



Dave Yost • Auditor of State

**GRAND VALLEY LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

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

To The Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Grand Valley Local School District, Ashtabula County (the District), as of and for the year ended June 30, 2012, 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, 2012, and the respective changes in financial position and the respective budgetary comparisons for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2013, 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 School District's basic financial statements taken as a whole. The federal awards receipts and expenditure schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The federal awards receipts and expenditure schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole



Dave Yost
Auditor of State

January 30, 2013

Grand Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
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, 2012. 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 Highlights for fiscal year 2012 are as follows:

- The School District actively pursues grants and controls expenses while still maintaining the high academic standards the residents expect of the School District.
- The School District is committed to meeting the academic needs of our students by providing them with updated instructional materials to compete in a global environment.
- The School District had an increase of 23 students in enrollment from fiscal year 2011 to fiscal year 2012.

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 Position 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 and the classroom facilities capital projects funds are the most significant funds.

Reporting the School District as a Whole

Statement of Net Position 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 2012?" The *Statement of Net Position* and the *Statement of Activities* answers this question. These statements include all assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

Grand Valley Local School District
Management's Discussion and Analysis
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Unaudited

In the Statement of Net Position 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 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 Position 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 Position provides the perspective of the School District as a whole. Table 1 provides a comparison of the School District's Net Position for 2012 compared to 2011:

Table 1
 Net Position
 Governmental Activities

	2012	2011	Change
Assets			
Current and Other Assets	\$15,247,925	\$15,125,286	\$122,639
Capital Assets	27,324,774	28,456,795	(1,132,021)
<i>Total Assets</i>	\$42,572,699	\$43,582,081	(\$1,009,382)

Grand Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Table 1
 Net Position (continued)
 Governmental Activities

	2012	2011	Change
Deferred Outflows of Resources			
Deferred Charge on Refunding	\$656,335	\$0	\$656,335
Liabilities			
Current Liabilities	1,398,558	1,577,057	178,499
Long-Term Liabilities			
Due within One Year	793,130	699,008	(94,122)
Due in More than One Year	10,893,433	10,823,411	(70,022)
<i>Total Liabilities</i>	<u>13,085,121</u>	<u>13,099,476</u>	<u>14,355</u>
Deferred Inflows of Resources			
Property Taxes	2,775,404	2,718,246	57,158
Net Position			
Net Investment in Capital Assets	16,983,540	17,528,795	(545,255)
Restricted for:			
Capital Projects	5,520,451	5,714,806	(194,355)
Debt Service	2,953,789	2,786,317	167,472
Other Purposes	629,381	525,006	104,375
Unrestricted	1,281,348	1,209,435	71,913
<i>Total Net Position</i>	<u>\$27,368,509</u>	<u>\$27,764,359</u>	<u>(\$395,850)</u>

Current assets increased as the result of several factors. Cash and cash equivalents increased from an increase in capital grants and a decrease in expenses that lead to an overall increase in cash. There was a reduction to property taxes receivable that can be directly attributed to a reduction in assessed values within the School District of over 6 percent. The decrease in capital assets was due to an additional year of depreciation.

Total liabilities decreased during fiscal year 2012 which can be attributed to less retirements at the School District and decreases to intergovernmental and accrued wages payable. The decrease in intergovernmental payable is attributed to the School District making their full payment on worker's compensation in fiscal year 2011. The decrease in accrued wages payable is from having younger staff that receives less in overall compensation.

Table 2 shows the changes in net position for fiscal year 2012 compared to 2011.

Grand Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Table 2
 Change in Net Position
 Governmental Activities

	2012	2011	Change
Revenues			
<i>Program Revenues:</i>			
Charges for Services and Sales	\$951,044	\$968,555	(\$17,511)
Operating Grants, Contributions and Interest	1,504,045	1,533,538	(29,493)
Capital Grants	34,199	0	34,199
Total Program Revenues	<u>2,489,288</u>	<u>2,502,093</u>	<u>(12,805)</u>
<i>General Revenues:</i>			
Property Taxes	4,073,921	4,233,227	(159,306)
Grants and Entitlements not Restricted to Specific Programs	6,874,668	6,719,704	154,964
Investment Earnings	33,195	45,089	(11,894)
Miscellaneous	66,023	95,922	(29,899)
Total General Revenues	<u>11,047,807</u>	<u>11,093,942</u>	<u>(46,135)</u>
Total Revenues	<u>13,537,095</u>	<u>13,596,035</u>	<u>(58,940)</u>
Program Expenses			
<i>Instruction:</i>			
Regular	6,975,423	7,023,590	48,167
Special	816,061	777,469	(38,592)
Vocational	182,301	182,518	217
Student Intervention Services	66,627	75,432	8,805
<i>Support Services:</i>			
Pupil	564,022	447,953	(116,069)
Instructional Staff	249,549	316,139	66,590
Board of Education	17,030	17,014	(16)
Administration	1,241,662	1,233,626	(8,036)
Fiscal	316,986	327,037	10,051
Business	26,893	23,575	(3,318)
Operation and Maintenance of Plant	1,091,108	1,186,450	95,342
Pupil Transportation	1,172,473	1,276,179	103,706
Central	27,393	17,916	(9,477)
Operation of Food Services	501,609	561,891	60,282
Extracurricular Activities	418,444	423,445	5,001
Interest and Fiscal Charges	265,364	538,929	273,565
Total Program Expenses	<u>13,932,945</u>	<u>14,429,163</u>	<u>496,218</u>
Decrease in Net Position	(395,850)	(833,128)	437,278
Net Position Beginning of Year	<u>27,764,359</u>	<u>28,597,487</u>	<u>(833,128)</u>
Net Position End of Year	<u>\$27,368,509</u>	<u>\$27,764,359</u>	<u>(\$395,850)</u>

Grand Valley Local School District
Management's Discussion and Analysis
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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 30.09 percent of revenues for governmental activities for Grand Valley Local School District in fiscal year 2012.

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. This funding is directly impacted by the enrollment of the School District. The School District's enrollment increased by 23 students in fiscal year 2012. The School District also actively solicits and receives additional grant and entitlement funds to help offset operating costs. There was an increase in grants and entitlement revenue not restricted from the School District actively seeking out additional revenue sources to help subsidize school programs.

Instruction expenses decreased due to teachers higher on the pay scale leaving in fiscal year 2011 and being replaced by entry level staff. Interest and fiscal charges were reduced from the School District refunding old debt to take advantage of better interest rates. 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 2012 compared to 2011.

Grand Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Table 3
 Total and Net Cost of Program Services
 Governmental Activities

	2012		2011	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction:				
Regular	\$6,975,423	\$5,720,549	\$7,023,590	\$5,799,951
Special	816,061	539,120	777,469	290,261
Vocational	182,301	182,301	182,518	182,518
Student Intervention Services	66,627	4,307	75,432	43,137
Support Services:				
Pupil	564,022	561,529	447,953	445,989
Instructional Staff	249,549	228,788	316,139	309,314
Board of Education	17,030	17,030	17,014	17,014
Administration	1,241,662	1,216,180	1,233,626	1,228,626
Fiscal	316,986	316,986	327,037	327,037
Business	26,893	26,893	23,575	23,575
Operation and Maintenance of Plant	1,091,108	1,037,751	1,186,450	1,137,842
Pupil Transportation	1,172,473	1,138,274	1,276,179	1,276,179
Central	27,393	17,270	17,916	17,916
Operation of Food Services	501,609	(101,071)	561,891	(21,882)
Extracurricular Activities	418,444	272,386	423,445	310,664
Interest and Fiscal Charges	265,364	265,364	538,929	538,929
Total	<u>\$13,932,945</u>	<u>\$11,443,657</u>	<u>\$14,429,163</u>	<u>\$11,927,070</u>

The School District's Funds

Information about the School District's major funds starts on page 13. These funds are accounted for using the modified accrual basis of accounting. The general fund had a decrease in expenditures from the prior year as a result of cost cutting measures and staff leaving from retirement. The general fund revenues increased from the previous fiscal year due to additional grants received from the School District actively seeking out additional sources of funding along with an increase in enrollment resulting in additional aid from the State. The bond retirement fund revenues decreased due to less property tax revenues compared to the prior fiscal year. The classroom facilities capital projects fund remained relatively stagnant as all construction projects are concluding. 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 2012, 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, extracurricular activities and rentals. The School

Grand Valley Local School District
Management's Discussion and Analysis
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District's actual expenditures were well within the final budgeted appropriations due to the School District's continuous effort in monitoring expenditures.

The School District uses a site-based budgeting system designed to tightly control total site budgets but provide flexibility for site management. Building principals are given a per pupil allocation for textbook, instructional materials and equipment.

Capital Assets and Debt Administration

Capital Assets

Table 4 shows fiscal year 2012 balances compared to fiscal year 2011:

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

	2012	2011	Change
Land	\$845,993	\$845,993	\$0
Land Improvements	2,200,364	2,359,589	(159,225)
Buildings and Improvements	23,559,664	24,531,166	(971,502)
Furniture and Fixtures	296,687	332,972	(36,285)
Vehicles	376,280	330,032	46,248
Textbooks	45,786	57,043	(11,257)
Total	\$27,324,774	\$28,456,795	(\$1,132,021)

The decrease in capital assets was the result of annual depreciation on all capital assets other than land. This decrease was offset by the purchase of additional capital assets which included a school bus and mini lift van. See Note 12 to the Basic Financial Statements for additional capital asset information.

Debt

Table 5 summarizes the debt outstanding.

Table 5
 Outstanding Debt at Fiscal Year End
 Governmental Activities

	2012	2011	Change
2002 Classroom Improvement Bonds	\$530,000	\$9,725,000	(\$9,195,000)
2012 Classroom Refunding Bonds	9,406,139	0	9,406,139
2006 Capital Lease	1,139,000	1,203,000	(64,000)
Total	\$11,075,139	\$10,928,000	\$147,139

Grand Valley Local School District
Management's Discussion and Analysis
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The School District has bonded debt issued for the construction of the new school facility. In fiscal year 2012, the School District refunded all but a small portion of the 2002 issue to take advantage of better interest rates. 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 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 Position

June 30, 2012

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$9,949,996
Accounts Receivable	3,163
Accrued Interest Receivable	7,883
Intergovernmental Receivable	277,491
Inventory Held for Resale	20,117
Materials and Supplies Inventory	43,995
Property Taxes Receivable	4,945,280
Nondepreciable Capital Assets	845,993
Depreciable Capital Assets, Net	<u>26,478,781</u>
<i>Total Assets</i>	<u>42,572,699</u>
Deferred Outflows of Resources	
Deferred Charge on Refunding	<u>656,335</u>
Liabilities	
Accounts Payable	39,672
Accrued Wages and Benefits	977,913
Intergovernmental Payable	262,503
Matured Compensated Absences Payable	36,130
Accrued Interest Payable	17,982
Vacation Benefits Payable	64,358
Long-Term Liabilities:	
Due Within One Year	793,130
Due In More Than One Year	<u>10,893,433</u>
<i>Total Liabilities</i>	<u>13,085,121</u>
Deferred Inflows of Resources	
Property Taxes	<u>2,775,404</u>
Net Position	
Net Investment in Capital Assets	16,983,540
Restricted for:	
Capital Projects	5,520,451
Debt Service	2,953,789
Other Purposes	629,381
Unrestricted	<u>1,281,348</u>
<i>Total Net Position</i>	<u><u>\$27,368,509</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, 2012

	Program Revenues			Capital Grants	Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest		
Governmental Activities					
Instruction:					
Regular	\$6,975,423	\$583,760	\$671,114	\$0	(\$5,720,549)
Special	816,061	0	276,941	0	(539,120)
Vocational	182,301	0	0	0	(182,301)
Student Intervention Services	66,627	0	62,320	0	(4,307)
Support Services:					
Pupil	564,022	0	2,493	0	(561,529)
Instructional Staff	249,549	0	20,761	0	(228,788)
Board of Education	17,030	0	0	0	(17,030)
Administration	1,241,662	0	25,482	0	(1,216,180)
Fiscal	316,986	0	0	0	(316,986)
Business	26,893	0	0	0	(26,893)
Operation and Maintenance of Plant	1,091,108	25,084	28,273	0	(1,037,751)
Pupil Transportation	1,172,473	0	0	34,199	(1,138,274)
Central	27,393	0	10,123	0	(17,270)
Operation of Food Services	501,609	196,142	406,538	0	101,071
Extracurricular Activities	418,444	146,058	0	0	(272,386)
Interest and Fiscal Charges	265,364	0	0	0	(265,364)
Totals	\$13,932,945	\$951,044	\$1,504,045	\$34,199	(11,443,657)
General Revenues					
Property Taxes Levied for:					
					3,154,072
					761,120
					104,965
					53,764
					6,874,668
					33,195
					66,023
					<u>11,047,807</u>
					Change in Net Position (395,850)
					<u>Net Position Beginning of Year 27,764,359</u>
					<u>Net Position End of Year \$27,368,509</u>

See accompanying notes to the basic financial statements

Grand Valley Local School District

*Balance Sheet
Governmental Funds
June 30, 2012*

	General	Bond Retirement	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and					
Cash Equivalents	\$1,319,578	\$2,563,087	\$4,250,850	\$1,816,481	\$9,949,996
Accounts Receivable	0	0	0	3,163	3,163
Accrued Interest Receivable	7,883	0	0	0	7,883
Intergovernmental Receivable	27,053	0	0	250,438	277,491
Interfund Receivable	54,200	0	0	0	54,200
Inventory Held for Resale	0	0	0	20,117	20,117
Materials and Supplies Inventory	42,248	0	0	1,747	43,995
Property Taxes Receivable	3,818,611	935,043	0	191,626	4,945,280
<i>Total Assets</i>	<u>\$5,269,573</u>	<u>\$3,498,130</u>	<u>\$4,250,850</u>	<u>\$2,283,572</u>	<u>\$15,302,125</u>
Liabilities					
Accounts Payable	\$36,239	\$0	\$0	\$3,433	\$39,672
Accrued Wages and Benefits	832,351	0	0	145,562	977,913
Interfund Payable	0	0	0	54,200	54,200
Matured Compensated Absences Payable	29,587	0	0	6,543	36,130
Intergovernmental Payable	247,874	0	0	14,629	262,503
<i>Total Liabilities</i>	<u>1,146,051</u>	<u>0</u>	<u>0</u>	<u>224,367</u>	<u>1,370,418</u>
Deferred Inflows of Resources					
Property Taxes	2,141,305	526,359	0	107,740	2,775,404
Unavailable Revenue	399,218	96,880	0	82,095	578,193
<i>Total Deferred Inflows of Resources</i>	<u>2,540,523</u>	<u>623,239</u>	<u>0</u>	<u>189,835</u>	<u>3,353,597</u>
Fund Balances					
Nonspendable	42,248	0	0	1,747	43,995
Restricted	0	2,874,891	4,250,850	1,869,874	8,995,615
Committed	91,457	0	0	0	91,457
Assigned	190,319	0	0	0	190,319
Unassigned (Deficit)	1,258,975	0	0	(2,251)	1,256,724
<i>Total Fund Balances</i>	<u>1,582,999</u>	<u>2,874,891</u>	<u>4,250,850</u>	<u>1,869,370</u>	<u>10,578,110</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$5,269,573</u>	<u>\$3,498,130</u>	<u>\$4,250,850</u>	<u>\$2,283,572</u>	<u>\$15,302,125</u>

See accompanying notes to the basic financial statements

Grand Valley Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 June 30, 2012*

Total Governmental Fund Balances	\$10,578,110
 <i>Amounts reported for governmental activities in the statement of net position are different because</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	27,324,774
Other long-term assets are not available to pay for current-period expenditures and therefore are unavailable in the funds.	
Delinquent Property Taxes	500,383
Intergovernmental	77,810
Total	578,193
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(17,982)
Vacation Benefits payable is not expected to be paid with expendable available financial resources and therefore is not reported in the funds.	(64,358)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
General Obligation Bonds	(9,936,139)
Capital Leases Payable	(1,139,000)
Compensated Absences	(611,424)
Deferred Charge on Refunding	656,335
Total	(11,030,228)
<i>Net Position of Governmental Activities</i>	\$27,368,509

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, 2012

	General	Bond Retirement	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$3,237,140	\$787,452	\$0	\$163,088	\$4,187,680
Intergovernmental	6,691,639	183,029	0	1,487,650	8,362,318
Interest	10,762	0	22,154	803	33,719
Tuition and Fees	583,760	0	0	0	583,760
Extracurricular Activities	71,678	0	0	74,380	146,058
Charges for Services	0	0	0	196,142	196,142
Rentals	25,084	0	0	0	25,084
Contributions and Donations	0	0	0	3,074	3,074
Miscellaneous	65,467	0	0	556	66,023
<i>Total Revenues</i>	<u>10,685,530</u>	<u>970,481</u>	<u>22,154</u>	<u>1,925,693</u>	<u>13,603,858</u>
Expenditures					
Current:					
Instruction:					
Regular	5,102,342	0	0	648,215	5,750,557
Special	579,929	0	0	248,431	828,360
Vocational	183,544	0	0	0	183,544
Student Intervention Services	0	0	0	66,627	66,627
Support Services:					
Pupil	559,120	0	0	5,452	564,572
Instructional Staff	226,996	0	0	20,761	247,757
Board of Education	17,030	0	0	0	17,030
Administration	1,184,317	2,230	0	44,618	1,231,165
Fiscal	291,362	22,323	0	4,288	317,973
Business	26,893	0	0	0	26,893
Operation and Maintenance of Plant	992,154	0	0	85,907	1,078,061
Pupil Transportation	993,733	0	0	151,413	1,145,146
Central	0	0	0	27,393	27,393
Operation of Food Services	0	0	0	495,709	495,709
Extracurricular Activities	287,381	0	0	77,179	364,560
Capital Outlay	0	0	51,058	20,178	71,236
Debt Service:					
Principal Retirement	0	620,000	0	64,000	684,000
Interest and Fiscal Charges	0	157,299	0	57,696	214,995
Bond Issuance Costs	0	99,260	0	0	99,260
<i>Total Expenditures</i>	<u>10,444,801</u>	<u>901,112</u>	<u>51,058</u>	<u>2,017,867</u>	<u>13,414,838</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>240,729</u>	<u>69,369</u>	<u>(28,904)</u>	<u>(92,174)</u>	<u>189,020</u>
Other Financing Sources (Uses)					
Refunding Bonds Issued	0	8,689,988	0	0	8,689,988
Premium on Refunding Bonds Issued	0	798,796	0	0	798,796
Payment to Refunded Bond Escrow Agent	0	(9,385,715)	0	0	(9,385,715)
Transfers In	0	0	0	8,000	8,000
Transfers Out	(8,000)	0	0	0	(8,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(8,000)</u>	<u>103,069</u>	<u>0</u>	<u>8,000</u>	<u>103,069</u>
<i>Net Change in Fund Balances</i>	232,729	172,438	(28,904)	(84,174)	292,089
<i>Fund Balances Beginning of Year</i>	<u>1,350,270</u>	<u>2,702,453</u>	<u>4,279,754</u>	<u>1,953,544</u>	<u>10,286,021</u>
<i>Fund Balances End of Year</i>	<u>\$1,582,999</u>	<u>\$2,874,891</u>	<u>\$4,250,850</u>	<u>\$1,869,370</u>	<u>\$10,578,110</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, 2012*

Net Change in Fund Balances - Total Governmental Funds \$292,089

*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	143,495	
Current Year Depreciation	<u>(1,269,116)</u>	
Total		(1,125,621)

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (6,400)

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

Property Taxes	(113,759)	
Intergovernmental	46,996	
State Employee Retirement System Refund of Expenditure	<u>(3,973)</u>	
Total		(70,736)

Other financing sources in the governmental funds increase long-term liabilities in the statement of net position.

General Obligation Bonds Issued	(8,689,988)	
Premium on Bonds Issued	<u>(798,796)</u>	
Total		(9,488,784)

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 position. 10,069,715

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.

Accrued Interest on Bonds	21,366	
Bond Accretion	(77,570)	
Amortization of Premium on Bonds	45,215	
Amortization of Deferred Charge on Refunding	<u>(39,380)</u>	
Total		(50,369)

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	(17,005)	
Vacation Benefits Payable	<u>1,261</u>	
Total		<u>(15,744)</u>

Change in Net Position of Governmental Activities (\$395,850)

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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$3,474,040	\$3,800,919	\$3,341,534	(\$459,385)
Intergovernmental	6,825,774	6,228,871	6,682,497	453,626
Interest	26,078	25,088	10,546	(14,542)
Tuition and Fees	640,943	586,142	583,760	(2,382)
Extracurricular Activities	30,565	27,146	36,416	9,270
Rentals	19,904	17,549	25,084	7,535
Miscellaneous	44,702	40,186	48,100	7,914
<i>Total Revenues</i>	<u>11,062,006</u>	<u>10,725,901</u>	<u>10,727,937</u>	<u>2,036</u>
Expenditures				
Current:				
Instruction:				
Regular	5,344,858	5,388,734	5,218,680	170,054
Special	572,434	600,871	577,701	23,170
Vocational	192,629	192,629	183,718	8,911
Support Services:				
Pupil	453,414	571,516	562,655	8,861
Instructional Staff	291,549	264,242	237,532	26,710
Board of Education	24,103	24,103	22,033	2,070
Administration	1,249,592	1,270,751	1,213,689	57,062
Fiscal	308,339	304,139	294,685	9,454
Business	29,888	30,888	29,731	1,157
Operation and Maintenance of Plant	1,224,297	1,203,632	1,091,983	111,649
Pupil Transportation	1,075,724	1,088,909	1,005,389	83,520
Central	16,500	19,600	19,589	11
Extracurricular Activities	220,641	232,265	223,308	8,957
<i>Total Expenditures</i>	<u>11,003,968</u>	<u>11,192,279</u>	<u>10,680,693</u>	<u>511,586</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>58,038</u>	<u>(466,378)</u>	<u>47,244</u>	<u>513,622</u>
Other Financing Sources (Uses)				
Advances In	10,700	10,700	10,700	0
Advances Out	0	(60,000)	(54,200)	5,800
Transfers Out	(8,000)	(8,000)	(8,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>2,700</u>	<u>(57,300)</u>	<u>(51,500)</u>	<u>5,800</u>
<i>Net Change in Fund Balance</i>	60,738	(523,678)	(4,256)	519,422
<i>Fund Balance Beginning of Year</i>	978,325	978,325	978,325	0
Prior Year Encumbrances Appropriated	<u>113,265</u>	<u>113,265</u>	<u>113,265</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$1,152,328</u>	<u>\$567,912</u>	<u>\$1,087,334</u>	<u>\$519,422</u>

See accompanying notes to the basic financial statements

Grand Valley Local School District

Statement of Net Position

Fiduciary Funds

June 30, 2012

	Private Purpose Trust	
	<u>Scholarships</u>	<u>Agency</u>
Assets		
Equity in Pooled Cash and Cash Equivalents	\$11,296	<u>\$45,123</u>
Liabilities		
Due to Students	<u>0</u>	<u>\$45,123</u>
Net Position		
Held in Trust for College Scholarships	<u>\$11,296</u>	

See accompanying notes to the basic financial statements

Grand Valley Local School District
Statement of Changes in Net Position
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2012

	<u>Scholarships</u>
Additions	
Interest	\$49
Deductions	
College Scholarships Awarded	<u>250</u>
<i>Change in Net Position</i>	(201)
<i>Net Position Beginning of Year</i>	<u>11,497</u>
<i>Net Position End of Year</i>	<u><u>\$11,296</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, 2012

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 45 classified employees and 83 certified employees who provide services to 1,454 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, 2012*

Basis of Presentation

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

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

Fund Accounting

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

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

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

Grand Valley Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

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

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

Measurement Focus

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

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, in the recording of deferred inflows of resources, and in the presentation of expenses versus expenditures.

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

Grand Valley Local School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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 Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources include a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2012, but which were levied to finance fiscal year 2013 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

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.

Grand Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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 2012, investments were limited to nonnegotiable certificates of deposits, mutual funds 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.

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 Rule2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's net asset value per share, which is the price the investment could be sold for on June 30, 2012.

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 2012 amounted to \$10,762 which includes \$6,315 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 expended/expensed when used. Inventories consist of donated food, purchased food and school supplies held for resale, and materials and supplies held for consumption.

Capital Assets

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

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

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

Grand Valley Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

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

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column of the statement of net assets.

Compensated Absences

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

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

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

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

Accrued Liabilities and Long-term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments and compensated absences 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.

Grand Valley Local School District
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Bond Premiums

On the government-wide financial statements, bond premiums are amortized over the term of the bonds using the straight line method. Bond premiums are presented as an increase of the face amount of the general obligation bonds payable. On the fund financial statements, bond premiums are received in the year the bonds are issued.

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.

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets 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 position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for auxiliary 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 position is available.

Fund Balance

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

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

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

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously

Grand Valley Local School District
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For the Fiscal Year Ended June 30, 2012

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.

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.

Budgetary Data

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

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

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

Note 3 – Change in Accounting Principles

For fiscal year 2012, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,” Statement No. 64, “Derivative Instruments: Application of Hedge Accounting Termination Provisions – and amendment of GASB Statement No. 53” Fund Balance Reporting and Governmental Fund Type Definitions” and Statement No. 65, “Items Previously Reported as Assets and Liabilities.”

GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related note disclosures. These changes were incorporated in the School District’s fiscal year 2012 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 64 clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The implementation of this statement did not result in any change in the School District’s financial statements.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These changes were incorporated in the School District’s fiscal year 2012 financial statements; however, there was no effect on beginning net position/fund balance.

Note 4 - Accountability

At June 30, 2012, there were deficits in the title I, title II-A and the miscellaneous federal grants special revenue funds in the amounts of \$623, \$863 and \$765, respectively. The deficit balance resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in this fund and provides transfers when cash is required, not when accruals occur.

Note 5 - Fund Balances

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

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Fund Balances	General	Bond Retirement	Classroom Facilities	Other Governmental Funds	Total
<i>Nonspendable</i>					
Inventory	\$42,248	\$0	\$0	\$1,747	\$43,995
<i>Restricted for</i>					
Inventory	0	0	0	20,117	20,117
Food Service Operations	0	0	0	268,336	268,336
Scholarship Awards	0	0	0	66,087	66,087
Classroom Maintenance	0	0	0	224,834	224,834
Athletics	0	0	0	32,119	32,119
Regular Instruction	0	0	0	883	883
Debt Service Payments	0	2,874,891	0	0	2,874,891
Capital Improvements	0	0	4,250,850	1,257,498	5,508,348
<i>Total Restricted</i>	0	2,874,891	4,250,850	1,869,874	8,995,615
<i>Committed to</i>					
Other Purposes	91,457	0	0	0	91,457
<i>Assigned to</i>					
Other Purposes	190,319	0	0	0	190,319
<i>Unassigned (Deficit)</i>	1,258,975	0	0	(2,251)	1,256,724
<i>Total Fund Balances</i>	\$1,582,999	\$2,874,891	\$4,250,850	\$1,869,370	\$10,578,110

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).
5. Advances-Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP.)
6. Budgetary revenues and expenditures of the public school support fund are classified to general fund for GAAP Reporting.

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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	\$232,729
Net Adjustment for Revenue Accruals	(10,379)
Advances In	10,700
Beginning Fair Value Adjustment for Investments	(658)
Ending Fair Value Adjustment for Investments	817
Excess of revenues under expenditures:	
Public School Support	(13,640)
Net Adjustment for Expenditure Accruals	3,487
Advances Out	(54,200)
Encumbrances	(173,112)
Budget Basis	(\$4,256)

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;

Grand Valley Local School District
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3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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

Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$1,510,697 of the School District's bank balance of \$8,365,043 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, 2012, the School District had the following investments. All investments are in an internal investment pool.

	Fair Value	Maturity	Standard & Poor's	Percent of Total Investments
Mutual Funds	\$1,692,157	Daily	AAA	98.54%
STAR Ohio	25,111	Average 52.5 Days	N/A	N/A
<i>Totals</i>	\$1,717,268			

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.

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

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

Note 8 – Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed values as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, 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 revenues received in calendar year 2012, represent the collection of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien on December 31, 2010, were levied after April 1, 2011, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

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, 2012, are available to finance fiscal year 2013 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2012, 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 to deferred inflows of resources – property taxes.

The amount available as an advance at June 30, 2012, was \$1,292,511 in the general fund, \$21,911 in the classroom facilities maintenance special revenue fund, \$311,804 in the bond retirement debt service fund and \$43,267 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2011, was \$1,396,905 in the general fund, \$23,456 in the classroom facilities maintenance special revenue fund, \$356,262 in the bond retirement debt service fund and \$46,121 in the permanent improvement capital projects fund.

Grand Valley Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

On an accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

The assessed values upon which the fiscal year 2012 taxes were collected are:

	2011 First Half Collections		2012 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$172,556,900	97.18 %	\$161,241,410	96.86 %
Public Utility Personal	5,011,890	2.82	5,225,970	3.14
Total	\$177,568,790	100.00 %	\$166,467,380	100.00 %
Full Tax Rate per \$1,000 of assessed valuation	\$48.01		\$48.01	

Note 9 - Receivables

Receivables at June 30, 2012, consisted of taxes, accounts (rent and student fees), tuition, School Employees Retirement System reimbursement 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:

	Amounts
Title I Grant	\$129,063
Education Jobs Grant	70,397
Race to the Top Grant	29,248
Title VI-R Grant	17,551
School Employees Retirement System	16,177
Medicaid Reimbursement	12,630
Federal Grant	2,425
Total	\$277,491

Grand Valley Local School District
Notes to the Basic Financial Statements
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Note 10 - Interfund Transfers and Balances

Interfund Transfers

The general fund transferred \$8,000 to the athletics and music special revenue fund to help provide funding for fiscal year 2012.

Interfund Balances

Interfund Payable	Interfund Receivable
<i>Other Governmental Funds:</i>	General
Education Jobs	\$21,000
Race to the Top	1,200
Title I	26,000
Class Size Reduction	6,000
Total	\$54,200

The general fund reported an interfund receivable at June 30, 2012 of \$54,200. The other governmental funds had an interfund payable of \$54,200 due to the timing of grant receipts.

Note 11 - 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 Minnesota Mutual in the amount of \$25,000 for certified and classified employees. An additional \$100,000 is provided to the treasurer and superintendent.

Grand Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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 12 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
<i>Capital Assets not being Depreciated:</i>				
Land	\$845,993	\$0	\$0	\$845,993
<i>Capital Assets being Depreciated:</i>				
Land Improvements	3,234,226	0	0	3,234,226
Buildings and Improvements	32,685,614	0	0	32,685,614
Furniture and Fixtures	641,069	0	0	641,069
Vehicles	1,268,279	136,549	(12,800)	1,392,028
Textbooks	379,506	6,946	(1,042)	385,410
<i>Total Capital Assets being Depreciated</i>	38,208,694	143,495	(13,842)	38,338,347
<i>Less: Accumulated Depreciation</i>				
Land Improvements	(874,637)	(159,225)	0	(1,033,862)
Buildings and Improvements	(8,154,448)	(971,502)	0	(9,125,950)
Furniture and Fixtures	(308,097)	(36,285)	0	(344,382)
Vehicles	(938,247)	(83,901)	6,400	(1,015,748)
Textbooks	(322,463)	(18,203)	1,042	(339,624)
<i>Total Accumulated Depreciation</i>	(10,597,892)	(1,269,116) *	7,442	(11,859,566)
<i>Total Capital Assets being Depreciated, Net</i>	27,610,802	(1,125,621)	(6,400)	26,478,781
<i>Governmental Activities</i>				
<i>Capital Assets, Net</i>	\$28,456,795	(\$1,125,621)	(\$6,400)	\$27,324,774

* Depreciation expense was charged to governmental functions as follows:

Grand Valley Local School District

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Instruction:	
Regular	\$1,095,802
Support Services:	
Instructional Staff	823
Administration	8,690
Operation and Maintenance of Plant	10,046
Pupil Transportation	93,894
Operation of Food Services	5,977
Extracurricular Activities	53,884
Total Depreciation Expense	<u>\$1,269,116</u>

Note 13 - Pension Plans

School Employees Retirement System

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2012, the allocation to pension and death benefits was 12.70 percent. The remaining 1.30 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$174,157, \$172,676 and \$195,924, respectively. For fiscal year 2012, 96.55 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

State Teachers Retirement System of Ohio

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service, or an allowance based on a member's

Grand Valley Local School District

*Notes to the Basic Financial Statements
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lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

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

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2012, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$630,081 and \$0 for the fiscal year ended June 30, 2012, \$646,096 and \$50 for the fiscal year ended June 30, 2011, and \$698,547 and \$179 for the fiscal year ended June 30, 2010. For fiscal year 2012, 85.20 percent has been contributed for the DB plan, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

Contributions made to STRS Ohio for the DC Plan for fiscal year 2012 were \$7,586 made by the School District and \$5,419 made by the plan members. No member contributions were made for fiscal year 2012 for the defined contribution portion of the Combined Plan.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2012, three members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

Note 14 - Postemployment Benefits

School Employee Retirement System

Plan Description – The School District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health

Grand Valley Local School District

*Notes to the Basic Financial Statements
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Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2012, 0.55 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2012, this amount was \$35,800. During fiscal year 2012, the School District paid \$20,449 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, 2012, 2011 and 2010 were \$27,991, \$42,279 and \$18,703, respectively. For fiscal year 2012, 96.55 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011 and 2010, were \$10,285, \$11,112 and \$11,651, respectively. For fiscal year 2012, 96.55 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011 and 2010 were \$48,468, \$50,773 and \$53,000, respectively. For fiscal year 2012, 85.20 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

Grand Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 15 – Long-Term Obligations

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

Debt Issue	Interest Rate	Original Issue	Year of Maturity
2002 Classroom Improvement Bonds:			
Serial Bonds	3.00% to 4.85%	\$5,925,000	2003 to 2013
2012 Classroom Refunding Bonds:			
Serial Bonds	1.00% to 3.10%	\$8,160,000	2012 to 2025
Capital Appreciation Bonds	2.60% to 2.80%	529,988	2017 to 2018

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

	Principal Outstanding 6/30/11		Principal Outstanding 6/30/12		Amounts Due in One Year
	Additions	Deductions	Additions	Deductions	
General Obligation Bonds					
2002 Classroom Improvement Bonds					
Serial Bonds	\$3,395,000	\$0	\$2,865,000	\$530,000	\$530,000
Term Bonds	6,330,000	0	6,330,000	0	0
Total 2002 Classroom Improvement Bonds	9,725,000	0	9,195,000	530,000	530,000
2012 Classroom Refunding Bonds					
Serial Bonds	0	8,160,000	115,000	8,045,000	160,000
Capital Appreciation Bonds	0	529,988	0	529,988	0
Accretion on Bonds	0	77,570	0	77,570	0
Premium	0	798,796	45,215	753,581	0
Total 2012 Classroom Refunding Bonds	0	9,566,354	160,215	9,406,139	160,000
Total General Obligation Bonds	9,725,000	9,566,354	9,355,215	9,936,139	690,000
Other Long-Term Obligations					
Capital Leases Payable	1,203,000	0	64,000	1,139,000	67,000
Compensated Absences	594,419	147,013	130,008	611,424	36,130
Total Governmental Activities Long-Term Liabilities	\$11,522,419	\$9,713,367	\$9,549,223	\$11,686,563	\$793,130

Compensated absences will be paid from the general fund and the title I and the food service special revenue funds. The capital lease is paid from the permanent improvement capital projects fund.

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. As of June 30, 2012, the full amount of the term bonds and the majority of the serial bonds remaining outstanding were retired by the School District through an advance refunding. 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.

Grand Valley Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

On October 4, 2011, the School District issued \$8,689,988 in general obligation refunding bonds which included serial and capital appreciation (deep discount) bonds in the amount of \$8,160,000 and \$529,988, respectively. The general obligation refunding bonds were issued for the purpose of refunding a portion of the 2002 classroom improvement bonds to take advantage of lower interest rates. The bonds were issued for a fourteen year period with a final maturity at December 1, 2024. The bonds will be retired from the debt service fund.

The maturity amount of outstanding capital appreciation bonds at June 30, 2012 is \$1,505,000. The capital appreciation bonds were originally sold at a discount of \$975,012, which is being accreted annually until the point of maturity of the capital appreciation bonds, which is 2018. The accretion recorded for 2012 was \$77,570, for a total outstanding bond liability of \$607,558 at June 30, 2012.

The refunding bonds were sold at a premium of \$798,796. Net proceeds of \$9,385,715 were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded portion of the various bonds. As a result, \$8,690,000 of these bonds is considered defeased and the liability for the refund portion of these bonds has been removed from the School District's financial statements.

The reacquisition price exceeded the net carrying amount of the old debt by \$695,715. This amount is being amortized over fourteen years.

The School District decreased its total debt service payments by \$1,028,069 as a result of the advance refunding. The School District also incurred an economic gain (difference between the present values of the old and new debt service payments) of \$806,366.

An analysis of the refunding issue follows:

	2002 Various Purpose Imp Bonds
Outstanding at June 30, 2011	\$9,725,000
Amount Refunded	(8,690,000)
Non-Refunded Portion	1,035,000
Principal Payment on Non-Refunded Portion	(505,000)
Outstanding Principal at June 30, 2012	\$530,000

The overall debt margin of the School District as of June 30, 2012 was \$8,577,151 with an unvoted debt margin of \$166,467. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2012 are as follows:

Grand Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

	General Obligation Bonds			
	Serial		Capital Appreciation	
	Principal	Interest	Principal	Interest
2013	\$690,000	\$203,322	\$0	\$0
2014	715,000	181,925	0	0
2015	730,000	167,512	0	0
2016	745,000	156,450	0	0
2017	0	150,862	288,667	461,333
2018-2022	3,130,000	606,092	241,321	513,679
2023-2025	2,565,000	117,880	0	0
Total	\$8,575,000	\$1,584,043	\$529,988	\$975,012

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, 2012, follows:

	Amounts
Asset:	
Land Improvements	\$1,526,000
Less: Accumulated Depreciation	(534,100)
Current Book Value	\$991,900

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2012.

	Amounts
2013	\$119,508
2014	119,419
2015	119,192
2016	118,827
2017	118,323
2018-2022	590,577
2023-2025	352,103
Total Minimum Lease Payments	1,537,949
Less: Amount Representing Interest	(398,949)
Present Value of Minimum Lease Payments	\$1,139,000

Grand Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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).

Type of Coverage	Coverage Amount
Property - Building and Business Personal	\$49,651,081
Equipment Breakdown	50,000,000
Crime Coverage per occurrence	100,000
Unintentional Errors and Omissions	1,000,000
Utility Service Direct Damage	500,000
Valuable Papers	1,000,000
General Liability:	
Bodily Inhury and Property Damage	12,000,000
Personal Injury	12,000,000
Products/Completed Operations	12,000,000
Automobile Bodily Injury	12,000,000

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. Certified employees per negotiated agreement are required to pay \$65 per month for family coverage and \$32.50 per month for single coverage. Classified employees per negotiated agreement are required to pay \$60 per month for family coverage and \$30 per month for single coverage.

Worker's Compensation

For fiscal year 2012, 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.

Grand Valley Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

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 \$24,770 to NEOMIN during fiscal year 2012.

Superintendents of the participating school districts are eligible to be voting members of the Governing Board which consists of ten members: the Trumbull and Ashtabula County superintendents (permanent members, three superintendents from Ashtabula County School Districts, three superintendents from Trumbull County School Districts, and a treasurer from each county. The School District was represented on the Governing Board by the Treasurer during fiscal year 2012. 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 \$41 in contributions for fiscal year 2012. 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 Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

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. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2012, if applicable, cannot be determined at this time.

Litigation

The School District is not party to legal proceedings as of June 30, 2012.

Grand Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 20 – Public Entity Risk Pools

Insurance Purchasing Pool

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

Risk Sharing Pools

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

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

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 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 capital acquisition. Disclosure of this information is required by State statute.

Grand Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

	Capital Improvements
Set-aside reserve balance June 30, 2011	(\$9,725,000)
Current year set-aside requirement	243,251
Current year offsets	(319,532)
Qualifying disbursements	(229,959)
Totals	(\$10,031,240)
Set-aside balance carried forward to future fiscal years	(\$9,105,025)
Set-aside reserve balance June 30, 2012	\$0

The School District had qualifying disbursements during the fiscal year that reduced the capital improvements set-aside below zero. The negative balance being carried forward on the capital improvements set-aside represents the still outstanding balance on the School District's Ohio School Facilities Commission bonds.

Note 22 – Related Organization

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

Note 23 – Subsequent Event

On November 6, 2012, the School District failed to pass a 4.9 mill, 5-year emergency levy for operating expenses in the general election.

GRAND VALLEY LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY
FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2012

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>Nutrition Cluster:</i>						
School Breakfast Program		10.553	\$92,194		\$92,194	
Subtotal -- School Breakfast Program			92,194		92,194	
National School Lunch Program		10.555	282,204	50,339	282,204	50,339
Subtotal -- School National School Lunch Program			282,204	50,339	282,204	50,339
Total -- Nutrition Cluster			374,398		374,398	
Total U.S. Department of Agriculture			374,398	50,339	374,398	50,339
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through The Ohio Department of Education:</i>						
<i>Title I Cluster</i>						
Grants to Local Educational Agencies						
Title I School Subsidy	C1-S1-2011	84.010	55,857		70,854	
	C1-S1-2012		333,105		357,375	
ARRA Title I School Subsidy	2011	84.389	23,660		13,369	
Subtotal -- Title I School Subsidy Cluster			412,622		441,598	
ARRA School District Fiscal Stabilization Fund	C2-S1-2011	84.394			81,101	
SDFS Sustainability Fund	C2-S1-2012	84.186	63,070		63,070	
Title - II D Tech	TJ-S1-2011	84.318			90	
	TJ-S1-2012		2,976		2,976	
Subtotal -- Title II Tech Fund			2,976		3,066	
Title II - A Improving Teacher Quality State Grants	TR-S1-2011	84.367	15,820		17,772	
	TR-S1-2012		63,187		68,876	
Subtotal -- Title II - A			79,007		86,648	
Title VI-B Rural and Low	2012	84.358	25,495		21,393	
ARRA Race to the Top	2011	84.395	(172)		1,338	
	2012		59,864		59,749	
Subtotal -- ARRA Race to the Top Funds			59,692		61,087	
ED JOBS		84.410	266,279		286,942	
Total -- U.S. Department of Education			909,141		1,044,905	
Totals			1,283,539	\$50,339	1,419,303	\$50,339

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 RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2012**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE b - 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 and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair value of the commodities received.

NOTE d - MATCHING REQUIREMENTS

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



Dave Yost • Auditor of State

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

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

To The Board of Education:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Grand Valley Local School District, Ashtabula County, (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 30, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

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

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

Compliance and Other Matters

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

We intend this report solely for the information and use of management, 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 "Dave Yost". The signature is written in a cursive, flowing style.

Dave Yost
Auditor of State

January 30, 2013



Dave Yost • Auditor of State

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

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

To The Board of Education:

Compliance

We have audited the compliance of Grand Valley Local School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal programs for the year ended June 30, 2012. 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.

Our compliance audit followed 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*. These 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 Government's compliance with these 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 these 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, 2012.

Internal Control Over Compliance

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

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

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

We intend this report solely for the information and use of 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.



Dave Yost
Auditor of State

January 30, 2013

**GRAND VALLEY LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2012**

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 I Ed Jobs	84.010, 84.389 84.410
<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?	Low

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

NONE

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

NONE

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Dave Yost • Auditor of State

GRAND VALLEY LOCAL SCHOOL DISTRICT

ASHTABULA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 28, 2013