



Mary Taylor, CPA
Auditor of State



Dave Yost • Auditor of State

January 18, 2011

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 10, 2011. Thus, I am certifying this audit report for release under the signature of my predecessor.

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

DAVE YOST
Auditor of State

**GRAND VALLEY LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Grand Valley Local School District
Ashtabula County
111 Grand Valley Avenue, West
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, Ohio (the District), as of and for the year ended June 30, 2010, 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, 2010 and the respective changes in financial position, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note 3, during fiscal year 2010, the District adopted provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2010, 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 expenditures 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. This federal awards expenditures 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.



Mary Taylor, CPA
Auditor of State

December 10, 2010

Grand Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
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, 2010. 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 2010 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.
- During fiscal year 2010, the School District early implemented Governmental Accounting Standard Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" which recognizes constraints imposed upon the use of resources in governmental funds and categorizes the constraints into five classifications.

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 2010?" 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.

Grand Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

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.

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 2010 compared to 2009:

Grand Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

Table 1
 Net Assets
 Governmental Activities

	2010	2009	Change
Assets			
Current and Other Assets	\$15,878,993	\$16,834,083	(\$955,090)
Capital Assets	29,598,493	29,903,715	(305,222)
<i>Total Assets</i>	<u>45,477,486</u>	<u>46,737,798</u>	<u>(1,260,312)</u>
Liabilities			
Current Liabilities	4,776,149	4,699,723	(76,426)
Long-Term Liabilities			
Due within One Year	620,618	621,536	918
Due in More than One Year	11,483,232	12,047,786	564,554
<i>Total Liabilities</i>	<u>16,879,999</u>	<u>17,369,045</u>	<u>489,046</u>
Net Assets			
Invested in Capital Assets			
Net of Related Debt	18,124,493	17,901,715	222,778
Restricted for:			
Capital Projects	5,911,094	6,768,878	(857,784)
Debt Service	2,785,601	2,387,623	397,978
Other Purposes	508,185	506,858	1,327
Unrestricted	1,268,114	1,803,679	(535,565)
<i>Total Net Assets</i>	<u>\$28,597,487</u>	<u>\$29,368,753</u>	<u>(\$771,266)</u>

Current assets decreased as the result of several factors. Cash and cash equivalents decreased from a reduction in 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 2010 which can be attributed to annual payments on the School District's general obligation bonds.

Table 2 shows the changes in net assets for fiscal year 2010 compared to 2009.

Table 2
 Change in Net Assets
 Governmental Activities

	2010	2009	Change
Revenues			
<i>Program Revenues:</i>			
Charges for Services and Sales	\$973,374	\$985,039	(\$11,665)
Operating Grants, Contributions and Interest	968,590	824,461	144,129
Capital Grants	0	15,333	(15,333)
<i>Total Program Revenues</i>	<u>\$1,941,964</u>	<u>\$1,824,833</u>	<u>\$117,131</u>

Grand Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

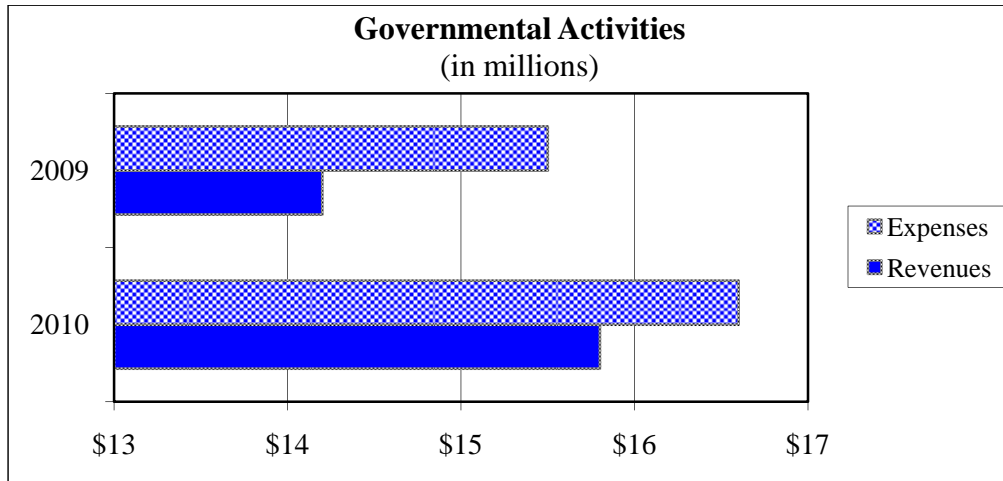
Table 2
Change in Net Assets (continued)
Governmental Activities

	2010	2009	Change
Revenues (continued)			
<i>General Revenues:</i>			
Property Taxes	\$4,680,312	\$4,815,439	(\$135,127)
Grants and Entitlements not Restricted to Specific Programs	8,974,766	7,048,437	1,926,329
Investment Earnings	96,452	252,349	(155,897)
Miscellaneous	117,915	208,205	(90,290)
Total General Revenues	13,869,445	12,324,430	1,545,015
Total Revenues	15,811,409	14,149,263	1,662,146
Program Expenses			
<i>Instruction:</i>			
Regular	7,022,936	7,499,374	476,438
Special	898,596	1,036,117	137,521
Vocational	181,910	183,510	1,600
Student Intervention Services	61,830	50,382	(11,448)
<i>Support Services:</i>			
Pupil	457,973	494,078	36,105
Instructional Staff	497,178	423,208	(73,970)
Board of Education	18,284	17,633	(651)
Administration	1,314,500	1,303,110	(11,390)
Fiscal	329,287	331,112	1,825
Business	21,979	28,107	6,128
Operation and Maintenance of Plant	2,837,139	1,125,908	(1,711,231)
Pupil Transportation	1,314,325	1,361,299	46,974
Central	16,446	16,281	(165)
Operation of Food Services	560,602	573,983	13,381
Extracurricular Activities	488,372	473,113	(15,259)
Interest and Fiscal Charges	561,318	555,280	(6,038)
Total Program Expenses	16,582,675	15,472,495	(1,110,180)
Decrease in Net Assets	(771,266)	(1,323,232)	551,966
Net Assets Beginning of Year	29,368,753	30,691,985	(1,323,232)
Net Assets End of Year	\$28,597,487	\$29,368,753	(\$771,266)

Graph 1
Revenues and Expenses
(In Millions)

	2010	2009
Revenues	\$15.8	\$14.2
Expenses	16.6	15.5

Grand Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
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 29.60 percent of revenues for governmental activities for Grand Valley Local School District in fiscal year 2010.

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.

Instructional expenses decreased 6.89 percent as a direct result of a reduction in force implemented during the school year. This decrease was offset by a large increase in operations and maintenance as a result of a pass through payment made in the classroom facilities fund to cover construction costs which offset this decrease. The School District continues to show vigilance in monitoring all facets of spending.

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 2010 compared to 2009.

Grand Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

Table 3
 Total and Net Cost of Program Services
 Governmental Activities

	2010		2009	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction:				
Regular	\$7,022,936	\$6,289,562	\$7,499,374	\$6,746,197
Special	898,596	455,617	1,036,117	695,736
Vocational	181,910	181,910	183,510	183,510
Student Intervention Services	61,830	61,830	50,382	38,461
Support Services:				
Pupil	457,973	457,973	494,078	489,506
Instructional Staff	497,178	482,660	423,208	404,324
Board of Education	18,284	18,284	17,633	17,633
Administration	1,314,500	1,307,641	1,303,110	1,298,110
Fiscal	329,287	329,287	331,112	331,112
Business	21,979	21,979	28,107	28,107
Operation and Maintenance of Plant	2,837,139	2,775,400	1,125,908	1,087,302
Pupil Transportation	1,314,325	1,314,325	1,361,299	1,345,966
Central	16,446	16,446	16,281	16,281
Operation of Food Services	560,602	(33,231)	573,983	35,697
Extracurricular Activities	488,372	399,710	473,113	374,440
Interest and Fiscal Charges	561,318	561,318	555,280	555,280
Total	\$16,582,675	\$14,640,711	\$15,472,495	\$13,647,662

The School District's Funds

Information about the School District's major funds starts on page 15. 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 a reduction in force. The general fund revenues also decreased from the previous year due to lower interest rates as a result of the economy. 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.

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 2010, 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 rentals. The School District's actual expenditures were well within the final budgeted appropriations due to the School District's continuous effort in monitoring expenditures.

Grand Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

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 2010 balances compared to fiscal year 2009:

Capital Assets at June 30 Net of Depreciation Governmental Activities			
	2010	2009	Change
Land	\$845,993	\$845,993	\$0
Construction in Progress	14,629	0	14,629
Land Improvements	2,520,317	1,797,306	723,011
Buildings and Improvements	25,496,604	26,463,104	(966,500)
Furniture and Fixtures	316,758	352,870	(36,112)
Textbooks	313,568	312,622	946
Vehicles	90,624	131,820	(41,196)
Total	\$29,598,493	\$29,903,715	(\$294,518)

The decrease in capital assets was the result of annual depreciation on all capital assets other than land. This decrease was offset by \$984,638 in district-wide paving improvements added to capital assets. See Note 11 to the Basic Financial Statements for additional capital asset information.

Debt

Table 5 summarizes the bonds outstanding.

Table 5 Outstanding Debt at Fiscal Year End Governmental Activities			
	2010	2009	Change
2006 Capital Lease	\$1,264,000	\$1,322,000	(\$58,000)
2002 Classroom Improvement Bonds	10,210,000	10,680,000	(470,000)
Total	\$11,474,000	\$12,002,000	(\$528,000)

Grand Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

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, 63 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, 2010

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$10,109,898
Accounts Receivable	4,403
Accrued Interest Receivable	5,996
Intergovernmental Receivable	80,182
Inventory Held for Resale	15,462
Materials and Supplies Inventory	59,782
Property Taxes Receivable	5,603,270
Nondepreciable Capital Assets	860,622
Depreciable Capital Assets, Net	<u>28,737,871</u>
<i>Total Assets</i>	<u>45,477,486</u>
Liabilities	
Accounts Payable	64,311
Contracts Payable	49,457
Accrued Wages and Benefits	1,061,689
Intergovernmental Payable	437,783
Matured Compensated Absences Payable	74,618
Deferred Revenue	2,989,293
Accrued Interest Payable	41,045
Vacation Benefits Payable	57,953
Long-Term Liabilities:	
Due Within One Year	620,618
Due In More Than One Year	<u>11,483,232</u>
<i>Total Liabilities</i>	<u>16,879,999</u>
Net Assets	
Invested in Capital Assets, net of Related Debt	18,124,493
Restricted for:	
Capital Projects	5,911,094
Debt Service	2,785,601
Other Purposes	508,185
Unrestricted	<u>1,268,114</u>
<i>Total Net Assets</i>	<u><u>\$28,597,487</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, 2010

	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	\$7,022,936	\$642,415	\$90,959	(\$6,289,562)
Special	898,596	0	442,979	(455,617)
Vocational	181,910	0	0	(181,910)
Student Intervention Services	61,830	0	0	(61,830)
Support Services:				
Pupil	457,973	0	0	(457,973)
Instructional Staff	497,178	0	14,518	(482,660)
Board of Education	18,284	0	0	(18,284)
Administration	1,314,500	0	6,859	(1,307,641)
Fiscal	329,287	0	0	(329,287)
Business	21,979	0	0	(21,979)
Operation and Maintenance of Plant	2,837,139	21,900	39,839	(2,775,400)
Pupil Transportation	1,314,325	0	0	(1,314,325)
Central	16,446	0	0	(16,446)
Operation of Food Services	560,602	220,397	373,436	33,231
Extracurricular Activities	488,372	88,662	0	(399,710)
Interest and Fiscal Charges	561,318	0	0	(561,318)
<i>Totals</i>	<u>\$16,582,675</u>	<u>\$973,374</u>	<u>\$968,590</u>	<u>(14,640,711)</u>

General Revenues

Property Taxes Levied for:

General Purposes	3,344,226
Debt Service	1,169,377
Capital Outlay	110,698
Classroom Facilities Maintenance	56,011

Grants and Entitlements not Restricted
to Specific Programs

Investment Earnings	8,974,766
Miscellaneous	96,452
	<u>117,915</u>

Total General Revenues

13,869,445

Change in Net Assets

(771,266)

Net Assets Beginning of Year

29,368,753

Net Assets End of Year

\$28,597,487

See accompanying notes to the basic financial statements

Grand Valley Local School District

*Balance Sheet
Governmental Funds
June 30, 2010*

	General	Bond Retirement	Permanent Improvement	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$1,402,438	\$2,166,087	\$1,594,429	\$4,280,351	\$666,593	\$10,109,898
Accounts Receivable	3,030	0	0	0	1,373	4,403
Accrued Interest Receivable	5,996	0	0	0	0	5,996
Intergovernmental Receivable	22,256	0	0	0	57,926	80,182
Inventory Held for Resale	0	0	0	0	15,462	15,462
Materials and Supplies Inventory	58,314	0	0	0	1,468	59,782
Property Taxes Receivable	3,987,929	1,417,464	130,575	0	67,302	5,603,270
<i>Total Assets</i>	<u>\$5,479,963</u>	<u>\$3,583,551</u>	<u>\$1,725,004</u>	<u>\$4,280,351</u>	<u>\$810,124</u>	<u>\$15,878,993</u>
Liabilities and Fund Balances						
Liabilities						
Accounts Payable	\$58,692	\$0	\$3,248	\$0	\$2,371	\$64,311
Contracts Payable	0	0	13,248	8,361	27,848	49,457
Accrued Wages and Benefits	941,181	0	0	0	120,508	1,061,689
Matured Compensated Absences Payable	74,618	0	0	0	0	74,618
Intergovernmental Payable	352,715	0	0	0	85,068	437,783
Deferred Revenue	2,652,051	948,485	86,373	0	54,601	3,741,510
<i>Total Liabilities</i>	<u>4,079,257</u>	<u>948,485</u>	<u>102,869</u>	<u>8,361</u>	<u>290,396</u>	<u>5,429,368</u>
Fund Balances						
Nonspendable	58,314	0	0	0	16,930	75,244
Restricted	0	2,635,066	1,622,135	4,271,990	513,800	9,042,991
Committed	77,580	0	0	0	0	77,580
Assigned	225,577	0	0	0	0	225,577
Unassigned (Deficit)	1,039,235	0	0	0	(11,002)	1,028,233
<i>Total Fund Balances</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>Total Liabilities and Fund Balances</i>	<u>\$5,479,963</u>	<u>\$3,583,551</u>	<u>\$1,725,004</u>	<u>\$4,280,351</u>	<u>\$810,124</u>	<u>\$15,878,993</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, 2010*

Total Governmental Fund Balances	\$10,449,625
 <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.	29,598,493
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	
Property Taxes	742,490
Intergovernmental	<u>9,727</u>
Total	752,217
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(41,045)
Vacation Benefits payable is not expected to be paid with expendable available financial resources and therefore is not reported in the funds.	(57,953)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
General Obligation Bonds	(10,210,000)
Compensated Absences	(629,850)
Capital Leases Payable	<u>(1,264,000)</u>
Total	<u>(12,103,850)</u>
<i>Net Assets of Governmental Activities</i>	<u><u>\$28,597,487</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, 2010

	General	Bond Retirement	Permanent Improvement	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Revenues						
Property Taxes	\$3,258,455	\$1,136,025	\$108,015	\$0	\$54,495	\$4,556,990
Intergovernmental	6,521,190	228,177	29,701	1,794,627	1,356,065	9,929,760
Interest	65,221	0	0	30,535	1,023	96,779
Tuition and Fees	642,415	0	0	0	0	642,415
Extracurricular Activities	22,368	0	0	0	66,294	88,662
Charges for Services	0	0	0	0	220,397	220,397
Rentals	21,900	0	0	0	0	21,900
Contributions and Donations	0	0	0	0	3,542	3,542
Miscellaneous	112,637	0	0	0	5,278	117,915
<i>Total Revenues</i>	<u>10,644,186</u>	<u>1,364,202</u>	<u>137,716</u>	<u>1,825,162</u>	<u>1,707,094</u>	<u>15,678,360</u>
Expenditures						
Current:						
Instruction:						
Regular	5,713,386	0	0	0	358,276	6,071,662
Special	554,123	0	0	0	324,504	878,627
Vocational	181,509	0	0	0	0	181,509
Student Intervention Services	0	0	0	0	61,830	61,830
Support Services:						
Pupil	455,461	0	0	0	2,140	457,601
Instructional Staff	280,358	0	0	0	91,323	371,681
Board of Education	18,284	0	0	0	0	18,284
Administration	1,236,077	2,085	0	0	67,792	1,305,954
Fiscal	298,749	27,117	2,598	0	1,315	329,779
Business	21,979	0	0	0	0	21,979
Operation and Maintenance of Plant	1,078,781	0	161,649	1,474,551	109,617	2,824,598
Pupil Transportation	1,130,795	0	80,965	0	27,118	1,238,878
Central	16,446	0	0	0	0	16,446
Operation of Food Services	0	0	0	0	557,033	557,033
Extracurricular Activities	350,391	0	0	0	84,097	434,488
Capital Outlay	0	0	0	984,638	0	984,638
Debt Service:						
Principal Retirement	0	470,000	58,000	0	0	528,000
Interest and Fiscal Charges	0	501,941	60,944	0	0	562,885
<i>Total Expenditures</i>	<u>11,336,339</u>	<u>1,001,143</u>	<u>364,156</u>	<u>2,459,189</u>	<u>1,685,045</u>	<u>16,845,872</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(692,153)</u>	<u>363,059</u>	<u>(226,440)</u>	<u>(634,027)</u>	<u>22,049</u>	<u>(1,167,512)</u>
Other Financing Sources (Uses)						
Transfers In	0	0	0	0	14,000	14,000
Transfers Out	(14,000)	0	0	0	0	(14,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(14,000)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>14,000</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	<u>(706,153)</u>	<u>363,059</u>	<u>(226,440)</u>	<u>(634,027)</u>	<u>36,049</u>	<u>(1,167,512)</u>
<i>Fund Balances Beginning of Year - Restated (See Note 3)</i>	<u>2,106,859</u>	<u>2,272,007</u>	<u>1,848,575</u>	<u>4,906,017</u>	<u>483,679</u>	<u>11,617,137</u>
<i>Fund Balances End 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>

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, 2010*

Net Change in Fund Balances - Total Governmental Funds (\$1,167,512)

*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	984,638	
Current Year Depreciation	(1,289,860)	
Total		(305,222)

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

Property Taxes	123,322	
Intergovernmental	9,727	
Total		133,049

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. 528,000

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. 1,567

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	37,472	
Vacation Benefits Payable	1,380	
Total		38,852

Change in Net Assets of Governmental Activities (\$771,266)

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, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$3,451,056	\$3,451,056	\$3,282,858	(\$168,198)
Intergovernmental	6,608,456	6,278,053	6,499,217	221,164
Interest	63,259	101,387	62,213	(39,174)
Tuition and Fees	650,246	623,162	639,497	16,335
Extracurricular Activities	13,753	24,214	22,310	(1,904)
Rentals	22,268	10,015	21,900	11,885
Miscellaneous	97,680	150,860	112,828	(38,032)
<i>Total Revenues</i>	10,906,718	10,638,747	10,640,823	2,076
Expenditures				
Current:				
Instruction:				
Regular	6,048,882	5,909,094	5,839,955	69,139
Special	780,252	627,309	557,543	69,766
Vocational	183,052	183,954	183,349	605
Support Services:				
Pupil	547,038	485,091	470,952	14,139
Instructional Staff	334,943	320,811	289,044	31,767
Board of Education	20,041	20,291	18,333	1,958
Administration	1,263,784	1,271,323	1,249,430	21,893
Fiscal	311,344	299,504	293,861	5,643
Business	31,962	24,462	23,941	521
Operation and Maintenance of Plant	1,200,130	1,188,160	1,160,510	27,650
Pupil Transportation	1,280,266	1,219,316	1,192,799	26,517
Central	16,750	32,350	32,050	300
Extracurricular Activities	340,339	411,371	355,649	55,722
<i>Total Expenditures</i>	12,358,783	11,993,036	11,667,416	325,620
<i>Excess of Revenues Under Expenditures</i>	(1,452,065)	(1,354,289)	(1,026,593)	327,696
Other Financing Uses				
Transfers Out	(14,000)	(14,000)	(14,000)	0
<i>Net Change in Fund Balance</i>	(1,466,065)	(1,368,289)	(1,040,593)	327,696
<i>Fund Balance Beginning of Year</i>	2,089,829	2,089,829	2,089,829	0
Prior Year Encumbrances Appropriated	154,740	154,740	154,740	0
<i>Fund Balance End of Year</i>	\$778,504	\$876,280	\$1,203,976	\$327,696

See accompanying notes to the basic financial statements

Grand Valley Local School District

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2010

	Private Purpose Trust	
	<u>Scholarships</u>	<u>Agency</u>
Assets		
Equity in Pooled Cash and Cash Equivalents	\$11,330	<u>\$34,724</u>
Liabilities		
Due to Students	<u>0</u>	<u>\$34,724</u>
Net Assets		
Held in Trust for College Scholarships	<u>\$11,330</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, 2010

	<u>Scholarships</u>
Additions	
Interest	\$115
Deductions	
College Scholarships Awarded	<u>250</u>
<i>Change in Net Assets</i>	(135)
<i>Net Assets Beginning of Year</i>	<u>11,465</u>
<i>Net Assets End of Year</i>	<u><u>\$11,330</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, 2010

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 50 classified employees and 89 certified employees who provide services to 1,389 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, 2010

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 for all financial resources except those required to be accounted for 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, 2010*

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 program 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, 2010*

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, 2010, but which were levied to finance fiscal year 2011 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 2010, 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, 2010

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, 2010.

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 2010 amounted to \$65,221 which includes \$51,796 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 and construction in progress, 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, 2010

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 liabilities and expenditures 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 funds 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, 2010

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. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

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.

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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.

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.

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

Changes in Accounting Principles

For fiscal year 2010, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 51, “Accounting and Reporting for Intangible Assets”, Statement No. 53, “Accounting and Financial Reporting for Derivative Instruments”, Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions”, Statement No. 57, “OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans”, and Statement No. 58, “Accounting and Financial Reporting for Chapter 9 Bankruptcies”.

GASB Statement No. 51 establishes accounting and financial reporting requirements for intangible assets to reduce inconsistencies thereby enhancing the comparability of accounting and financial reporting of such assets among state and local governments. The implementation of this statement did not result in any change to the School District’s financial statements.

GASB Statement No. 53 enhances the usefulness and comparability of derivative instrument information reported by state and local governments. This Statement provides a comprehensive framework for the measurement, recognition, and disclosure of derivative instrument transactions. The implementation of this statement did not result in any change to the School District’s financial statements.

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that compromise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement resulted in the reclassification of certain funds and restatement of the School District’s financial statements.

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). The requirements in this Statement will

Grand Valley Local School District
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allow more agent employers to use the alternative measurement method to produce actuarially based information for purposes of financial reporting and clarify that OPEB measures reported by agent multiple-employer OPEB plans and their participating employers should be determined at the same minimum frequency and as of a common date to improve the consistency of reporting with regard to funded status and funding progress information. The implementation of this statement did not result in any change in the School District's financial statements.

GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements in this Statement will provide more consistent recognition, measurement, display, and disclosure guidance for governments that file for Chapter 9 bankruptcy. The implementation of this statement did not result in any change in the School District's financial statements.

Restatement of Prior Year's Fund Balance

The implementation of GASB Statement No. 54 had the following effect on fund balances of the major and nonmajor funds as they were previously reported.

	General	Bond Retirement	Permanent Improvement	Classroom Facilities	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balance at						
June 30, 2009	\$2,037,424	\$2,272,007	\$1,848,575	\$4,906,017	\$553,114	\$11,617,137
Change in Fund Structure	69,435	0	0	0	(69,435)	0
Adjusted Fund Balance at						
June 30, 2009	<u>\$2,106,859</u>	<u>\$2,272,007</u>	<u>\$1,848,575</u>	<u>\$4,906,017</u>	<u>\$483,679</u>	<u>\$11,617,137</u>

Note 4 - Accountability

At June 30, 2010, there were deficits in the career development and reducing class size special revenue funds in the amounts of \$6 and \$10,996. The deficit balances resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in these funds 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:

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Fund Balances	General	Bond Retirement	Permanent Improvement	Classroom Facilities	Nonmajor Governmental Funds	Total
<i>Nonspendable</i>						
Inventory	\$58,314	\$0	\$0	\$0	\$16,930	\$75,244
<i>Restricted for</i>						
Food Service Operations	0	0	0	0	144,272	144,272
Scholarship Awards	0	0	0	0	68,579	68,579
Classroom Maintenance	0	0	0	0	233,308	233,308
Athletics	0	0	0	0	19,394	19,394
Summer Reading Improvement	0	0	0	0	98	98
Special Education	0	0	0	0	11,114	11,114
Drug Free Schools	0	0	0	0	9,067	9,067
Student Intervention	0	0	0	0	27,968	27,968
Debt Service Payments	0	2,635,066	0	0	0	2,635,066
Capital Improvements	0	0	1,622,135	4,271,990	0	5,894,125
<i>Total Restricted</i>	0	2,635,066	1,622,135	4,271,990	513,800	9,042,991
<i>Committed to</i>						
Other Purposes	77,580	0	0	0	0	77,580
<i>Assigned to</i>						
Other Purposes	225,577	0	0	0	0	225,577
<i>Unassigned (Deficit)</i>	1,039,235	0	0	0	(11,002)	1,028,233
<i>Total Fund Balances</i>	\$1,400,706	\$2,635,066	\$1,622,135	\$4,271,990	\$519,728	\$10,449,625

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).
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).

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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	(\$706,153)
Net Adjustment for Revenue Accruals	13,751
Beginning Fair Value Adjustment for Investments	(16,720)
Ending Fair Value Adjustment for Investments	(394)
Net Adjustment for Expenditure Accruals	(133,009)
Encumbrances	<u>(198,068)</u>
Budget Basis	<u><u>(\$1,040,593)</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;
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;

Grand Valley Local School District
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For the Fiscal Year Ended June 30, 2010

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, \$3,934,894 of the School District's bank balance of \$10,162,996 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, 2010, the School District had the following investments. All investments are in an internal investment pool.

	<u>Fair Value</u>	<u>Maturity</u>	<u>Standard & Poor's</u>	<u>Percent of Total Investments</u>
Federal Home Loan Bank Bonds	\$100,094	7/27/2012	AAA	4.27%
Federal Home Loan Mortgage Corporation Notes	100,112	12/10/2012	AAA	4.27%
Federal National Mortgage Association Notes	100,188	3/29/2013	AAA	4.27%
STAR Ohio	<u>25,075</u>	Average 56 Days	N/A	N/A
<i>Totals</i>	<u><u>\$325,469</u></u>			

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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. Star Ohio carries a rating of AAA by Standard and Poor's. 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 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 2010 represents collections of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed value listed as of January 1, 2009, 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 2010 represents collections of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien December 31, 2008, were levied after April 1, 2009 and are collected in 2009 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.

Tangible personal property tax revenue received during calendar 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 Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2010, are available to finance fiscal year 2010 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2010 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, 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. The amount available as an advance at June 30, 2009, was \$1,360,281 in the general fund, \$22,866 in the classroom facilities special revenue fund, \$478,598 in the bond retirement debt service fund and \$44,961 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 2010 taxes were collected are:

	2009 Second Half Collections		2010 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$169,997,680	94.34%	\$171,479,200	96.37%
Public Utility Personal	4,627,770	2.57	4,919,310	2.77
General Business Personal	5,567,940	3.09	1,538,590	0.86
Total	<u>\$180,193,390</u>	<u>100.00%</u>	<u>\$177,937,100</u>	<u>100.00%</u>
Full Tax Rate per \$1,000 of assessed valuation	\$50.01		\$50.01	

Note 9 - Receivables

Receivables at June 30, 2010, 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:

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For the Fiscal Year Ended June 30, 2010

	Amounts
Title I Grant	\$48,709
Medicaid Reimbursement	12,982
SERS Refunds	9,378
Drug Free Schools Grant	9,067
Department of Job and Family Services	46
Total	\$80,182

Note 10 - Interfund Transfers

The general fund transferred \$14,000 to the athletics and music special revenue fund to help provide funding for fiscal year 2010.

Note 11 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
<i>Capital Assets not being Depreciated:</i>				
Land	\$845,993	\$0	\$0	\$845,993
Construction in Progress	0	14,629	0	14,629
<i>Total Capital Assets not being Depreciated</i>	845,993	14,629	0	860,622
<i>Capital Assets being Depreciated:</i>				
Land Improvements	2,372,041	862,185	0	3,234,226
Buildings and Improvements	32,672,881	5,753	0	32,678,634
Furniture and Fixtures	581,135	5,806	0	586,941
Vehicles	1,113,229	74,650	(13,300)	1,174,579
Textbooks	355,248	21,615	(3,242)	373,621
<i>Total Capital Assets being Depreciated</i>	37,094,534	970,009	(16,542)	38,048,001
Less: Accumulated Depreciation				
Land Improvements	(574,735)	(139,174)	0	(713,909)
Buildings and Improvements	(6,209,777)	(972,253)	0	(7,182,030)
Furniture and Fixtures	(228,265)	(41,918)	0	(270,183)
Vehicles	(800,607)	(73,704)	13,300	(861,011)
Textbooks	(223,428)	(62,811)	3,242	(282,997)
<i>Total Accumulated Depreciation</i>	(8,036,812)	(1,289,860) *	16,542	(9,310,130)
<i>Total Capital Assets being Depreciated, Net</i>	29,057,722	(319,851)	0	28,737,871
<i>Governmental Activities</i>				
<i>Capital Assets, Net</i>	\$29,903,715	(\$305,222)	\$0	\$29,598,493

Grand Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,001,237
Support Services:	
Instructional Staff	124,092
Administration	8,690
Operation and Maintenance of Plant	9,522
Pupil Transportation	86,458
Operation of Food Services	5,977
Extracurricular Activities	53,884
Total Depreciation Expense	\$1,289,860

Note 12 - Pension Plans

School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2010, 12.78 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$195,924, \$138,782, and \$135,492 respectively; 97.85 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

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 plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, 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

Grand Valley Local School District

*Notes to the Basic Financial Statements
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average salary times a percentage that varies based on years of service, or an allowance based on 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 DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. 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 or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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 - For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2009, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008 were \$681,640, \$696,342, and \$654,346 respectively; 86.13 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$7,359 made by the School District and \$5,257 made by the plan members.

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, 2010, three members of the Board of Education has elected Social Security. The Board's liability 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 OPEB plans administrated 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

Grand Valley Local School District

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010

Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 Broad St., Suite 100, Columbus, Ohio 43215-3746.

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 401h. For 2010, 1.22 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 2010, this amount was \$35,800. During fiscal year 2010, the School District paid \$30,661 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, 2010, 2009, and 2008 were \$18,703, \$63,723, and \$61,829 respectively; 97.85 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2010, 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, 2010, 2009, and 2008 were \$11,651, \$11,948, and \$9,763 respectively; 97.85 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

State Teachers Retirement System

Plan Description – The School District contributes to 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. 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 may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio law 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 Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$53,000, \$53,565, and \$50,334 respectively; 86.13 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

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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 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

Grand Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Changes in long-term obligations of the School District during fiscal year 2010 were as follows:

	Principal Outstanding 6/30/09	Additions	Deductions	Principal Outstanding 6/30/10	Amounts Due in One Year
<i>General Obligation Bonds</i>					
<i>2002 Classroom Improvement Bonds</i>					
Serial Bonds	\$4,350,000	\$0	\$470,000	\$3,880,000	\$485,000
Term Bonds	6,330,000	0	0	6,330,000	0
<i>Total General Obligation Bonds</i>	10,680,000	0	470,000	10,210,000	485,000
<i>Other Long-Term Obligations</i>					
Capital Leases Payable	1,322,000	0	58,000	1,264,000	61,000
Compensated Absences	667,322	56,064	93,536	629,850	74,618
<i>Total Governmental Activities Long-Term Liabilities</i>	<u>\$12,669,322</u>	<u>\$56,064</u>	<u>\$621,536</u>	<u>\$12,103,850</u>	<u>\$620,618</u>

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

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, 2010. 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
2019	0	0	0
2020	0	730,000	0
2021	0	0	0
2022	0	0	805,000
2023	0	0	845,000
2024	0	0	890,000
Total	<u>\$665,000</u>	<u>\$730,000</u>	<u>\$2,540,000</u>
<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.

Grand Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

The overall debt margin of the School District as of June 30, 2010 was \$8,300,932 with an unvoted debt margin of \$176,399. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2010 are as follows:

	General Obligation Bonds			
	Term		Serial	
	Principal	Interest	Principal	Interest
2011	\$0	\$316,500	\$485,000	\$165,856
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
2016-2020	2,090,000	1,429,000	1,235,000	60,202
2019-2025	4,240,000	551,250	0	0
Total	\$6,330,000	\$3,562,750	\$3,880,000	\$664,018

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, 2010 follows:

	Amounts
Asset:	
Land Improvements	\$1,526,000
Less: Accumulated Depreciation	(381,500)
Current Book Value	\$1,144,500

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, 2010.

	Amounts
2011	119,271
2012	119,458
2013	119,508
2014	119,419
2015	119,192
2016-2020	591,577
2021-2025	588,253
Total Minimum Lease Payments	1,776,678
Less: Amount Representing Interest	(512,678)
Present Value of Minimum Lease Payments	\$1,264,000

Grand Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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 \$1,122,683 for physical damage and \$3,000,000 liability.

The School District maintains replacement cost insurance on buildings and contents in the amount of \$49,562,756.

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.

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.

Worker's Compensation

For fiscal year 2010, 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 \$29,635 to NEOMIN during fiscal year 2010.

Grand Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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 not represented on the Governing Board during fiscal year 2010. 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 \$20 in contributions for fiscal year 2010. Financial information can be obtained from MaryAnn Wayman, Treasurer at Ashtabula County Joint Vocational School District, 1565 State Route 167, Jefferson, Ohio 44047.

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, 2010.

Litigation

The School District is not party to legal proceedings as of June 30, 2010.

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

Grand Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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.

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, capital acquisition and budget stabilization. Disclosure of this information is required by State statute.

	<u>Textbooks</u>	<u>Capital Improvements</u>
Set-aside reserve balance June 30, 2009	(\$578,664)	(\$13,035,975)
Current year set-aside requirement	228,930	228,930
Current year offsets	0	(233,246)
Qualifying disbursements	(98,745)	(15,954)
Totals	<u>(\$448,479)</u>	<u>(\$13,056,245)</u>
Set-aside balance carried forward to future fiscal years	<u>(\$448,479)</u>	<u>(\$13,035,975)</u>
Set-aside reserve balance June 30, 2010	<u>\$0</u>	<u>\$0</u>

The School District had qualifying disbursements during the fiscal year that reduced the textbook set-aside and capital improvements set-aside below zero. The excess amount in the textbook set-aside may be used to reduce the set-aside requirement of 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.

Grand Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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, Majorie Sharp, Clerk/Treasurer, at 1 North School Street, Orwell, Ohio 44076.

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**GRAND VALLEY LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY
FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2010**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through The Ohio Department of Education:</i>						
<i>Child Nutrition Cluster:</i>						
School Breakfast Program		10.553	\$79,493		\$79,493	
National School Lunch Program		10.555	259,037	\$27,453	259,037	\$27,453
<i>Total - Child Nutrition Cluster</i>			<u>338,530</u>	<u>27,453</u>	<u>338,530</u>	<u>27,453</u>
Total U.S. Department of Agriculture			338,530	27,453	338,530	27,453
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through The Ohio Department of Education:</i>						
<i>Title I, Part A Cluster</i>						
Grants to Local Educational Agencies						
Title I School Subsidy	C1-S1-2009	84.010	43,842		56,474	
	C1-S1-2010		317,769		286,637	
Subtotal - CFDA No. 84.010			<u>361,611</u>		<u>343,111</u>	
ARRA - Title I School Subsidy	ARRA	84.389	95,571		91,806	
<i>Total - Title 1, Part A Cluster</i>			<u>457,182</u>		<u>434,917</u>	
Title IV - Safe and Drug Free Schools	DR-S1-2010	84.186	5,451		5,451	
Title II-D - Technology Literacy Challenge Fund Grants	TJ-S1-2010	84.318	3,193		3,193	
Title II-A - Improving Teacher Quality State Grants	TR-S1-2009	84.367	7,251		14,487	
	TR-S1-2010		84,225		79,749	
Subtotal - CFDA No. 84.367			<u>91,476</u>		<u>94,236</u>	
ARRA - State Fiscal Stabilization Fund	ARRA	84.394	384,535		260,182	
Total - U.S. Department of Education			<u>941,837</u>		<u>797,979</u>	
Totals			<u>1,280,367</u>	<u>\$27,453</u>	<u>1,136,509</u>	<u>\$27,453</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, 2010**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (the Schedule) reports the Grand Valley Local School District's (the District) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

Program regulations do not require the District to maintain separate inventory records for purchased food versus food commodities it receives from the U.S. Department of Agriculture. The District reports commodities consumed on the Schedule at the entitlement value.

NOTE D - MATCHING REQUIREMENTS

Certain Federal programs require the District to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.



Mary Taylor, CPA

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
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, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 10, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions 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*.

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www.auditor.state.oh.us

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

We intend this report solely for the information and use of management, the audit committee, Board of Education, and 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 "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

December 10, 2010



Mary Taylor, CPA

Auditor of State

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

Grand Valley Local School District
Ashtabula County
111 Grand Valley Avenue, West
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 each of Grand Valley Local School District's major federal programs for the year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; 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 each of its major federal programs for the year ended June 30, 2010.

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, 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.

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

December 10, 2010

**GRAND VALLEY LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2010**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list): Title 1, Part A Cluster State Fiscal Stabilization Funds	CFDA Numbers: 84.010 and 84.389 84.394
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	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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Mary Taylor, CPA
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
JANUARY 18, 2011**