EXPENDITURES</b>					
Instruction:					
Regular programs	21,779,033		21,597,334	21,597,334	-
Special programs	5,143,706		5,331,951	6,100,092	(768,141)
Vocational programs	491,032		386,379	386,379	-
Other instructional programs	312,345		336,541	336,541	-
Community/junior college educational programs	167,235		167,235	167,235	-
Total instruction	27,893,351		27,819,440	28,587,581	(768,141)
Support services:					
Pupil personnel services	1,256,873		1,280,308	1,280,308	-
Instructional staff services	1,677,476		1,491,124	1,491,124	-
Administrative services	3,674,298		3,898,795	3,898,795	-
Pupil health	237,368		256,935	256,935	-
Business services	906,841		833,051	833,051	-
Operation and maintenance of plant services	4,703,329		4,652,427	4,652,427	-
Student transportation services	2,088,394		2,101,590	2,101,590	-
Other support services	55,904		60,229	60,229	-
Total support services	14,600,483		14,574,459	14,574,459	-
Operation of Noninstructional activities:					
Student activities	1,728,567		1,647,604	1,647,604	-
Community services	127,600		176,215	176,215	-
Total Operation of Noninstructional Services	1,856,167		1,823,819	1,823,819	-
Debt service	7,859,939		8,061,289	8,061,289	-
<b>TOTAL EXPENDITURES</b>	<b>52,209,940</b>		<b>52,279,007</b>	<b>53,047,148</b>	<b>(768,141)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>-</b>		<b>(69,067)</b>	<b>2,452,604</b>	<b>2,521,671</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	360,000		360,000	-	-
Transfers out	-		(290,933)	(290,933)	-
Budgetary reserve	(360,000)		-	-	(360,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>		<b>69,067</b>	<b>(290,933)</b>	<b>(360,000)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>-</b>		<b>-</b>	<b>2,161,671</b>	<b>2,161,671</b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b>4,351,166</b>		<b>4,351,166</b>	<b>4,351,166</b>	<b>-</b>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 4,351,166</b>		<b>\$ 4,351,166</b>	<b>\$ 6,512,837</b>	<b>\$ 2,161,671</b>

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

GARNET VALLEY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS - PROPRIETARY FUND  
JUNE 30, 2005  
(With Comparative Data for June 30, 2004)

	Major Fund	
	Food Service Fund	
	2005	2004
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 437,035	\$ 333,212
Investments	32,805	90,947
Due from other governments	6,515	16,193
Inventories	23,543	17,209
Total Current Assets	499,898	457,561
<b>CAPITAL ASSETS</b>		
Furniture and equipment	1,243,982	1,243,982
Accumulated depreciation	(593,321)	(523,130)
Capital Assets, Net	650,661	720,852
<b>TOTAL ASSETS</b>	<b>\$1,150,559</b>	<b>\$1,178,413</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 55,885	\$ 24,523
Due to other funds	424,830	426,675
Deferred revenue	19,183	6,363
Total Current Liabilities	499,898	457,561
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	650,661	720,852
Total Net Assets	650,661	720,852
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$1,150,559</b>	<b>\$1,178,413</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, 2005  
(With Comparative Data for the Year Ended June 30, 2004)

	Major Fund	
	Food Service Fund	
	2005	2004
OPERATING REVENUES		
Food service revenue	<u>\$ 1,330,971</u>	<u>\$ 1,317,503</u>
Total Operating Revenues	<u>1,330,971</u>	<u>1,317,503</u>
OPERATING EXPENSES		
Salaries	560,948	520,456
Employee benefits	178,995	150,308
Supplies	755,862	782,750
Depreciation	<u>70,191</u>	<u>70,022</u>
Total Operating Expenses	<u>1,565,996</u>	<u>1,523,536</u>
OPERATING LOSS	<u>(235,025)</u>	<u>(206,033)</u>
NONOPERATING REVENUES (EXPENSES)		
Investment income	11,254	7,733
State sources	31,889	26,411
Federal sources	<u>121,691</u>	<u>101,867</u>
Total Nonoperating Revenues	<u>164,834</u>	<u>136,011</u>
LOSS BEFORE CAPITAL CONTRIBUTIONS	(70,191)	(70,022)
Capital contribution from capital projects	<u>          -</u>	<u>9,010</u>
CHANGE IN NET ASSETS	(70,191)	(61,012)
NET ASSETS, BEGINNING OF YEAR	<u>720,852</u>	<u>781,864</u>
NET ASSETS, END OF YEAR	<u>\$ 650,661</u>	<u>\$ 720,852</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, 2005  
(With Comparative Data for the Year Ended June 30, 2004)

	Major Fund	
	Food Service Fund	
	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$1,343,791	\$1,315,772
Payments to suppliers	(700,835)	(485,728)
Payments to employees	(741,788)	(670,764)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(98,832)	159,280
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State sources	34,216	26,676
Federal sources	99,043	76,139
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	133,259	102,815
CASH FLOWS FROM INVESTING ACTIVITIES:		
Earnings on investments	11,254	7,733
Purchase of investments	-	(82,861)
Proceeds from sale and maturity of Investments	58,142	-
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	69,396	(75,128)
NET INCREASE IN CASH AND CASH EQUIVALENTS	103,823	186,967
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	333,212	146,245
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 437,035	\$ 333,212
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating loss	\$ (235,025)	\$ (206,033)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Depreciation	70,191	70,022
Donated commodities	29,999	25,313
(Increase) Decrease in:		
Inventories	(6,334)	(4,759)
Increase (Decrease) in:		
Accounts payable	31,362	(100,960)
Due to other funds	(1,845)	377,428
Deferred revenue	12,820	(1,731)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (98,832)	\$ 159,280
SUPPLEMENTAL DISCLOSURE:		
Noncash Investing activity:		
Capital contribution from capital projects	\$ _____	\$ 9,010
Noncash noncapital financing activity:		
USDA donated commodities	\$ 29,999	\$ 25,313

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

GARNET VALLEY SCHOOL DISTRICT  
 STATEMENT OF NET ASSETS - FIDUCIARY FUNDS  
 JUNE 30, 2005  
 (With Comparative Data for June 30, 2004)

	Private Purpose Trust	
	2005	2004
ASSETS		
Investments	\$ <u>163,077</u>	\$ <u>145,968</u>
TOTAL ASSETS	\$ <u>163,077</u>	\$ <u>145,968</u>
LIABILITIES	\$ <u>-</u>	\$ <u>-</u>
NET ASSETS		
Reserved for trust	\$ <u>163,077</u>	\$ <u>145,968</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, 2005  
(With Comparative Data for the Year Ended June 30, 2004)

	Private-Purpose Trust	
	2005	2004
ADDITIONS		
Local contributions	\$ 28,480	\$ 10,980
Investment income	<u>2,543</u>	<u>887</u>
TOTAL ADDITIONS	<u>31,023</u>	<u>11,867</u>
DEDUCTIONS		
Fees paid and scholarships awarded	<u>13,914</u>	<u>8,127</u>
TOTAL DEDUCTIONS	<u>13,914</u>	<u>8,127</u>
CHANGE IN NET ASSETS	17,109	3,740
NET ASSETS, BEGINNING OF YEAR	<u>145,968</u>	<u>142,228</u>
NET ASSETS, END OF YEAR	<u>\$ 163,077</u>	<u>\$ 145,968</u>

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

GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, 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 proprietary 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 proprietary 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 proprietary fund are food service charges. Operating expenses for the District's proprietary 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.

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.

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

GARNET VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (cont'd)

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

The District's taxes are billed and collected by local elected tax collectors. The tax on real estate for public school purposes for fiscal 2004-2005 was 22.981 mills (\$22.981 for \$1,000 of assessed valuation) for Bethel Township (includes additional levy for Delaware County Community College) and 22.624 mills (\$22.624 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
Land improvements	15-20 years
Equipment	5-10 years
Vehicles	8-10 years
Library books	5-7 years

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.



GARNET VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (cont'd)

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

The long-term portion of compensated absences has been designated in the General Fund fund balance.

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, 2004, from which the summarized information was derived.

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.

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

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.

The District is required to publish notice by advertisement at least once in two newspapers of general circulation in the municipalities in which it is located, and within 15 days of final action, that the proposed budget has been prepared and is available for public inspection at the administrative offices of the District. Notice that public hearings will be held on the proposed operating budget must be included in the advertisement; such hearings are required to be scheduled at least 10 days prior to when final action on adoption is taken by the Board.

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.

Excess of Expenditures over Appropriations

Special education wage expenditures in the amount of \$768,141 were funded by excess I.D.E.A. and ACCESS subsidies.

NOTE 3     DEPOSITS AND INVESTMENTS

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. The District does not have a policy for custodial credit risk. At June 30, 2005, the carrying amount of the District's deposits was \$1,036,813 and the bank balance was \$2,006,791. Of the bank balance, \$112,374 was covered by federal depository insurance, and \$1,894,417 was subject to custodial credit risk because it was uninsured and the collateral held by the depository's agent was 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.

GARNET VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (cont'd)

NOTE 3 DEPOSITS AND INVESTMENTS (cont'd)

All of the District's investments are in the Pennsylvania School District Liquid Asset Fund (PSDLAF) and the Pennsylvania Treasurer's Program for Local Governments (INVEST). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PSDLAF and INVEST act like money market mutual funds in that their objective is to maintain a stable net asset value of \$1 per share, is rated by a nationally recognized statistical rating organization and is subject to an independent annual audit. The carrying value of the District's investments at June 30, 2005 was \$47,365,925.

Interest Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District's practice is to hold all investments to maturity.

Custodial Credit Risk - Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The District has no investments subject to custodial credit risk. The District's practice is to invest its funds only in one of the three State money market funds, all of which are required by law to maintain a AAA rating.

Credit Risk

The District has no investment policy that would limit its investment choices to those with certain credit ratings. As of June 30, 2005, PSDLAF and INVEST were rated as AAA by a nationally recognized statistical rating organization.

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, 2005 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
Construction-in-progress	-	<u>4,298,187</u>	-	<u>4,298,187</u>
Total Capital Assets Not Being Depreciated	<u>4,587,471</u>	<u>4,298,187</u>	-	<u>8,885,658</u>

GARNET VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (cont'd)

NOTE 5 CAPITAL ASSETS (cont'd)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets being depreciated:				
Land improvements	2,334,353	36,919	-	2,371,272
Buildings and improvements	99,164,446	187,718	-	99,352,164
Furniture and equipment	<u>10,589,207</u>	<u>228,322</u>	-	<u>10,817,529</u>
Total Capital Assets Being Depreciated	<u>112,088,006</u>	<u>452,959</u>	-	<u>112,540,965</u>
Less accumulated depreciation for:				
Land improvements	1,182,189	112,094	-	1,294,283
Buildings and improvements	19,405,592	2,356,615	-	21,762,207
Furniture and equipment	<u>7,256,061</u>	<u>807,581</u>	-	<u>8,063,642</u>
Total accumulated depreciation	<u>27,843,842</u>	<u>3,276,290</u>	-	<u>31,120,132</u>
Total Capital Assets Being Depreciated, Net	<u>84,244,164</u>	<u>(2,823,331)</u>	-	<u>81,420,833</u>
Governmental Activities Assets, Net	<u>\$ 88,831,635</u>	<u>\$ 1,474,856</u>	<u>\$ -</u>	<u>\$ 90,306,491</u>
Business-type Activities:				
Capital assets being depreciated:				
Furniture and equipment	<u>\$ 1,243,982</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,243,982</u>
Total Capitol Assets Being Depreciated	<u>1,243,982</u>	<u>-</u>	<u>-</u>	<u>1,243,982</u>
Less accumulated depreciation for:				
Furniture and equipment	<u>523,130</u>	<u>70,191</u>	<u>-</u>	<u>593,321</u>
Total accumulated depreciation	<u>523,130</u>	<u>70,191</u>	<u>-</u>	<u>593,321</u>
Business-type Activities, Net	<u>\$ 720,852</u>	<u>\$ 70,191</u>	<u>\$ -</u>	<u>\$ 650,661</u>

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

Governmental activities:	
Instruction	\$ 2,079,667
Instructional student support	220,305
Administrative and financial support services	348,610
Operation and maintenance of plant services	338,451
Pupil transportation	152,885
Student activities	123,552
Community Services	<u>12,820</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 3,276,290</u>
Business-type Activities - Food Service	<u>\$ 70,191</u>

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

NOTE 6 INTERNAL RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2005 is as follows:

<u>Receivable To</u>	<u>Amount</u>	<u>Payable From</u>	<u>Amount</u>
General Fund	\$ 424,830	Food Service Fund	\$ 424,830
General Fund	1,668,926	Capital Projects Fund	1,668,926
Prison Fund	<u>106,720</u>	General Fund	<u>106,720</u>
Total	<u>\$2,200,476</u>		<u>\$2,200,476</u>

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	\$ 50,768
General Fund	Capital Projects Fund	\$ 133,445
General Fund	Prison Fund	\$ 106,720

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, 2005:

	Balance			Balance	Amounts
	July 1, 2004	Additions	Deletions	June 30, 2005	Due within
					One Year
Bonds payable	\$42,166,546	\$26,560,000	\$ 1,480,000	\$ 67,246,546	\$ 855,000
Unamortized premium	-	337,535	15,343	322,192	15,343
Deferred amount on refunding	(860,057)	(909,002)	(119,371)	(1,649,688)	(119,371)
Notes payable	27,956,000	16,500,000	1,623,000	42,833,000	3,169,000
Capital leases payable	19,126,239	19,650,000	19,126,239	19,650,000	550,000
Accumulated compensated absences/early retirement incentive	<u>2,297,779</u>	<u>1,464,978</u>	<u>-</u>	<u>3,762,757</u>	<u>873,171</u>
TOTALS	<u>\$90,686,507</u>	<u>\$63,603,511</u>	<u>\$22,125,211</u>	<u>\$132,164,807</u>	<u>\$5,343,143</u>

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

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

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

*General Obligation Bonds*

Series B of 2001, maturing through February 15, 2018, bearing interest ranging from 4.8% 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 5.0%, interest payable semi-annually on April 1 and October 1. 7,550,000

Series of 2002, maturing through April 1, 2015, bearing interest ranging from 4.0% to 5.5%, interest payable semi-annually on April 1 and October 1. 13,300,000

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. 8,075,000

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. 9,115,000

Series of 2004, maturing through April 1, 2027, bearing interest ranging from 4.6% to 5.25%, interest payable semi-annually on April 1 and October 1. The Series of 2004 was issued to (i) 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 and (ii) to pay the costs of issuing and insuring the bonds. 26,560,000

*General Obligation Notes*

Series of 2002, 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. 25,726,000

2003 Equipment Note, maturing through October 7, 2007, with interest at variable rates, payable monthly. Interest rates change on a weekly basis and are determined by the Bond Market Association Index. 607,000

GARNET VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (cont'd)

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

2005 Equipment Note, maturing through February 25, 2009, 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 issued to fund the acquisition of equipment. 1,000,000

Series of 2005, maturing through June 1, 2032, 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 issued 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 and (ii) to pay the costs of issuing and insuring the bonds. 15,500,000

TOTAL \$110,079,546

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

<u>Year Ending June 30,</u>	<u>Principal Maturities</u>	<u>Interest Maturities</u>	<u>Total Maturities</u>
2006	\$ 4,024,000	\$ 4,543,190	\$ 8,567,190
2007	3,800,000	4,410,509	8,210,509
2008	3,591,000	4,264,136	7,855,136
2009	3,506,000	4,112,925	7,618,925
2010	3,367,000	3,955,719	7,322,719
2011-2015	19,081,000	17,593,981	36,674,981
2016-2020	17,462,546	17,209,618	34,672,164
2021-2025	23,718,000	9,468,560	33,186,560
2026-2030	25,050,000	3,384,752	28,434,752
2031-2032	<u>6,480,000</u>	<u>345,125</u>	<u>6,822,125</u>
	<u>\$110,079,546</u>	<u>\$ 69,285,515</u>	<u>\$179,365,061</u>

NOTE 8 CAPITAL LEASES - LESSEE

The District has entered into an appropriation-based lease with the State Public School Building Authority ("SPSBA") for financing the construction of the Bethel Springs Elementary School. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date. On April 25, 2005, the District authorized SPSBA to advance refund the Series of 2000 revenue bonds that underlie the financing for the appropriation-based lease. As a result of the refunding, the District recognized an economic gain of \$581,172 and a reduction of \$596,841 in future debt service payments.

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

NOTE 8 CAPITAL LEASES - LESSEE (cont'd)

The assets acquired through the capital leases are as follows:

Bethel Springs Elementary School	\$ 20,000,000
Less: Accumulated depreciation	<u>(1,000,000)</u>
Total	<u>\$ 19,000,000</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2005 were as follows:

Year Ending June 30,

2006	\$ 1,246,734
2007	1,225,508
2008	1,539,557
2009	1,541,957
2010	1,548,158
2011-2015	7,750,787
2016-2020	7,786,700
2021-2025	<u>7,928,355</u>
Total minimum lease payments	30,567,756
Less: Amount representing interest	<u>(10,917,756)</u>
Present value of minimum lease payments	<u>\$ 19,650,000</u>

NOTE 9 OPERATING LEASES

The District currently is obligated under operating lease agreements for various office equipment. The following is a summary of the minimum rental costs for the remaining term:

Year Ending June 30,

2006	\$ 234,384
2007	234,384
2008	116,543
2009	<u>32,634</u>
Total	<u>\$ 617,945</u>

Rental expense for the year ended June 30, 2005 was \$286,672.



GARNET VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (cont'd)

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 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, 2005, the rate of employer contribution was 4.23 percent of covered payroll. The District's contributions to PSERS for the years ended June 30, 2003, 2004 and 2005 were \$254,861, \$963,652 and \$1,165,875, 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 (DCVTSA). The DCVTSA is governed by seven members. Each member must be a citizen of a school district where the DCVTSA leases a project. The DCVTSA 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 DCVTSA 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.

GARNET VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (cont'd)

NOTE 11 JOINT VENTURES (cont'd)

The District has entered into lease agreements with the DCCCA and the DCVTSA 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.

Future Authority rental payments are:

<u>Year Ending June 30,</u>	<u>DCCCA</u>	<u>DCVTSA</u>
2006	\$ 11,065	\$ 19,761
2007	11,219	25,840
2008	11,217	25,862
2009	11,067	26,094
2010	11,244	26,061
2011-2015	49,872	77,759
2016-2018	<u>23,101</u>	<u>-</u>
Total	128,785	201,377
Less: Interest requirements	<u>27,412</u>	<u>24,677</u>
Outstanding rental payments	<u>\$ 101,373</u>	<u>\$ 176,700</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.

GARNET VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (cont'd)

NOTE 12 SPECIAL TERMINATION BENEFITS (cont'd)

As of June 30, 2005, the District had five ERIP plans in effect. The number of participants and the present value of those benefits as of June 30, 2005, including the long-term portion which has been designated in the General Fund fund balance, are summarized below:

<u>ERIP</u> <u>Began</u>	<u>Participants</u>	<u>Total</u>	<u>Annuity</u>	<u>Healthcare</u> <u>Premium</u>
July 1, 1995	1	\$ 9,149	\$ -	\$ 9,149
July 1, 1996	8	100,551	16,718	83,833
July 1, 1999	3	176,312	58,088	118,224
July 1, 2002	3	224,251	224,251	-
July 1, 2005	13	<u>1,071,344</u>	<u>1,071,344</u>	<u>-</u>
		<u>\$ 1,581,607</u>	<u>\$ 1,370,401</u>	<u>\$ 211,206</u>

During the year ended June 30, 2005, the cost of these benefits was \$278,212.

NOTE 13 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 2004-2005 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 14 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, 2005, land held for resale totaled \$329,709, with this amount offset by a reservation of fund balance in the governmental fund financial statements.

NOTE 15 COMMITMENTS AND CONTINGENCIES

Government Grants and Awards

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.

GARNET VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (cont'd)

NOTE 15 COMMITMENTS AND CONTINGENCIES (cont'd)

Litigation

Certain litigation claims are pending against the District. In the opinion of District management and legal counsel, the potential losses, if any, on such claims are not yet determinable.

Capital Improvement Commitments

As of June 30, 2005, the District was in the process of constructing additions to its middle school and high school, as well as constructing a new elementary school. Contracts awarded (including approved change orders) through June 30, 2005 are as follows:

	<u>Totals</u>	<u>Middle School Addition</u>	<u>High School Addition</u>	<u>New Concord Elem School</u>
General	\$26,007,000	\$ 2,042,100	\$ 3,702,900	\$20,262,000
HVAC	5,802,300	655,500	2,274,600	2,872,200
Electrical	3,695,021	292,500	919,375	2,483,146
Plumbing	1,304,670	141,170	164,500	999,000
Architect	<u>1,985,379</u>	<u>212,759</u>	<u>422,530</u>	<u>1,350,090</u>
Total	<u>\$38,794,370</u>	<u>\$ 3,344,029</u>	<u>\$ 7,483,905</u>	<u>\$27,966,436</u>

Completed through June 30, 2005:

General	\$ 1,393,720	\$ 1,326,508	\$ 67,212	\$ -
HVAC	573,087	239,706	333,381	-
Electrical	27,000	-	27,000	-
Plumbing	46,800	46,800	-	-
Architect	<u>1,519,301</u>	<u>152,027</u>	<u>322,613</u>	<u>1,044,661</u>
Total	<u>\$ 3,559,908</u>	<u>\$ 1,765,041</u>	<u>\$ 750,206</u>	<u>\$ 1,044,661</u>

Commitments Outstanding as of June 30, 2005:

General	\$24,613,280	\$ 715,592	\$ 3,635,688	\$20,262,000
HVAC	5,229,213	415,794	1,941,219	2,872,200
Electrical	3,668,021	292,500	892,375	2,483,146
Plumbing	1,257,870	94,370	164,500	999,000
Architect	<u>466,078</u>	<u>60,732</u>	<u>99,917</u>	<u>305,429</u>
Total	<u>\$35,234,462</u>	<u>\$ 1,578,988</u>	<u>\$ 6,733,699</u>	<u>\$26,921,775</u>

In addition, the District has incurred costs in the amount of \$738,279 related to the above construction projects that are not related to a specific contract noted above.

**SINGLE AUDIT**

Dover, Delaware  
800.355.8210  
Media, Pennsylvania  
610.565.5222

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

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

September 9, 2005

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, 2005, and have issued our report thereon dated September 9, 2005.

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 9, 2005.

Compliance and Other Matters

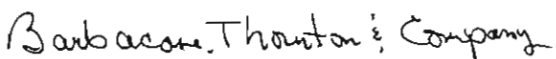
As part of obtaining reasonable assurance about whether Garnet Valley School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct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

Dover, Delaware  
800.355.8210  
Media, Pennsylvania  
610.565.5222

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

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

September 9, 2005

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, 2005. 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, 2005.

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*  
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, 2005

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 6/30/04	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED (DEFERRED) REVENUE AT 6/30/05
<b>US Department of Education</b>										
Passed Through the Pennsylvania Department of Education:										
Title I	I	84.010	013-04-0161	07/01/03-09/30/04	\$101,793	\$ 6,831	\$ 6,831	\$ -	\$ -	\$ -
Title I	I	84.010	013-05-0161	07/01/04-09/30/05	93,442	87,213	-	92,657	92,657	5,444
Title V	I	84.298	011-04-0161	07/01/03-09/30/04	14,216	2,843	2,843	-	-	-
Title V	I	84.298	011-05-0161	07/01/04-09/30/05	10,848	7,232	-	7,422	7,422	190
Title II-Improving Teacher Quality	I	84.367	020-04-0161	07/01/03-09/30/04	67,716	18,058	-	-	-	-
Title II-Improving Teacher Quality	I	84.367	020-05-0161	07/01/04-09/30/05	66,165	57,343	-	60,297	60,297	2,954
Title II-Education Technology	I	84.318	055-05-0161	07/01/04-09/30/05	2,206	1,029	-	2,206	2,206	1,177
Drug-Free Schools	I	84.186	100-04-0161	07/01/03-09/30/04	10,333	8,119	8,119	-	-	-
Drug-Free Schools	I	84.186	100-05-0161	07/01/04-09/30/05	11,223	10,475	-	8,910	8,910	(1,565)
Academic Achievement	I	84.010	077-05-0161	07/01/04-09/30/05	1,998	-	-	-	-	-
Passed Through the Delaware County Intermediate Unit										
I.D.E.A.	I	84.027	062-04-0025	07/01/03-06/30/04	506,217	506,217	506,217	-	-	-
I.D.E.A.	I	84.027	062-05-0025	07/01/04-06/30/05	649,528	-	-	649,528	649,528	649,528
Total US Department of Education										
						705,360	542,068	821,020	821,020	657,728
<b>US Department of Agriculture</b>										
Passed Through the Pennsylvania Department of Agriculture										
Value of USDA Doanted Commodities	I	10.550	N/A	N/A	N/A	36,333 a)	(17,209) b)	29,999	29,999 c)	(23,543) d)
Passed Through the Pennsylvania Department of Education										
National School Lunch Program	I	10.555	N/A	07/01/03-06/30/04	N/A	11,811	11,811	-	-	-
National School Lunch Program	I	10.555	N/A	07/01/04-06/30/05	N/A	84,608	-	89,286	89,286	4,678
Breakfast Program	I	10.553	N/A	07/01/03-06/30/04	N/A	342	342	-	-	-
Breakfast Program	I	10.553	N/A	07/01/04-06/30/05	N/A	2,282	-	2,406	2,406	124
State Matching Share	S	N/A	N/A	07/01/03-06/30/04	N/A	4,040	4,040	-	-	-
State Matching Share	S	N/A	N/A	07/01/04-06/30/05	N/A	30,176	-	31,889	31,889	1,713
Total US Department of Agriculture										
						169,592	(1,016)	153,580	153,580	(17,028)
TOTAL FEDERAL AWARDS AND STATE GRANTS										
						\$874,952	\$541,052	\$974,600	\$974,600	\$640,700

<b>Source Codes:</b>	<b>Test of 25% rule:</b>	<b>Major Program Tested:</b>
I = Indirect Funding	Total Expenditures	I.D.E.A.
S = State Funding	Less State Share	\$ 974,600
	Total Federal Expenditures	(31,889)
		\$ 942,711
	Total Programs Tested	\$ 649,528
	Total Federal Expenditures	\$ 942,711
		= 68.90%

**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 2004-2005 fiscal year.