



Dave Yost • Auditor of State

**GRAND VALLEY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Grand Valley Local School District
Ashtabula County
111 Grand Valley Avenue West, Suite A
Orwell, Ohio 44076

To The Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Grand Valley Local School District, Ashtabula County (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Grand Valley Local School District, Ashtabula County, Ohio, as of June 30, 2011, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2011, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards expenditure schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The federal awards expenditure schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

December 13, 2011

Grand Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

The management's discussion and analysis of Grand Valley Local School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key Financial Highlights for fiscal year 2011 are as follows:

- The School District actively pursues grants and controls expenses while still maintaining the high academic standards the residents expect of the School District.
- The School District is committed to meeting the academic needs of our students by providing them with updated instructional materials to compete in a global environment.
- The School District had a small increase in enrollment from fiscal year 2010 to fiscal year 2011. There was an increase of 42 students in fiscal year 2011.

Using this Annual Financial Report (AFR)

This annual report consists of a series of financial statements and notes pertaining to those statements. These statements are organized so the reader can understand Grand Valley Local School District as a financial whole, or complete operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate and longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements explain how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. In the case of Grand Valley Local School District, the general, bond retirement debt service, permanent improvement capital projects and the classroom facilities capital projects funds are the most significant funds.

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains all the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the question, "How did we do financially during 2011?" The *Statement of Net Assets* and the *Statement of Activities* answers this question. These statements include all assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's performance, demographic and socioeconomic factors and willingness of the community to support the School District.

Grand Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

In the Statement of Net Assets and the Statement of Activities, all of the School District's activities are classified as governmental. All of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, operation of food service and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 9. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund, bond retirement debt service fund, permanent improvement capital projects fund and the classroom facilities capital projects fund.

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

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The School District's fiduciary funds are private purpose trust and agency which accounts for college scholarships and student activities, respectively.

The School District as a Whole

You may recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a comparison of the School District's Net Assets for 2011 compared to 2010:

Table 1
 Net Assets
 Governmental Activities

	2011	2010	Change
Assets			
Current and Other Assets	\$15,125,286	\$15,878,993	(\$753,707)
Capital Assets	28,456,795	29,598,493	(1,141,698)
Total Assets	\$43,582,081	\$45,477,486	(\$1,895,405)

Grand Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Table 1
 Net Assets (continued)
 Governmental Activities

	<u>2011</u>	<u>2010</u>	<u>Change</u>
Liabilities			
Current Liabilities	\$4,295,303	\$4,776,149	\$480,846
Long-Term Liabilities			
Due within One Year	699,008	620,618	(78,390)
Due in More than One Year	<u>10,823,411</u>	<u>11,483,232</u>	<u>659,821</u>
<i>Total Liabilities</i>	<u>15,817,722</u>	<u>16,879,999</u>	<u>1,062,277</u>
Net Assets			
Invested in Capital Assets			
Net of Related Debt	17,528,795	18,124,493	(595,698)
Restricted for:			
Capital Projects	5,714,806	5,911,094	(196,288)
Debt Service	2,786,317	2,785,601	716
Other Purposes	525,006	508,185	16,821
Unrestricted	<u>1,209,435</u>	<u>1,268,114</u>	<u>(58,679)</u>
<i>Total Net Assets</i>	<u>\$27,764,359</u>	<u>\$28,597,487</u>	<u>(\$833,128)</u>

Current assets decreased as the result of several factors. Cash and cash equivalents decreased from a reduction in intergovernmental and property tax revenue combined with an increase in expenses that lead to an overall decrease in cash. Also, there were reductions to both the property taxes and accrued interest receivables that can be directly attributed to the poor economy. The decrease in capital assets was due to an additional year of depreciation.

Total liabilities decreased during fiscal year 2011 which can be attributed to annual payments on the School District's general obligation bonds and decreases to intergovernmental and contracts payable. The decrease in intergovernmental payable is attributed to the School District making their full payment on worker's compensation in fiscal year 2011. The decrease in contracts payable is from small projects being completed.

Table 2 shows the changes in net assets for fiscal year 2011 compared to 2010.

Table 2
 Change in Net Assets
 Governmental Activities

	<u>2011</u>	<u>2010</u>	<u>Change</u>
Revenues			
<i>Program Revenues:</i>			
Charges for Services and Sales	\$968,555	\$973,374	(\$4,819)
Operating Grants, Contributions and Interest	<u>1,533,538</u>	<u>968,590</u>	<u>564,948</u>
Total Program Revenues	<u>2,502,093</u>	<u>1,941,964</u>	<u>560,129</u>

Grand Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

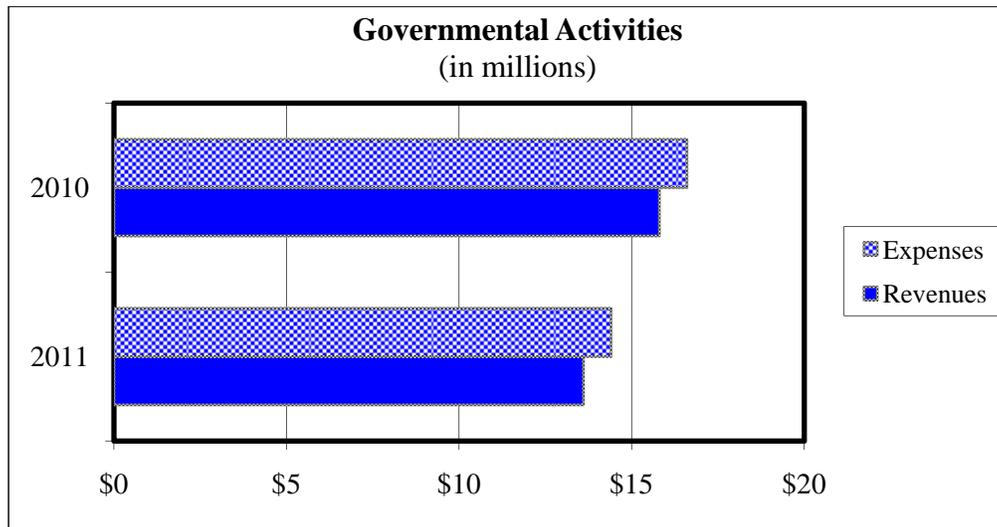
Table 2
Change in Net Assets (continued)
Governmental Activities

	2011	2010	Change
Revenues (continued)			
<i>General Revenues:</i>			
Property Taxes	\$4,233,227	\$4,680,312	(\$447,085)
Grants and Entitlements not Restricted to Specific Programs	6,719,704	8,974,766	(2,255,062)
Investment Earnings	45,089	96,452	(51,363)
Miscellaneous	95,922	117,915	(21,993)
Total General Revenues	11,093,942	13,869,445	(2,775,503)
Total Revenues	13,596,035	15,811,409	(2,215,374)
Program Expenses			
<i>Instruction:</i>			
Regular	7,023,590	7,022,936	(654)
Special	777,469	898,596	121,127
Vocational	182,518	181,910	(608)
Student Intervention Services	75,432	61,830	(13,602)
<i>Support Services:</i>			
Pupil	447,953	457,973	10,020
Instructional Staff	316,139	497,178	181,039
Board of Education	17,014	18,284	1,270
Administration	1,233,626	1,314,500	80,874
Fiscal	327,037	329,287	2,250
Business	23,575	21,979	(1,596)
Operation and Maintenance of Plant	1,186,450	2,837,139	1,650,689
Pupil Transportation	1,276,179	1,314,325	38,146
Central	17,916	16,446	(1,470)
Operation of Food Services	561,891	560,602	(1,289)
Extracurricular Activities	423,445	488,372	64,927
Interest and Fiscal Charges	538,929	561,318	22,389
Total Program Expenses	14,429,163	16,582,675	2,153,512
Decrease in Net Assets	(833,128)	(771,266)	(61,862)
Net Assets Beginning of Year	28,597,487	29,368,753	(771,266)
Net Assets End of Year	\$27,764,359	\$28,597,487	(\$833,128)

Graph 1
Revenues and Expenses
(In Millions)

	2011	2010
Revenues	\$13.6	\$15.8
Expenses	14.4	16.6

Grand Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited



Governmental Activities

The School District has carefully planned its financial existence by forecasting its revenue and expenses over the next five years.

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a voted levy does not increase solely as a result of inflation. It increases as a result of new construction or collection from a new voted levy. Although school districts experience inflationary growth in expenses, tax revenue does not keep pace with the increased expenses due to House Bill 920. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay less than \$35.00 and the School District would collect the same dollar value the levy generated in the year it passed. The 10 percent rollback on all residential/agricultural property and the 2.5 percent rollback on all owner occupied homes would reduce the amount of taxes paid. Thus School District's dependence upon property taxes is hampered by a lack of revenue growth so it must regularly return to the voters to maintain a constant level of service. Property taxes made up 31.14 percent of revenues for governmental activities for Grand Valley Local School District in fiscal year 2011.

Although the School District relies upon local property taxes to support its operations, a large share of general fund revenue is received from the State of Ohio through the State Foundation Formula. The School District also actively solicits and receives additional grant and entitlement funds to help offset operating costs. There was a significant decrease in grants and entitlement revenue from Federal awards concluding. The School District actively seeks out additional revenue sources to help subsidize school programs.

Operations and maintenance expenses decreased due to the result of a pass through payment made in the classroom facilities fund to cover construction costs in the prior fiscal year. Instructional staff expenses decreased as a result of cost cutting measures. The School District continues to show vigilance in monitoring all facets of spending.

Grand Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services for 2011 compared to 2010.

Table 3
 Total and Net Cost of Program Services
 Governmental Activities

	2011		2010	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction:				
Regular	\$7,023,590	\$5,799,951	\$7,022,936	\$6,289,562
Special	777,469	290,261	898,596	455,617
Vocational	182,518	182,518	181,910	181,910
Student Intervention Services	75,432	43,137	61,830	61,830
Support Services:				
Pupil	447,953	445,989	457,973	457,973
Instructional Staff	316,139	309,314	497,178	482,660
Board of Education	17,014	17,014	18,284	18,284
Administration	1,233,626	1,228,626	1,314,500	1,307,641
Fiscal	327,037	327,037	329,287	329,287
Business	23,575	23,575	21,979	21,979
Operation and Maintenance of Plant	1,186,450	1,137,842	2,837,139	2,775,400
Pupil Transportation	1,276,179	1,276,179	1,314,325	1,314,325
Central	17,916	17,916	16,446	16,446
Operation of Food Services	561,891	(21,882)	560,602	(33,231)
Extracurricular Activities	423,445	310,664	488,372	399,710
Interest and Fiscal Charges	538,929	538,929	561,318	561,318
Total	\$14,429,163	\$11,927,070	\$16,582,675	\$14,640,711

The School District's Funds

Information about the School District's major funds starts on page 14. These funds are accounted for using the modified accrual basis of accounting. The general fund had a slight decrease in expenditures from the prior year as a result of cost cutting measures. The general fund revenues also decreased from the previous fiscal year due to lower interest rates as a result of the economy and from a drop in grants received from the conclusion of federal awards. The bond retirement fund revenues decreased due to less property tax revenues compared to the prior fiscal year. The permanent improvement capital projects fund's negative net change in fund balance was less than the prior year due to increases in property tax revenues as well as decreases in maintenance costs. The classroom facilities capital projects fund had the most significant drop in revenue and expenditures compared to the prior fiscal year. In the prior fiscal year, the classroom facilities capital projects fund received a pass through payment to cover construction costs the School District did not have in the current year. The School District continues to look for grants to help offset the operating expenditures of the School District and to better provide services to our students.

Grand Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

General Fund Budgeting Highlights

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

During the course of fiscal 2011, the School District amended its general fund budget several times. For the general fund, the actual revenue was slightly higher than the final budget basis revenue estimates due to conservative estimates in intergovernmental revenues, tuition and fees and extracurricular activities. The School District's actual expenditures were well within the final budgeted appropriations due to the School District's continuous effort in monitoring expenditures.

The School District uses a site-based budgeting system designed to tightly control total site budgets but provide flexibility for site management. Building principals are given a per pupil allocation for textbook, instructional materials and equipment. HB 412 requires the School District to set aside three percent of certain general fund revenues for the purchase of textbooks and materials related to instruction which site-based budgets help to meet.

Capital Assets and Debt Administration

Capital Assets

Table 4 shows fiscal year 2011 balances compared to fiscal year 2010:

Table 4
 Capital Assets at June 30
 Net of Depreciation
 Governmental Activities

	2011	2010	Change
Land	\$845,993	\$845,993	\$0
Construction in Progress	0	14,629	(14,629)
Land Improvements	2,359,589	2,520,317	(160,728)
Buildings and Improvements	24,531,166	25,496,604	(965,438)
Furniture and Fixtures	332,972	316,758	16,214
Vehicles	330,032	313,568	16,464
Textbooks	57,043	90,624	(33,581)
Total	\$28,456,795	\$29,598,493	(\$1,141,698)

The decrease in capital assets was the result of annual depreciation on all capital assets other than land. This decrease was offset by the purchase of additional capital assets which included a school bus and two smaller transportation vehicles. See Note 11 to the Basic Financial Statements for additional capital asset information.

Grand Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Debt

Table 5 summarizes the bonds outstanding.

Table 5
 Outstanding Debt at Fiscal Year End
 Governmental Activities

	2011	2010	Change
2002 Classroom Improvement Bonds	\$9,725,000	\$10,210,000	(\$485,000)
2006 Capital Lease	1,203,000	1,264,000	(61,000)
<i>Total</i>	\$10,928,000	\$11,474,000	(\$546,000)

The School District has bonded debt issued for the construction of the new school facility. The football stadium/track complex was financed via a lease purchase agreement via the OASBO Expanded Asset Pool Financing Program. See Note 15 to the Basic Financial Statements for additional debt information.

Challenges and Opportunities

Grand Valley Local School District has continued to maintain the highest standards of service to our students, parents and community. The School District is always presented with challenges and opportunities. The Board of Education and administration closely monitor its revenues and expenditures. Recent national events and their impact on the Grand Valley Local School District and the surrounding area are very much under review and analysis. While the economic recession has had an impact on our industries, three of our local industries, which include Kraftmaid, Kennemetal and Welded Tubes, have remained strong. We are a diversified community with many residents working outside our School District in varying types of employment.

The School District is not without its share of challenges. The need for additional funds for operating is seen as the newest challenge for the School District. With the bulk of funding, 61 percent for the Grand Valley Local Schools, coming from the State of Ohio and a stagnant State budget, maintaining the delicate balance of increasing costs with unfunded mandates and flat revenues is becoming more challenging. And finally, actions of local and State governments continue to impact the School District.

Grand Valley Local School District has committed itself to financial reporting excellence for many years and to continuous improvement in financial reporting to our community.

As a result of the challenges mentioned, it is imperative the School District's management continue to carefully and prudently plan in order to provide the resources required to meet student needs over the next several years.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Lisa Moodt, Treasurer, Grand Valley Local Schools, 111 Grand Valley Avenue West, Suite A, Orwell, OH 44076 email at lisa.moodt@neomin.org.

Grand Valley Local School District

Statement of Net Assets

June 30, 2011

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$9,753,308
Accounts Receivable	1,225
Accrued Interest Receivable	6,192
Intergovernmental Receivable	123,198
Inventory Held for Resale	24,497
Materials and Supplies Inventory	61,734
Property Taxes Receivable	5,155,132
Nondepreciable Capital Assets	845,993
Depreciable Capital Assets, Net	<u>27,610,802</u>
<i>Total Assets</i>	<u>43,582,081</u>
Liabilities	
Accounts Payable	39,639
Accrued Wages and Benefits	1,021,627
Intergovernmental Payable	280,816
Matured Compensated Absences Payable	130,008
Deferred Revenue	2,718,246
Accrued Interest Payable	39,348
Vacation Benefits Payable	65,619
Long-Term Liabilities:	
Due Within One Year	699,008
Due In More Than One Year	<u>10,823,411</u>
<i>Total Liabilities</i>	<u>15,817,722</u>
Net Assets	
Invested in Capital Assets, net of Related Debt	17,528,795
Restricted for:	
Capital Projects	5,714,806
Debt Service	2,786,317
Other Purposes	525,006
Unrestricted	<u>1,209,435</u>
<i>Total Net Assets</i>	<u><u>\$27,764,359</u></u>

See accompanying notes to the basic financial statements

Grand Valley Local School District

Statement of Activities

For the Fiscal Year Ended June 30, 2011

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$7,023,590	\$640,548	\$583,091	(\$5,799,951)
Special	777,469	0	487,208	(290,261)
Vocational	182,518	0	0	(182,518)
Student Intervention Services	75,432	0	32,295	(43,137)
Support Services:				
Pupil	447,953	0	1,964	(445,989)
Instructional Staff	316,139	0	6,825	(309,314)
Board of Education	17,014	0	0	(17,014)
Administration	1,233,626	0	5,000	(1,228,626)
Fiscal	327,037	0	0	(327,037)
Business	23,575	0	0	(23,575)
Operation and Maintenance of Plant	1,186,450	18,457	30,151	(1,137,842)
Pupil Transportation	1,276,179	0	0	(1,276,179)
Central	17,916	0	0	(17,916)
Operation of Food Services	561,891	196,769	387,004	21,882
Extracurricular Activities	423,445	112,781	0	(310,664)
Interest and Fiscal Charges	538,929	0	0	(538,929)
<i>Totals</i>	<u>\$14,429,163</u>	<u>\$968,555</u>	<u>\$1,533,538</u>	<u>(11,927,070)</u>

General Revenues

Property Taxes Levied for:

General Purposes	3,282,953
Debt Service	786,450
Capital Outlay	108,705
Classroom Facilities Maintenance	55,119

Grants and Entitlements not Restricted
to Specific Programs

Investment Earnings	45,089
Miscellaneous	95,922

Total General Revenues 11,093,942

Change in Net Assets (833,128)

Net Assets Beginning of Year 28,597,487

Net Assets End of Year \$27,764,359

See accompanying notes to the basic financial statements

Grand Valley Local School District

*Balance Sheet
Governmental Funds
June 30, 2011*

	General	Bond Retirement	Permanent Improvement	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$1,165,837	\$2,346,191	\$1,379,835	\$4,279,754	\$581,691	\$9,753,308
Accounts Receivable	0	0	0	0	1,225	1,225
Accrued Interest Receivable	6,192	0	0	0	0	6,192
Intergovernmental Receivable	22,281	0	0	0	100,917	123,198
Interfund Receivable	10,700	0	0	0	0	10,700
Inventory Held for Resale	0	0	0	0	24,497	24,497
Materials and Supplies Inventory	60,372	0	0	0	1,362	61,734
Property Taxes Receivable	3,941,903	1,017,271	129,374	0	66,584	5,155,132
<i>Total Assets</i>	<u>\$5,207,285</u>	<u>\$3,363,462</u>	<u>\$1,509,209</u>	<u>\$4,279,754</u>	<u>\$776,276</u>	<u>\$15,135,986</u>
Liabilities and Fund Balances						
Liabilities						
Accounts Payable	\$29,471	\$0	\$5,999	\$0	\$4,169	\$39,639
Accrued Wages and Benefits	879,091	0	0	0	142,536	1,021,627
Interfund Payable	0	0	0	0	10,700	10,700
Matured Compensated Absences Payable	127,285	0	0	0	2,723	130,008
Intergovernmental Payable	257,377	0	0	0	23,439	280,816
Deferred Revenue	2,563,791	661,009	83,253	0	59,122	3,367,175
<i>Total Liabilities</i>	<u>3,857,015</u>	<u>661,009</u>	<u>89,252</u>	<u>0</u>	<u>242,689</u>	<u>4,849,965</u>
Fund Balances						
Nonspendable	60,372	0	0	0	25,859	86,231
Restricted	0	2,702,453	1,419,957	4,279,754	508,579	8,910,743
Committed	37,074	0	0	0	0	37,074
Assigned	121,499	0	0	0	0	121,499
Unassigned (Deficit)	1,131,325	0	0	0	(851)	1,130,474
<i>Total Fund Balances</i>	<u>1,350,270</u>	<u>2,702,453</u>	<u>1,419,957</u>	<u>4,279,754</u>	<u>533,587</u>	<u>10,286,021</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$5,207,285</u>	<u>\$3,363,462</u>	<u>\$1,509,209</u>	<u>\$4,279,754</u>	<u>\$776,276</u>	<u>\$15,135,986</u>

See accompanying notes to the basic financial statements

Grand Valley Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2011*

Total Governmental Fund Balances	\$10,286,021
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	28,456,795
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	
Property Taxes	614,142
Intergovernmental	<u>34,787</u>
Total	648,929
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(39,348)
Vacation Benefits payable is not expected to be paid with expendable available financial resources and therefore is not reported in the funds.	(65,619)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
General Obligation Bonds	(9,725,000)
Capital Leases Payable	(1,203,000)
Compensated Absences	<u>(594,419)</u>
Total	<u>(11,522,419)</u>
<i>Net Assets of Governmental Activities</i>	<u><u>\$27,764,359</u></u>

See accompanying notes to the basic financial statements

Grand Valley Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2011

	General	Bond Retirement	Permanent Improvement	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Revenues						
Property Taxes	\$3,340,050	\$854,818	\$110,579	\$0	\$56,128	\$4,361,575
Intergovernmental	6,471,091	208,469	40,144	0	1,524,679	8,244,383
Interest	26,608	0	0	17,480	1,541	45,629
Tuition and Fees	640,548	0	0	0	0	640,548
Extracurricular Activities	50,739	0	0	0	62,042	112,781
Charges for Services	0	0	0	0	196,769	196,769
Rentals	18,457	0	0	0	0	18,457
Contributions and Donations	0	0	0	0	3,409	3,409
Miscellaneous	94,016	0	0	0	1,906	95,922
<i>Total Revenues</i>	<u>10,641,509</u>	<u>1,063,287</u>	<u>150,723</u>	<u>17,480</u>	<u>1,846,474</u>	<u>13,719,473</u>
Expenditures						
Current:						
Instruction:						
Regular	5,381,313	0	0	0	540,928	5,922,241
Special	549,084	0	0	0	237,406	786,490
Vocational	182,692	0	0	0	0	182,692
Student Intervention Services	0	0	0	0	75,432	75,432
Support Services:						
Pupil	444,794	0	0	0	3,918	448,712
Instructional Staff	178,025	0	0	0	119,836	297,861
Board of Education	17,014	0	0	0	0	17,014
Administration	1,175,528	2,230	0	0	72,113	1,249,871
Fiscal	298,094	26,314	2,903	0	1,483	328,794
Business	23,575	0	0	0	0	23,575
Operation and Maintenance of Plant	1,054,484	0	0	0	121,628	1,176,112
Pupil Transportation	1,072,235	0	88,952	0	29,847	1,191,034
Central	2,526	0	0	0	15,390	17,916
Operation of Food Services	0	0	0	0	557,654	557,654
Extracurricular Activities	302,581	0	0	0	66,980	369,561
Capital Outlay	0	0	141,776	9,716	0	151,492
Debt Service:						
Principal Retirement	0	485,000	61,000	0	0	546,000
Interest and Fiscal Charges	0	482,356	58,270	0	0	540,626
<i>Total Expenditures</i>	<u>10,681,945</u>	<u>995,900</u>	<u>352,901</u>	<u>9,716</u>	<u>1,842,615</u>	<u>13,883,077</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(40,436)</u>	<u>67,387</u>	<u>(202,178)</u>	<u>7,764</u>	<u>3,859</u>	<u>(163,604)</u>
Other Financing Sources (Uses)						
Transfers In	0	0	0	0	10,000	10,000
Transfers Out	(10,000)	0	0	0	0	(10,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(10,000)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>10,000</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	<u>(50,436)</u>	<u>67,387</u>	<u>(202,178)</u>	<u>7,764</u>	<u>13,859</u>	<u>(163,604)</u>
<i>Fund Balances Beginning of Year</i>	<u>1,400,706</u>	<u>2,635,066</u>	<u>1,622,135</u>	<u>4,271,990</u>	<u>519,728</u>	<u>10,449,625</u>
<i>Fund Balances End of Year</i>	<u>\$1,350,270</u>	<u>\$2,702,453</u>	<u>\$1,419,957</u>	<u>\$4,279,754</u>	<u>\$533,587</u>	<u>\$10,286,021</u>

See accompanying notes to the basic financial statements

Grand Valley Local School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2011*

Net Change in Fund Balances - Total Governmental Funds (\$163,604)

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

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

Capital Outlay	147,103	
Current Year Depreciation	(1,288,801)	
Total		(1,141,698)

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

Property Taxes	(128,348)	
Intergovernmental	4,910	
State Employee Retirement System Refund of Expenditure	20,150	
Total		(103,288)

Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 546,000

Accrued interest is reported in the statement of activities and does not require the use of current financial resources and therefore is not reported as an expenditure in the governmental funds. 1,697

Some expenses reported in the statement of activities, such as compensated absences and vacation benefits, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences	35,431	
Vacation Benefits Payable	(7,666)	
Total		27,765

Change in Net Assets of Governmental Activities (\$833,128)

See accompanying notes to the basic financial statements

Grand Valley Local School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$3,462,970	\$3,735,676	\$3,279,023	(\$456,653)
Intergovernmental	6,783,659	6,040,116	6,489,813	449,697
Interest	63,359	59,325	26,148	(33,177)
Tuition and Fees	667,700	611,503	643,466	31,963
Extracurricular Activities	7,144	40,862	50,797	9,935
Rentals	23,144	20,553	18,457	(2,096)
Miscellaneous	106,087	91,648	94,116	2,468
<i>Total Revenues</i>	11,114,063	10,599,683	10,601,820	2,137
Expenditures				
Current:				
Instruction:				
Regular	5,556,341	5,607,510	5,454,422	153,088
Special	653,827	663,942	566,412	97,530
Vocational	184,879	185,594	184,206	1,388
Support Services:				
Pupil	531,009	520,489	446,302	74,187
Instructional Staff	242,108	216,053	183,011	33,042
Board of Education	19,153	24,153	22,056	2,097
Administration	1,274,751	1,233,232	1,187,848	45,384
Fiscal	300,277	306,877	298,209	8,668
Business	29,350	31,350	29,313	2,037
Operation and Maintenance of Plant	1,156,582	1,194,582	1,159,635	34,947
Pupil Transportation	1,155,404	1,136,134	1,086,261	49,873
Central	3,704	3,704	2,526	1,178
Extracurricular Activities	306,883	381,805	312,720	69,085
<i>Total Expenditures</i>	11,414,268	11,505,425	10,932,921	572,504
<i>Excess of Revenues Under Expenditures</i>	(300,205)	(905,742)	(331,101)	574,641
Other Financing Uses				
Advances Out	0	(10,700)	(10,700)	0
Transfers Out	(10,000)	(10,000)	(10,000)	0
<i>Total Other Financing Uses</i>	(10,000)	(20,700)	(20,700)	0
<i>Net Change in Fund Balance</i>	(310,205)	(926,442)	(351,801)	574,641
<i>Fund Balance Beginning of Year</i>	1,203,976	1,203,976	1,203,976	0
Prior Year Encumbrances Appropriated	198,068	198,068	198,068	0
<i>Fund Balance End of Year</i>	\$1,091,839	\$475,602	\$1,050,243	\$574,641

See accompanying notes to the basic financial statements

Grand Valley Local School District

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2011

	Private Purpose Trust	
	<u>Scholarships</u>	<u>Agency</u>
Assets		
Equity in Pooled Cash and Cash Equivalents	\$11,497	<u>\$41,825</u>
Liabilities		
Due to Students	<u>0</u>	<u>\$41,825</u>
Net Assets		
Held in Trust for College Scholarships	<u>\$11,497</u>	

See accompanying notes to the basic financial statements

Grand Valley Local School District
Statement of Changes in Fiduciary Net Assets
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2011

	<u>Scholarships</u>
Additions	
Interest	\$167
Deductions	
	<u>0</u>
<i>Change in Net Assets</i>	167
<i>Net Assets Beginning of Year</i>	<u>11,330</u>
<i>Net Assets End of Year</i>	<u><u>\$11,497</u></u>

See accompanying notes to the basic financial statements

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Grand Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 1 - Description of the School District and Reporting Entity

Grand Valley Local School District (the School District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The School District operates under a locally elected five member Board form of government and provides educational services as mandated by State and federal agencies. The Board of Education controls the School District's 3 instructional/support facilities staffed by 47 classified employees and 87 certified employees who provide services to 1,431 students and other community members.

Reporting Entity

A reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. For the School District, this includes the agencies and departments that provide the following services: general operations, food service and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes. The School District has no component units.

The School District is associated with two jointly governed organizations, one insurance purchasing pool, two risk sharing pools and one related organization. These organizations are the Northeast Ohio Management Information Network, Ashtabula County Joint Vocational School District, Ohio Association of School Business Officials Workers' Compensation Group Rating Program, Ashtabula County Schools Council of Governments, Schools of Ohio Risk Sharing Authority and the Grand Valley Public Library Association. These organizations are presented in Notes 18, 20 and 22 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

Grand Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type. The School District, however, has no business-type activities.

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Fund Accounting

The School District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The various funds of the School District are grouped into the categories governmental and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the School District's major governmental funds:

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

Grand Valley Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

Bond Retirement Fund The bond retirement fund accounts for property tax revenues restricted for payment of principal and interest and fiscal charges on general obligation debt.

Permanent Improvement Fund The permanent improvement fund accounts for property tax revenues restricted for the acquisition, construction, or improvement of School District facilities and the purchase of other capital assets.

Classroom Facilities Fund This fund accounts for property tax revenues, grants and interest restricted for contracts entered into by the School District and the Ohio Schools Facilities Commission for the building and equipping of classroom facilities.

The other governmental funds of the School District account for grants and other resources whose use is restricted, committed or assigned to a particular purpose.

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

Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets.

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (e.g., revenues and other financing sources) and uses (e.g., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The private purpose trust fund is accounted for on a flow of economic resources measurement focus.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and the statements presented for the fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Grand Valley Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year in which the taxes are levied (See Note 8). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

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

Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

During fiscal year 2011, investments were limited to nonnegotiable certificates of deposits, federal agency securities and STAR Ohio. Non-negotiable certificates of deposit are reported at cost. Investments are reported at fair value which, is based on quoted market price or current share.

Grand Valley Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

STAR Ohio is an investment pool managed by the State Treasurer’s Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio’s share price, which is the price the investment could be sold for on June 30, 2011.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2011 amounted to \$26,608 which includes \$21,154 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents.

Inventory

Inventories are presented at cost on a first-in, first-out basis and are expensed/expensed when used. Inventories consist of donated food, purchased food and school supplies held for resale, and materials and supplies held for consumption.

Capital Assets

The School District’s only capital assets are general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of assets by backtrending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land Improvements	20 years
Buildings and Improvements	20-50 years
Furniture and Fixtures	5-20 years
Vehicles	8 years
Textbooks	6 years

Grand Valley Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for all employees after ten years of service.

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

On the governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employee who has accumulated unpaid leave is paid.

Accrued Liabilities and Long-term Obligations

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

In general, governmental fund payables and accrued liabilities that once incurred, are paid in a timely manner and in full from current financial resources, and are reported as obligations of the funds. However, claims and judgments, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds and capital leases are recognized as a liability on the fund financial statements when due.

Interfund Activity

Transfers between governmental activities are eliminated on the government-wide financial statements. Internal events that are allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Interfund payments for services provided and used are not eliminated.

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

Grand Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Net Assets

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

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

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the School is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The School District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Grand Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence.

Estimates

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

Budgetary Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. Budgetary modifications at this level require a resolution of the Board of Education. Budgetary allocations at the function and object level are made by the District Treasurer.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original and final budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original and final appropriations were adopted.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

Note 3 – Change in Accounting Principles and Restatement of Fund Balance

Changes in Accounting Principles

For fiscal year 2011, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 59, "Financial Instruments Omnibus". GASB Statement No. 59 addresses significant practice issues that have arisen when accounting for financial instruments by updating and improving existing standards regarding financial reporting of certain financial instruments and external investment pools. The implementation of this statement did not result in any change in the School District's financial statements.

Grand Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 4 - Accountability

At June 30, 2011, there was a deficit in the title I special revenue fund in the amount of \$851. The deficit balance resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in this fund and provides transfers when cash is required, not when accruals occur.

Note 5 - Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Bond Retirement	Permanent Improvement	Classroom Facilities	Other Governmental Funds	Total
<i>Nonspendable</i>						
Inventory	\$60,372	\$0	\$0	\$0	\$25,859	\$86,231
<i>Restricted for</i>						
Food Service Operations	0	0	0	0	159,586	159,586
Scholarship Awards	0	0	0	0	64,186	64,186
Classroom Maintenance	0	0	0	0	213,358	213,358
Athletics	0	0	0	0	26,362	26,362
Regular Instruction	0	0	0	0	45,087	45,087
Debt Service Payments	0	2,702,453	0	0	0	2,702,453
Capital Improvements	0	0	1,419,957	4,279,754	0	5,699,711
<i>Total Restricted</i>	<u>0</u>	<u>2,702,453</u>	<u>1,419,957</u>	<u>4,279,754</u>	<u>508,579</u>	<u>8,910,743</u>
<i>Committed to</i>						
Other Purposes	37,074	0	0	0	0	37,074
<i>Assigned to</i>						
Other Purposes	121,499	0	0	0	0	121,499
<i>Unassigned (Deficit)</i>	<u>1,131,325</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(851)</u>	<u>1,130,474</u>
<i>Total Fund Balances</i>	<u><u>\$1,350,270</u></u>	<u><u>\$2,702,453</u></u>	<u><u>\$1,419,957</u></u>	<u><u>\$4,279,754</u></u>	<u><u>\$533,587</u></u>	<u><u>\$10,286,021</u></u>

Note 6 - Budgetary Basis of Accounting

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).

Grand Valley Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as restricted, committed or assigned fund balance (GAAP).
4. Investments reported at cost (budget) rather than at fair value (GAAP).
5. Advances-Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP.)

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Net Change in Fund Balance	
GAAP Basis	(\$50,436)
Net Adjustment for Revenue Accruals	(39,425)
Beginning Fair Value Adjustment for Investments	394
Ending Fair Value Adjustment for Investments	(658)
Net Adjustment for Expenditure Accruals	(136,040)
Advances Out	(10,700)
Encumbrances	(114,936)
Budget Basis	<u><u>(\$351,801)</u></u>

Note 7 - Deposits and Investments

Monies held by the School District are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the School District treasury. Active monies must be maintained either as cash in the School District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

Interim monies held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

Grand Valley Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$2,678,958 of the School District's bank balance of \$9,459,434 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of June 30, 2011, the School District had the following investments. All investments are in an internal investment pool.

Grand Valley Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

	<u>Fair Value</u>	<u>Maturity</u>	<u>Standard & Poor's</u>	<u>Percent of Total Investments</u>
Federal Home Loan Bank Bonds	\$50,029	Less than Two years	AAA	13.32%
Federal Home Loan Bank Bonds	50,057	Less than Three years	AAA	13.33%
Federal Home Loan Mortgage Corporation Notes	50,036	Less than Two years	AAA	13.33%
Federal Home Loan Mortgage Corporation Notes	100,200	Less than Three years	AAA	26.69%
Federal Farm Credit Bank Bonds	50,003	Less than Two years	AA+	13.32%
Federal National Mortgage Association Notes	50,060	Less than Two years	AAA	13.33%
STAR Ohio	25,101	Average 58.3 Days	N/A	N/A
<i>Totals</i>	<u>\$375,486</u>			

Interest Rate Risk. The School District has no investment policy that addresses the interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk. The Standard & Poor's ratings of the School District's investments are listed in the table above. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that addresses credit risk.

Concentration of Credit Risk. The School District places no limit on the amount it may invest in any one issuer.

Note 8 – Property Taxes

Property taxes are levied and assessed on a calendar year basis while the School District's fiscal year runs from July through June. First half tax collections are received by the School District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2011 represents collections of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed value listed as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2011 represents collections of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien December 31, 2009, were levied after April 1, 2010 and are collected in calendar year 2011 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Grand Valley Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

Tangible personal property tax revenue received during calendar year 2010 (other than public utility property tax) represents the collection of 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing, machinery and equipment, furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Ashtabula County. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2011 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2011 was \$1,396,905 in the general fund, \$23,456 in the classroom facilities special revenue fund, \$356,262 in the bond retirement debt service fund and \$46,121 in the permanent improvement capital project fund. The amount available as an advance at June 30, 2010, was \$1,335,878 in the general fund, \$22,428 in the classroom facilities special revenue fund, \$468,979 in the bond retirement debt service fund and \$44,202 in the permanent improvement capital project fund.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

The assessed values upon which the fiscal year 2011 taxes were collected are:

	2010 Second Half Collections		2011 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$171,479,200	96.37 %	\$172,556,900	96.67 %
Public Utility Personal	4,919,310	2.77	5,011,890	2.80
General Business Personal	1,538,590	0.86	938,810	0.53
Total	\$177,937,100	100.00 %	\$178,507,600	100.00 %
Full Tax Rate per \$1,000 of assessed valuation	\$50.01		\$48.01	

Grand Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 9 - Receivables

Receivables at June 30, 2011, consisted of taxes, accounts (rent and student fees), tuition and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables except for delinquent property taxes are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amounts</u>
Title I Grant	\$82,472
School Employees Retirement System	20,150
Title II-A	15,820
Food Service Subsidy	3,488
Race to the Top Grant	1,268
Total	<u><u>\$123,198</u></u>

Note 10 - Interfund Transfers and Balances

Interfund Transfers

The general fund transferred \$10,000 to the athletics and music special revenue fund to help provide funding for fiscal year 2011.

Interfund Balances

Interfund balances at June 30, 2011, consist of a general fund advance of \$10,700 to the title I special revenue fund to support the programs of the fund.

Grand Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 11 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011
<i>Capital Assets not being Depreciated:</i>				
Land	\$845,993	\$0	\$0	\$845,993
Construction in Progress	14,629	0	(14,629)	0
<i>Total Capital Assets not being Depreciated</i>	860,622	0	(14,629)	845,993
<i>Capital Assets being Depreciated:</i>				
Land Improvements	3,234,226	0	0	3,234,226
Buildings and Improvements	32,678,634	6,980	0	32,685,614
Furniture and Fixtures	586,941	54,128	0	641,069
Vehicles	1,174,579	93,700	0	1,268,279
Textbooks	373,621	6,924	(1,039)	379,506
<i>Total Capital Assets being Depreciated</i>	38,048,001	161,732	(1,039)	38,208,694
Less: Accumulated Depreciation				
Land Improvements	(713,909)	(160,728)	0	(874,637)
Buildings and Improvements	(7,182,030)	(972,418)	0	(8,154,448)
Furniture and Fixtures	(270,183)	(37,914)	0	(308,097)
Vehicles	(861,011)	(77,236)	0	(938,247)
Textbooks	(282,997)	(40,505)	1,039	(322,463)
<i>Total Accumulated Depreciation</i>	(9,310,130)	(1,288,801) *	1,039	(10,597,892)
<i>Total Capital Assets being Depreciated, Net</i>	28,737,871	(1,127,069)	0	27,610,802
<i>Governmental Activities</i>				
<i>Capital Assets, Net</i>	\$29,598,493	(\$1,127,069)	(\$14,629)	\$28,456,795

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,101,822
Support Services:	
Instructional Staff	18,645
Administration	8,690
Operation and Maintenance of Plant	9,784
Pupil Transportation	89,999
Operation of Food Services	5,977
Extracurricular Activities	53,884
Total Depreciation Expense	\$1,288,801

Grand Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 12 - Pension Plans

School Employees Retirement System

Plan Description – The School District participates in the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2011, the allocation to pension and death benefits was 11.81 percent. The remaining 2.19 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$172,676, \$195,924 and \$138,782 respectively. The full amount has been contributed for fiscal years 2011, 2010 and 2009.

State Teachers Retirement System of Ohio

Plan Description – The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that can be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

Grand Valley Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

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

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$646,096 and \$50 for the fiscal year ended June 30, 2011, \$698,547 and \$179 for the fiscal year ended June 30, 2010, \$720,103 and none for the fiscal year ended June 30, 2009. For fiscal year 2011, 87.12 percent has been contributed for the DB plan and 87.12 percent has been contributed for the Combined Plan, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

Contributions made to STRS Ohio for the DC Plan and for fiscal year 2011 were \$7,589 made by the School District and \$5,421 made by the plan members. In addition, member contributions of \$36 were made for fiscal year 2011 for the defined contribution portion of the Combined Plan.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2011, three members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

Note 13 - Postemployment Benefits

School Employee Retirement System

Plan Description – The School District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For

Grand Valley Local School District

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011

fiscal year 2011, 1.43 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2011, this amount was \$35,800. During fiscal year 2011, the School District paid \$21,371 in surcharge.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010 and 2009 were \$42,279, \$18,703 and \$63,723 respectively. The full amount has been contributed for fiscal years 2011, 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2011, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010 and 2009 were \$11,112, \$11,651 and \$11,948 respectively. The full amount has been contributed for fiscal years 2011, 2010 and 2009.

State Teachers Retirement System

Plan Description – The School District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010 and 2009 were \$50,773, \$53,000 and \$53,565 respectively. For fiscal year 2011, 87.12 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

Note 14 - Other Employee Benefits

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn five to twenty-five days of vacation per year, depending upon length of service. Employees are able to roll over up to fifteen days of vacation from year to year without penalty. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated to a maximum of 320 days for certified employees as well as classified employees. Maximum sick leave accumulation for individuals on administrative contracts varies depending on the number of days in the administrator's work year. For all employees, retirement severance is paid to each employee retiring from the School District at a per diem rate

Grand Valley Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

of the annual salary at the time of retirement. Any certified employee receiving retirement severance pay is entitled to a dollar amount equivalent to one-fourth of the first 220 days of sick leave credited to that employee, up to 55 days and 1 severance day for each 10 accumulated sick days above 220 days. The maximum attainable is 65 days. Any classified employee receiving retirement severance pay shall be entitled to a dollar amount equivalent to one-fourth of the first 240 days of sick leave credited to that employee, up to 60 days and 1 severance day for each fifteen accumulated sick leave days above 240 days. The maximum attainable is 65 days.

Life Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance to permanent employees through Jefferson Pilot Financial in the amount of \$25,000 for certified and classified employees. An additional \$100,000 is provided to the treasurer and superintendent.

Health Insurance Benefits

The School District provides employee medical and surgical insurance, prescription drug, dental, and vision insurance through the Ashtabula County Schools Council of Governments.

Note 15 – Long-Term Obligations

Original issue amounts and interest rates of the School District’s debt issues were as follows:

<u>Debt Issue</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Year of Maturity</u>
2002 Classroom Improvement Bonds:			
Serial Bonds	3.00% to 4.85%	\$5,925,000	2003 to 2017
Term Bonds	5.00%	6,330,000	2018 to 2025

Changes in long-term obligations of the School District during fiscal year 2011 were as follows:

	<u>Principal Outstanding 6/30/10</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding 6/30/11</u>	<u>Amounts Due in One Year</u>
<i>General Obligation Bonds</i>					
2002 Classroom Improvement Bonds					
Serial Bonds	\$3,880,000	\$0	\$485,000	\$3,395,000	\$505,000
Term Bonds	6,330,000	0	0	6,330,000	0
<i>Total General Obligation Bonds</i>	10,210,000	0	485,000	9,725,000	505,000
<i>Other Long-Term Obligations</i>					
Capital Leases Payable	1,264,000	0	61,000	1,203,000	64,000
Compensated Absences	629,850	39,187	74,618	594,419	130,008
<i>Total Governmental Activities Long-Term Liabilities</i>	<u>\$12,103,850</u>	<u>\$39,187</u>	<u>\$620,618</u>	<u>\$11,522,419</u>	<u>\$699,008</u>

Compensated absences will be paid from the general fund and the title I and the food service special revenue funds.

Grand Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

On March 28, 2002, the School District issued \$13,035,976 in voted general obligation bonds which included serial, term and capital appreciation (deep discount) bonds in the amounts of \$5,925,000, \$6,330,000 and \$780,976, respectively. The serial and term bonds remained outstanding at June 30, 2011. The general obligation bonds were issued for the purpose of paying the local share of school construction under the State of Ohio Classroom Facilities Assistance Program. The bonds will be retired from the debt service fund.

The term bonds will be repaid through annual debt service repayments during fiscal years 2018 through 2025. The term bonds maturing on December 1, 2024 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

Year	Issue		
	\$1,360,000	\$1,495,000	\$3,475,000
2018	665,000	0	0
2020	0	730,000	0
2022	0	0	805,000
2023	0	0	845,000
2024	0	0	890,000
Total	\$665,000	\$730,000	\$2,540,000
<i>Stated Maturity</i>	<i>12/1/2018</i>	<i>12/1/2020</i>	<i>12/1/2024</i>

The remaining principal amount of the term bonds (\$695,000, \$765,000, \$935,000) will mature at the stated maturity.

The overall debt margin of the School District as of June 30, 2011 was \$7,737,768 with an unvoted debt margin of \$164,004. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2011 are as follows:

	General Obligation Bonds			
	Term		Serial	
	Principal	Interest	Principal	Interest
2012	\$0	\$316,500	\$505,000	\$144,814
2013	0	316,500	530,000	122,296
2014	0	316,500	550,000	98,261
2015	0	316,500	575,000	72,589
2016	0	316,500	605,000	44,924
2017-2021	2,855,000	1,305,375	630,000	15,278
2022-2025	3,475,000	358,375	0	0
Total	\$6,330,000	\$3,246,250	\$3,395,000	\$498,162

Note 16 – Capital Lease

On August 18, 2006, the School District entered into a capitalized lease obligation for a new football field. The lease meets the criteria for a capital lease as defined by the Statement of Financial Accounting Standards No. 13 “Accounting for Lease” and have been recorded on the government-wide statements. The original amount capitalized for the capital lease and the book value as of June 30, 2011 follows:

Grand Valley Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

	<u>Amounts</u>
Asset:	
Land Improvements	\$1,526,000
Less: Accumulated Depreciation	<u>(457,800)</u>
Current Book Value	<u><u>\$1,068,200</u></u>

The following is a schedule of the future minimum leases payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2011.

	<u>Amounts</u>
2012	\$119,458
2013	119,508
2014	119,419
2015	119,192
2016	118,827
2016-2020	590,492
2021-2025	<u>470,511</u>
Total Minimum Lease Payments	1,657,407
Less: Amount Representing Interest	<u>(454,407)</u>
Present Value of Minimum Lease Payments	<u><u>\$1,203,000</u></u>

Note 17 - Risk Management

Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The School District has addressed these various types of risk by purchasing a comprehensive insurance policy through Schools of Ohio Risk Sharing Authority (Note 20).

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

The School District maintains fleet insurance in the amount of \$1,141,058 for physical damage and \$3,000,000 liability.

The School District maintains replacement cost insurance on buildings and contents in the amount of \$49,581,131.

Settled claims have not exceeded this commercial coverage in any of the past three years and there have been no significant reductions in insurance coverage from the prior year.

Grand Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Employee Medical Benefits

The School District participates in the Ashtabula County Schools Council of Governments, a shared risk pool (Note 20) to provide employee medical/surgical, prescription drug, dental and vision benefits. Rates are set through an annual calculation process. The School District pays a monthly contribution which is placed in a common fund from which the claim payments are made for all participating districts. The School District's Board of Education pays the entire cost of a monthly premium for all full-time employees. Certified employees per negotiated agreement are required to pay \$50 per month for family coverage, if their spouse elected not to obtain/participate in their employer's coverage or retirement coverage.

Worker's Compensation

For fiscal year 2011, the School District participated in the Ohio Association of School Business Officials Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 20). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley UniService provides administrative, cost control and actuarial services to the GRP.

Note 18 - Jointly Governed Organizations

Northeast Ohio Management Information Network (NEOMIN) NEOMIN is a jointly governed organization among thirty school districts in Trumbull and Ashtabula Counties. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the districts support NEOMIN based upon a per pupil charge. The School District paid \$29,871 to NEOMIN during fiscal year 2011.

Superintendents of the participating school districts are eligible to be voting members of the Governing Board which consists of ten members: the Trumbull and Ashtabula County superintendents (permanent members, three superintendents from Ashtabula County School Districts, three superintendents from Trumbull County School Districts, and a treasurer from each county. The School District was represented on the Governing Board by the Treasurer during fiscal year 2011. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. A complete set of separate financial statements may be obtained from the Trumbull Career and Technical Center, 528 Educational Highway, Warren, Ohio 44483.

Ashtabula County Joint Vocational School District The Ashtabula County Joint Vocational School District (JVS) is a distinct political subdivision of the State of Ohio which provides vocational education to students. The JVS is operated under the direction of a Board consisting of representatives from some of the participating School Districts' elected boards. The degree of control exercised by the School District is limited to its representation on the Board. The Board is its own budgeting and taxing authority. The School District paid \$16 in contributions for fiscal year 2011. Financial information can be obtained from MaryAnn Wayman, Treasurer at Ashtabula County Joint Vocational School District, 1565 State Route 167, Jefferson, Ohio 44047.

Grand Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 19 - Contingencies

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2011.

Litigation

The School District is not party to legal proceedings as of June 30, 2011.

Note 20 – Public Entity Risk Pools

Insurance Purchasing Pool

The School District participates in a group rating program for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio Association of School Business Officials Workers' Compensation Group Rating Program (GRP) was established through the Ohio Association of School Business Officials (OASBO) as a group purchasing pool. The Executive Director of the OASBO, or his designee, serves as coordinator of the GRP. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Risk Sharing Pools

The School District has contracted with the Ashtabula County Schools Council of Governments to provide employee medical/surgical, prescription drug, dental and vision benefits. The Ashtabula County Schools Council of Governments is organized under Chapter 167 of the Ohio Revised Code and is comprised of seven Ashtabula County school districts. Rates are set by the Ashtabula County Schools Council of Governments board of directors. The School District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating school districts. Claims are paid for all participants regardless of claims flow. Ashtabula County Schools Council of Governments is a separate and independent entity governed by its own set of by-laws and constitution. All assets and liabilities are the responsibility of the Council of Governments. The program is operated as a full indemnity program with no financial liability (other than monthly premiums) or risk to the School District. The School District is not liable nor receives a cash balance of past claims upon departure from the pool.

The School District also participates in the Schools of Ohio Risk Sharing Authority (SORSA), a risk sharing insurance pool. The pool consists of sixty-two school districts, joint vocational schools, and educational service centers throughout Ohio who pool risk for property, crime, liability, boiler and machinery, and public official liability coverage. SORSA is governed by a board of trustees elected by members. The School District pays an annual premium to SORSA for this coverage. Reinsurance is purchased to cover claims exceeding this amount and for all claims related to equipment breakdown coverage.

Grand Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 21 - Set Asides

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

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

	Textbooks	Capital Improvements
Set-aside reserve balance June 30, 2010	(\$448,479)	(\$13,035,975)
Current year set-aside requirement	211,757	211,757
Current year offsets	0	(234,054)
Qualifying disbursements	(96,352)	(297,240)
Totals	(\$333,074)	(\$13,355,512)
Set-aside balance carried forward to future fiscal years	\$0	(\$9,725,000)
Set-aside reserve balance June 30, 2011	\$0	\$0

The School District had qualifying disbursements during the fiscal year that reduced the textbook set-aside and capital improvements set-aside below zero. Effective July 1, 2011, the textbook set aside is no longer required and has been removed from existing law. This balance is therefore not presented as being carried forward to future fiscal years. The negative balance being carried forward on the capital improvements set-aside represents the still outstanding balance on the School District's Ohio School Facilities Commission bonds.

Note 22 – Related Organization

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

**GRAND VALLEY LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2011**

<u>Federal Grantor/ Pass Through Grantor Program Title</u>	<u>Grant Year</u>	<u>Federal CFDA Number</u>	<u>Receipts</u>	<u>Expenditures</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Passed Through Ohio Department of Education:</i>				
<i>Child Nutrition Cluster:</i>				
<i>Non-Cash Assistance (Food Distribution)</i>				
National School Lunch Program	2011	10.555	\$60,086	\$60,086
<i>Cash Assistance</i>				
National School Breakfast Program	2011	10.553	88,071	88,071
National School Lunch Program	2011	10.555	<u>264,708</u>	<u>264,708</u>
<i>Total Child Nutrition Cluster</i>			<u>412,865</u>	<u>412,865</u>
Total U. S. Department of Agriculture			<u>412,865</u>	<u>412,865</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed Through Ohio Department of Education:</i>				
<i>Title 1, Part A Cluster:</i>				
Title I Grants to Local Educational Agencies	2011	84.010	349,790	334,792
	2010		<u>27,532</u>	<u>58,664</u>
Subtotal - CFDA 84.010			377,322	393,456
ARRA Title I Grants to Local Educational Agencies	2011	84.389	74,705	84,996
	2010		<u>1,418</u>	<u>5,182</u>
Subtotal - CFDA 84.389			<u>76,123</u>	<u>90,178</u>
<i>Total Title 1, Part A Cluster</i>			453,445	483,634
Education Technology State Grants - Title II, Part D	2008	84.318	1,383	1,294
Rural and Low Income Program - Title VI, Part B (ESEA)	2011	84.358	32,295	32,295
Improving Teacher Quality State Grants - Title II, Part A	2011	84.367	79,947	77,994
	2010		<u>9,067</u>	<u>13,543</u>
Subtotal - CFDA 84.367			89,014	91,537
ARRA State Fiscal Stabilization Fund	2011	84.394	472,586	391,486
	2010		<u>124,353</u>	<u>124,353</u>
Subtotal - CFDA 84.394			472,586	515,839
ARRA Race to the Top Fund	2011	84.395	<u>8,178</u>	<u>6,667</u>
Total U. S. Department of Education			<u>1,056,901</u>	<u>1,131,266</u>
Totals			<u>\$1,469,766</u>	<u>\$1,544,131</u>

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

**GRAND VALLEY LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2011**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – FOOD DONATION PROGRAM

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

NOTE C - MATCHING REQUIREMENTS

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



Dave Yost • Auditor of State

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

Grand Valley Local School District
Ashtabula County
111 Grand Valley Avenue West, Suite A
Orwell, Ohio 44076

To The Board of Education:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Grand Valley Local School District, Ashtabula County, (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 13, 2011. 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 the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

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

We did note a matter not requiring inclusion in this report that we reported to the District's management in a separate letter dated December 13, 2011.

We intend this report solely for the information and use of the audit committee, management, Board of Education, federal awarding agencies and pass-through entities and others within the District. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

December 13, 2011



Dave Yost • Auditor of State

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

Grand Valley Local School District
Ashtabula County
111 Grand Valley Avenue West, Suite A
Orwell, Ohio 44076

To The Board of Education:

Compliance

We have audited the compliance of Grand Valley Local School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Grand Valley Local School District's major federal program for the year ended June 30, 2011. The *summary of auditor's results* section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Grand Valley Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2011.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We noted a matter involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated December 13, 2011.

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



Dave Yost
Auditor of State

December 13, 2011

**GRAND VALLEY LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list): ARRA State Fiscal Stabilization Fund	CFDA Number 84.394
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Grand Valley Local School District
Ashtabula County
111 Grand Valley Avenue West, Suite A
Orwell, Ohio 44076

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Grand Valley Local School District (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on October 27, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

December 13, 2011

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Dave Yost • Auditor of State

GRAND VALLEY LOCAL SCHOOL DISTRICT

ASHTABULA COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 8, 2012