



Dave Yost • Auditor of State



**GRAND VALLEY LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report .....	1
Management's Discussion and Analysis.....	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position .....	13
Statement of Activities .....	14
Fund Financial Statements:	
Balance Sheet – Governmental Funds .....	15
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities .....	16
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds .....	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	18
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund .....	19
Statement of Net Position - Fiduciary Funds .....	20
Statement of Changes in Net Position – Private Purpose Trust Fund .....	21
Notes to the Basic Financial Statements .....	23
Federal Awards Receipts and Expenditures Schedule .....	47
Notes to the Federal Awards Receipts and Expenditures Schedule .....	48
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	49
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133 .....	51
Schedule of Findings .....	53

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Grand Valley Local School District, Ashtabula County, Ohio (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

### ***Opinion***

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, 2014, and the respective changes in financial position, thereof, and the budgetary comparison for the General Fund for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*. 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

#### *Supplementary Information*

Our audit was conducted to opine on the District's basic financial statements taken as a whole. The Federal Awards Receipts and Expenditures Schedule present additional analysis and is not a required part of basic financial statements.

The Federal Awards Receipts and Expenditures Schedule present additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this Schedule 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, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this Schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

December 30, 2014

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**Grand Valley Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*  
*Unaudited*

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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, 2014. 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 2014 are as follows:

- The School District actively pursues grants and controls expenses while still maintaining the high academic standards the residents expect of the School District.
- The School District is committed to meeting the academic needs of our students by providing them with updated instructional materials to compete in a global environment.
- The School District had a decrease of 33 students in enrollment from fiscal year 2013 to fiscal year 2014.

**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 2014?" The *Statement of Net Position* and the *Statement of Activities* answers this question. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources 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*  
*For the Fiscal Year Ended June 30, 2014*  
*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 10. 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 2014 compared to 2013:

**Table 1**  
 Net Position  
 Governmental Activities

	2014	2013	Change
<b>Assets</b>			
Current and Other Assets	\$12,662,328	\$14,951,086	(\$2,288,758)
Capital Assets	28,590,093	26,503,896	2,086,197
<i>Total Assets</i>	\$41,252,421	\$41,454,982	(\$202,561)

**Grand Valley Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*  
*Unaudited*

**Table 1**  
 Net Position (continued)  
 Governmental Activities

	2014	2013	Change
<b>Deferred Outflows of Resources</b>			
Deferred Charge on Refunding	\$551,321	\$603,828	(\$52,507)
<b>Liabilities</b>			
Current Liabilities	1,743,059	1,442,732	(300,327)
Long-Term Liabilities			
Due within One Year	825,785	805,529	(20,256)
Due in More than One Year	9,482,293	10,174,485	692,192
<i>Total Liabilities</i>	<u>12,051,137</u>	<u>12,422,746</u>	<u>371,609</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes	3,924,855	3,831,630	(93,225)
<b>Net Position</b>			
Net Investment in Capital Assets	19,408,693	16,927,441	2,481,252
Restricted for:			
Capital Projects	2,158,993	4,931,188	(2,772,195)
Debt Service	2,834,316	2,803,714	30,602
Other Purposes	638,218	556,814	81,404
Unrestricted	787,530	585,277	202,253
<i>Total Net Position</i>	<u>\$25,827,750</u>	<u>\$25,804,434</u>	<u>\$23,316</u>

Current assets decreased as the result of several factors. Cash and cash equivalents decreased while capital assets increased due to the School District starting construction on the replacement of the roof of the School District complex.

Current liabilities increased during fiscal year 2014, which can be attributed to contracts payable and retainage payable outstanding at June 30 for work done on the new roof. Accrued wages and benefits also increased with the addition of one classified employee and six certified employees. This increase was offset by a decrease in long-term liabilities due to the School District paying down its current debt issues causing an overall decrease in total liabilities.

Table 2 shows the changes in net position for fiscal year 2014 compared to 2013.

**Grand Valley Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*  
*Unaudited*

**Table 2**  
Change in Net Position  
Governmental Activities

	2014	2013	Change
<b>Revenues</b>			
<i>Program Revenues:</i>			
Charges for Services and Sales	\$969,992	\$959,696	\$10,296
Operating Grants, Contributions and Interest	1,817,740	1,078,201	739,539
Capital Grants	27,918	27,774	144
Total Program Revenues	<u>2,815,650</u>	<u>2,065,671</u>	<u>749,979</u>
<i>General Revenues:</i>			
Property Taxes	4,105,178	3,072,855	1,032,323
Grants and Entitlements not Restricted to Specific Programs	6,652,209	6,632,791	19,418
Investment Earnings	20,372	29,356	(8,984)
Miscellaneous	188,611	82,086	106,525
Total General Revenues	<u>10,966,370</u>	<u>9,817,088</u>	<u>1,149,282</u>
Total Revenues	<u>13,782,020</u>	<u>11,882,759</u>	<u>1,899,261</u>
<b>Program Expenses</b>			
<i>Instruction:</i>			
Regular	6,873,686	6,601,375	(272,311)
Special	969,661	819,302	(150,359)
Vocational	202,465	166,464	(36,001)
<i>Support Services:</i>			
Pupil	510,558	473,062	(37,496)
Instructional Staff	111,922	264,326	152,404
Board of Education	17,352	18,436	1,084
Administration	1,228,716	1,088,890	(139,826)
Fiscal	319,707	292,429	(27,278)
Business	23,777	23,970	193
Operation and Maintenance of Plant	894,850	1,228,039	333,189
Pupil Transportation	1,198,755	1,183,518	(15,237)
Central	92,969	21,777	(71,192)
Operation of Food Services	557,492	478,609	(78,883)
Extracurricular Activities	382,033	416,357	34,324
Interest and Fiscal Charges	374,761	370,280	(4,481)
Total Program Expenses	<u>13,758,704</u>	<u>13,446,834</u>	<u>(311,870)</u>
Increase/(Decrease) in Net Position	23,316	(1,564,075)	1,587,391
Net Position Beginning of Year	<u>25,804,434</u>	<u>27,368,509</u>	<u>(1,564,075)</u>
Net Position End of Year	<u>\$25,827,750</u>	<u>\$25,804,434</u>	<u>\$23,316</u>

**Grand Valley Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*  
*Unaudited*

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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 29.79 percent of revenues for governmental activities for Grand Valley Local School District in fiscal year 2014. Property taxes returned to normal levels during fiscal year 2014 as the amount available as an advance at June 30, 2014 remained consistent with the previous year.

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 also actively solicits and receives additional grant and entitlement funds to help offset operating costs. As a result, the School District saw an increase in operating grants and grants and entitlement revenue not restricted.

Overall, expenditures increased as a result of the addition of the School District hiring one classified employee and six certified employees. 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 2014 compared to 2013.

**Grand Valley Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*  
*Unaudited*

**Table 3**  
 Total and Net Cost of Program Services  
 Governmental Activities

	2014		2013	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction:				
Regular	\$6,873,686	\$5,772,162	\$6,601,375	\$5,638,169
Special	969,661	191,498	819,302	536,757
Vocational	202,465	174,027	166,464	166,464
Support Services:				
Pupil	510,558	508,579	473,062	471,236
Instructional Staff	111,922	49,855	264,326	215,666
Board of Education	17,352	17,352	18,436	18,436
Administration	1,228,716	1,228,716	1,088,890	1,088,890
Fiscal	319,707	319,707	292,429	292,429
Business	23,777	23,777	23,970	23,970
Operation and Maintenance of Plant	894,850	851,377	1,228,039	1,172,062
Pupil Transportation	1,198,755	1,130,184	1,183,518	1,155,744
Central	92,969	88,030	21,777	20,077
Operation of Food Services	557,492	2,448	478,609	(60,516)
Extracurricular Activities	382,033	210,581	416,357	271,499
Interest and Fiscal Charges	374,761	374,761	370,280	370,280
Total	<u>\$13,758,704</u>	<u>\$10,943,054</u>	<u>\$13,446,834</u>	<u>\$11,381,163</u>

**The School District's Funds**

Information about the School District's major funds starts on page 17. These funds are accounted for using the modified accrual basis of accounting. The general fund had an increase in expenditures from the prior fiscal year as a result of hiring new employees during the year. The general fund revenues also increased from the previous fiscal year due to an increase in property taxes and State funding. The bond retirement fund balance increased due to an increase in property tax revenues compared to the prior fiscal year. The classroom facilities capital projects fund balance decreased due to an increase in expenditures as the School District began a major remediation project for the roof of the building that was previously done incorrectly. 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 2014, 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

**Grand Valley Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*  
*Unaudited*

conservative estimates in intergovernmental revenues, tuition and fees and rentals. The School District's actual expenditures were well within the final budgeted appropriations due to the School District's continuous effort in monitoring expenditures.

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 2014 balances compared to fiscal year 2013:

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

	2014	2013	Change
Land	\$845,993	\$845,993	\$0
Construction in Progress	3,243,209	0	3,243,209
Land Improvements	2,167,490	2,340,486	(172,996)
Buildings and Improvements	21,652,889	22,600,974	(948,085)
Furniture and Fixtures	291,217	323,643	(32,426)
Vehicles	354,541	360,898	(6,357)
Textbooks	34,754	31,902	2,852
Total	\$28,590,093	\$26,503,896	\$2,086,197

The increase in capital assets was the result of construction in progress added for the replacement of the School District complex roof. This increase was offset by an additional year of annual depreciation on all capital assets other than land. See Note 11 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

	2014	2013	Change
2012 Classroom Refunding Bonds	\$8,683,134	\$9,309,546	(\$626,412)
2006 Capital Lease	1,002,000	1,072,000	(70,000)
Total	\$9,685,134	\$10,381,546	(\$696,412)

**Grand Valley Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*  
*Unaudited*

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

**Challenges and Opportunities**

Grand Valley Local School District has continued to maintain the highest standards of service to our students, parents and community. The School District is always presented with challenges and opportunities. The Board of Education and administration closely monitor its revenues and expenditures. Recent national events and their impact on the Grand Valley Local School District and the surrounding area are very much under review and analysis. While the economic recession has had an impact on our industries, three of our local industries, which include Kraftmaid, Kennemetal and Welded Tubes, have remained relatively 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](mailto:lisa.moodt@neomin.org).



**Grand Valley Local School District**

*Statement of Net Position*

*June 30, 2014*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$7,436,522
Accounts Receivable	213
Accrued Interest Receivable	1,851
Intergovernmental Receivable	299,597
Inventory Held for Resale	35,666
Materials and Supplies Inventory	58,616
Property Taxes Receivable	4,829,863
Nondepreciable Capital Assets	4,089,202
Depreciable Capital Assets, Net	<u>24,500,891</u>
<i>Total Assets</i>	<u>41,252,421</u>
<b>Deferred Outflows of Resources</b>	
Deferred Charge on Refunding	<u>551,321</u>
<b>Liabilities</b>	
Accounts Payable	57,110
Contracts Payable	375,874
Accrued Wages and Benefits	985,263
Retainage Payable	21,851
Matured Compensated Absences Payable	22,785
Intergovernmental Payable	200,263
Accrued Interest Payable	14,416
Vacation Benefits Payable	65,497
Long-Term Liabilities:	
Due Within One Year	825,785
Due In More Than One Year	<u>9,482,293</u>
<i>Total Liabilities</i>	<u>12,051,137</u>
<b>Deferred Inflows of Resources</b>	
Property Taxes	<u>3,924,855</u>
<b>Net Position</b>	
Net Investment in Capital Assets	19,408,693
Restricted for:	
Capital Projects	2,158,993
Debt Service	2,834,316
Other Purposes	638,218
Unrestricted	<u>787,530</u>
<i>Total Net Position</i>	<u><u>\$25,827,750</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, 2014

	Program Revenues			Capital Grants	Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest		
<b>Governmental Activities</b>					
Instruction:					
Regular	\$6,873,686	\$626,539	\$474,985	\$0	(\$5,772,162)
Special	969,661	0	778,163	0	(191,498)
Vocational	202,465	0	28,438	0	(174,027)
Support Services:					
Pupil	510,558	0	1,979	0	(508,579)
Instructional Staff	111,922	0	62,067	0	(49,855)
Board of Education	17,352	0	0	0	(17,352)
Administration	1,228,716	0	0	0	(1,228,716)
Fiscal	319,707	0	0	0	(319,707)
Business	23,777	0	0	0	(23,777)
Operation and Maintenance of Plant	894,850	17,153	26,320	0	(851,377)
Pupil Transportation	1,198,755	0	40,653	27,918	(1,130,184)
Central	92,969	0	4,939	0	(88,030)
Operation of Food Services	557,492	154,848	400,196	0	(2,448)
Extracurricular Activities	382,033	171,452	0	0	(210,581)
Interest and Fiscal Charges	374,761	0	0	0	(374,761)
<i>Totals</i>	<u>\$13,758,704</u>	<u>\$969,992</u>	<u>\$1,817,740</u>	<u>\$27,918</u>	<u>(10,943,054)</u>
<b>General Revenues</b>					
Property Taxes Levied for:					
					3,177,587
					767,910
					105,774
					53,907
Grants and Entitlements not Restricted					
					6,652,209
					20,372
					188,611
<i>Total General Revenues</i>					
					<u>10,966,370</u>
Change in Net Position					
					23,316
<i>Net Position Beginning of Year</i>					
					<u>25,804,434</u>
<i>Net Position End of Year</i>					
					<u>\$25,827,750</u>

See accompanying notes to the basic financial statements

**Grand Valley Local School District**

*Balance Sheet*

*Governmental Funds*

*June 30, 2014*

	General	Bond Retirement	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$2,031,225	\$2,674,168	\$1,113,521	\$1,617,608	\$7,436,522
Accounts Receivable	115	0	0	98	213
Accrued Interest Receivable	1,851	0	0	0	1,851
Intergovernmental Receivable	108,104	0	0	191,493	299,597
Inventory Held for Resale	0	0	0	35,666	35,666
Materials and Supplies Inventory	58,526	0	0	90	58,616
Property Taxes Receivable	3,734,621	907,580	0	187,662	4,829,863
<i>Total Assets</i>	<u>\$5,934,442</u>	<u>\$3,581,748</u>	<u>\$1,113,521</u>	<u>\$2,032,617</u>	<u>\$12,662,328</u>
<b>Liabilities</b>					
Accounts Payable	\$44,920	\$0	\$0	\$12,190	\$57,110
Contracts Payable	0	0	375,874	0	375,874
Retainage Payable	0	0	21,851	0	21,851
Accrued Wages and Benefits	875,657	0	0	109,606	985,263
Matured Compensated Absences Payable	22,785	0	0	0	22,785
Intergovernmental Payable	179,073	0	0	21,190	200,263
<i>Total Liabilities</i>	<u>1,122,435</u>	<u>0</u>	<u>397,725</u>	<u>142,986</u>	<u>1,663,146</u>
<b>Deferred Inflows of Resources</b>					
Property Taxes	3,038,957	733,016	0	152,882	3,924,855
Unavailable Revenue	273,422	60,746	0	58,091	392,259
<i>Total Deferred Inflows of Resources</i>	<u>3,312,379</u>	<u>793,762</u>	<u>0</u>	<u>210,973</u>	<u>4,317,114</u>
<b>Fund Balances</b>					
Nonspendable	58,526	0	0	90	58,616
Restricted	0	2,787,986	715,796	1,680,486	5,184,268
Committed	95,971	0	0	0	95,971
Assigned	815,220	0	0	0	815,220
Unassigned (Deficit)	529,911	0	0	(1,918)	527,993
<i>Total Fund Balances</i>	<u>1,499,628</u>	<u>2,787,986</u>	<u>715,796</u>	<u>1,678,658</u>	<u>6,682,068</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$5,934,442</u>	<u>\$3,581,748</u>	<u>\$1,113,521</u>	<u>\$2,032,617</u>	<u>\$12,662,328</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, 2014*

<b>Total Governmental Fund Balances</b>	<b>\$6,682,068</b>
 <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.	28,590,093
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable in the funds.	
Delinquent Property Taxes	314,807
Intergovernmental	<u>77,452</u>
Total	392,259
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(14,416)
Vacation Benefits payable is not expected to be paid with expendable available financial resources and therefore is not reported in the funds.	(65,497)
Deferred Outflows of Resources represent deferred charges on refundings, which are not reported in the funds.	551,321
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
General Obligation Bonds	(8,683,134)
Capital Leases Payable	(1,002,000)
Compensated Absences	<u>(622,944)</u>
Total	<u>(10,308,078)</u>
<i>Net Position of Governmental Activities</i>	<u><u>\$25,827,750</u></u>

See accompanying notes to the basic financial statements

**Grand Valley Local School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2014*

	General	Bond Retirement	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property Taxes	\$3,235,907	\$782,592	\$0	\$162,901	\$4,181,400
Intergovernmental	6,982,702	181,800	0	1,210,122	8,374,624
Interest	8,145	0	12,020	532	20,697
Tuition and Fees	626,539	0	0	0	626,539
Extracurricular Activities	77,034	0	0	94,418	171,452
Charges for Services	0	0	0	154,848	154,848
Rentals	17,153	0	0	0	17,153
Contributions and Donations	0	0	0	81,767	81,767
Miscellaneous	187,814	0	0	797	188,611
<i>Total Revenues</i>	<u>11,135,294</u>	<u>964,392</u>	<u>12,020</u>	<u>1,705,385</u>	<u>13,817,091</u>
<b>Expenditures</b>					
Current:					
Instruction:					
Regular	5,366,595	0	0	376,659	5,743,254
Special	654,076	0	0	296,730	950,806
Vocational	184,152	0	0	0	184,152
Support Services:					
Pupil	508,579	0	0	1,979	510,558
Instructional Staff	42,445	0	0	61,335	103,780
Board of Education	17,352	0	0	0	17,352
Administration	1,221,985	2,350	0	28,926	1,253,261
Fiscal	306,550	19,656	0	3,945	330,151
Business	23,777	0	0	0	23,777
Operation and Maintenance of Plant	1,053,139	0	0	83,766	1,136,905
Pupil Transportation	1,030,152	0	0	77,000	1,107,152
Central	89,187	0	0	4,875	94,062
Operation of Food Services	0	0	0	558,649	558,649
Extracurricular Activities	242,879	0	0	85,270	328,149
Capital Outlay	0	0	3,090,430	24,036	3,114,466
Debt Service:					
Principal Retirement	0	715,000	0	70,000	785,000
Interest and Fiscal Charges	0	181,925	0	51,564	233,489
<i>Total Expenditures</i>	<u>10,740,868</u>	<u>918,931</u>	<u>3,090,430</u>	<u>1,724,734</u>	<u>16,474,963</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>394,426</u>	<u>45,461</u>	<u>(3,078,410)</u>	<u>(19,349)</u>	<u>(2,657,872)</u>
<b>Other Financing Sources (Uses)</b>					
Transfers In	0	0	0	4,000	4,000
Transfers Out	(4,000)	0	0	0	(4,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(4,000)</u>	<u>0</u>	<u>0</u>	<u>4,000</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	390,426	45,461	(3,078,410)	(15,349)	(2,657,872)
<i>Fund Balances Beginning of Year</i>	1,109,202	2,742,525	3,794,206	1,694,007	9,339,940
<i>Fund Balances End of Year</i>	<u>\$1,499,628</u>	<u>\$2,787,986</u>	<u>\$715,796</u>	<u>\$1,678,658</u>	<u>\$6,682,068</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, 2014*

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**Net Change in Fund Balances - Total Governmental Funds** (\$2,657,872)

*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 capital outlay exceeded depreciation in the current period.

Capital Outlay	3,375,099	
Current Year Depreciation	<u>(1,288,902)</u>	
 Total		 2,086,197

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

Property Taxes	(76,222)	
Intergovernmental	41,151	
State Employee Retirement System Refund	<u>8,122</u>	
 Total		 (26,949)

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. 785,000

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

Accrued Interest on Bonds	(177)	
Bond Accretion	(148,875)	
Amortization of Premium on Bonds	60,287	
Amortization of Deferred Charge on Refunding	<u>(52,507)</u>	
 Total		 (141,272)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences	(24,476)	
Vacation Benefits Payable	<u>2,688</u>	
 Total		 <u>(21,788)</u>

*Change in Net Position of Governmental Activities* \$23,316

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, 2014*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Property Taxes	\$3,461,763	\$3,746,606	\$3,279,606	(\$467,000)
Intergovernmental	6,382,363	6,579,953	6,962,020	382,067
Interest	8,693	8,924	8,122	(802)
Tuition and Fees	555,426	573,208	626,539	53,331
Extracurricular Activities	52,602	54,158	54,836	678
Rentals	13,332	13,818	17,153	3,335
Miscellaneous	111,373	115,643	150,431	34,788
<i>Total Revenues</i>	<u>10,585,552</u>	<u>11,092,310</u>	<u>11,098,707</u>	<u>6,397</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	5,596,355	5,504,125	5,368,828	135,297
Special	822,243	774,843	678,567	96,276
Vocational	190,964	190,064	176,027	14,037
Support Services:				
Pupil	558,653	585,353	534,316	51,037
Instructional Staff	229,969	62,939	55,789	7,150
Board of Education	23,674	23,674	20,829	2,845
Administration	1,270,982	1,351,810	1,221,093	130,717
Fiscal	312,817	326,292	308,617	17,675
Business	28,000	28,200	26,058	2,142
Operation and Maintenance of Plant	1,305,916	1,228,636	1,162,446	66,190
Pupil Transportation	1,122,971	1,091,871	1,057,245	34,626
Central	37,886	115,036	108,496	6,540
Extracurricular Activities	250,400	241,400	222,974	18,426
<i>Total Expenditures</i>	<u>11,750,830</u>	<u>11,524,243</u>	<u>10,941,285</u>	<u>582,958</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(1,165,278)	(431,933)	157,422	589,355
<b>Other Financing Uses</b>				
Transfers Out	(4,000)	(4,000)	(4,000)	0
<i>Net Change in Fund Balance</i>	(1,169,278)	(435,933)	153,422	589,355
<i>Fund Balance Beginning of Year</i>	1,415,095	1,415,095	1,415,095	0
Prior Year Encumbrances Appropriated	177,259	177,259	177,259	0
<i>Fund Balance End of Year</i>	<u>\$423,076</u>	<u>\$1,156,421</u>	<u>\$1,745,776</u>	<u>\$589,355</u>

See accompanying notes to the basic financial statements

**Grand Valley Local School District**

*Statement of Net Position*

*Fiduciary Funds*

*June 30, 2014*

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	Private Purpose Trust	
	<u>Scholarships</u>	<u>Agency</u>
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$10,861	<u>\$50,538</u>
<b>Liabilities</b>		
Due to Students	<u>0</u>	<u>\$50,538</u>
<b>Net Position</b>		
Held in Trust for College Scholarships	<u>\$10,861</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, 2014*

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	<u>Scholarships</u>
<b>Additions</b>	
Interest	\$28
<b>Deductions</b>	
College Scholarships Awarded	<u>250</u>
<i>Change in Net Position</i>	(222)
<i>Net Position Beginning of Year</i>	<u>11,083</u>
<i>Net Position End of Year</i>	<u><u>\$10,861</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, 2014*

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**Note 1 - Description of the School District and Reporting Entity**

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

The School District operates under a locally elected five member Board form of government and provides educational services as mandated by State and federal agencies. The Board of Education controls the School District's 3 instructional/support facilities staffed by 47 classified employees and 82 certified employees who provide services to 1,378 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 and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. 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 Technical and Career Center, 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, 19 and 20 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 more significant of the School District's accounting policies are described below.

***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.

## Grand Valley Local School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014*

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**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 and deferred inflows of resources 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.

**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** The classroom facilities 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.

## Grand Valley Local School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014*

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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 deferred outflows of resources and all liabilities and deferred inflows of resources 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 deferred outflows of resources and current liabilities and deferred inflows of resources 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 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 7). Revenue from

**Grand Valley Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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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, 2014, but which were levied to finance fiscal year 2015 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.

***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 2014, investments were limited to nonnegotiable certificates of deposits, mutual funds, federal farm credit bank bonds, federal national mortgage association notes and STAR Ohio. Non-negotiable certificates of deposit are reported at cost. Investments are reported at fair value which, is based on quoted market price or current share.

**Grand Valley Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

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, 2014.

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 2014 amounted to \$8,145 which includes \$2,492 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 position 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:

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

***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

**Grand Valley Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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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.

***Deferred Charge on Refunding***

On the government-wide financial statements, the difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt, the gain/loss on refunding, is being amortized as a component of interest expense. This deferred amount is amortized over the life of the old debt or the life of the new debt, whichever is shorter, using the effective interest method and is presented as deferred outflows of resources on the statement of net position.

***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.



**Grand Valley Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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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 all other elements in a statement of financial position. 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 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. These amounts are assigned by the School District Board of Education. In the general fund, assigned amounts represent intended uses established by the School District Board of Education or a School District official delegated that authority by State statute. State statute authorizes the Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. The School District Board of Education assigned fund balance to cover a gap between fiscal year 2015’s estimated revenue and appropriated budget.

**Grand Valley Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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***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.

***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 School District Treasurer.

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

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

**Note 3 - 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:

**Grand Valley Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2014

Fund Balances	General	Bond Retirement	Classroom Facilities	Other Governmental Funds	Total
<b><i>Nonspendable</i></b>					
Inventory	\$58,526	\$0	\$0	\$90	\$58,616
<b><i>Restricted for</i></b>					
Inventory	0	0	0	35,666	35,666
Food Service Operations	0	0	0	281,030	281,030
Scholarship Awards	0	0	0	128,308	128,308
Classroom Maintenance	0	0	0	146,825	146,825
Athletics	0	0	0	44,995	44,995
Regular Instruction	0	0	0	6,058	6,058
Debt Service Payments	0	2,787,986	0	0	2,787,986
Capital Improvements	0	0	715,796	1,037,604	1,753,400
<b><i>Total Restricted</i></b>	<b>0</b>	<b>2,787,986</b>	<b>715,796</b>	<b>1,680,486</b>	<b>5,184,268</b>
<b><i>Committed to</i></b>					
Property insurance	55,156	0	0	0	55,156
Consulting fees	40,815	0	0	0	40,815
<b><i>Total Committed</i></b>	<b>95,971</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>95,971</b>
<b><i>Assigned to</i></b>					
Classroom support services	81,385	0	0	0	81,385
Purchases on Order	62,575	0	0	0	62,575
Fiscal Year 2015 Appropriations	671,260	0	0	0	671,260
<b><i>Total Assigned</i></b>	<b>815,220</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>815,220</b>
<b><i>Unassigned (Deficit)</i></b>	<b>529,911</b>	<b>0</b>	<b>0</b>	<b>(1,918)</b>	<b>527,993</b>
<b><i>Total Fund Balances</i></b>	<b>\$1,499,628</b>	<b>\$2,787,986</b>	<b>\$715,796</b>	<b>\$1,678,658</b>	<b>\$6,682,068</b>

**Note 4 - Accountability**

At June 30, 2014, the Title II-A grants special revenue fund had a deficit fund balance in the amount of \$1,918. 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 - 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).

**Grand Valley Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014*

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. Budgetary revenues and expenditures of the public school support fund are classified to general fund for GAAP Reporting.

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	\$390,426
Net Adjustment for Revenue Accruals	(91,667)
Beginning Fair Value Adjustment for Investments	(3,354)
Ending Fair Value Adjustment for Investments	(1,032)
Perspective Differences:	
Public School Support	40,469
Net Adjustment for Expenditure Accruals	21,612
Encumbrances	<u>(203,032)</u>
Budget Basis	<u><u>\$153,422</u></u>

**Note 6 - Deposits and Investments**

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

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

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

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

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

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

## Grand Valley Local School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014*

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2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

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

### ***Deposits***

***Custodial Credit Risk*** Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$3,360,248 of the School District's bank balance of \$5,198,857 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, 2014, the School District had the following investments. All investments are in an internal investment pool.

**Grand Valley Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

	Fair Value	Maturity	Standard & Poor's	Percent of Total Investments
Mutual Funds	\$2,098,602	Daily	AAA	88.77%
Federal Farm Credit Bank Bonds	99,897	Less than Two years	AAA	4.23%
Federal National Mortgage Association Notes	140,386	Less than Two years	AAA	5.94%
STAR Ohio	25,138	Average 51.4 Days	AAA <sup>m</sup>	N/A
<i>Totals</i>	<u>\$2,364,023</u>			

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

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

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

**Note 7 – 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 2014 represent the collection of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, 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 2014, represent the collection of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien on December 31, 2012, were levied after April 1, 2013, 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, 2014, are available to finance fiscal year 2015 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**Grand Valley Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014*

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2014, 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, 2014, was \$453,659 in the general fund, \$7,864 in the classroom facilities maintenance special revenue fund, \$113,818 in the bond retirement debt service fund and \$14,860 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2013, was \$497,358 in the general fund, \$8,665 in the classroom facilities maintenance special revenue fund, \$124,907 in the bond retirement debt service fund and \$16,658 in the permanent improvement capital projects fund.

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 2014 taxes were collected are:

	2013 Second Half Collections		2014 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$161,777,870	96.60 %	\$161,924,600	96.28 %
Public Utility Personal	5,693,790	3.40	6,264,860	3.72
Total	<u>\$167,471,660</u>	<u>100.00 %</u>	<u>\$168,189,460</u>	<u>100.00 %</u>
Full Tax Rate per \$1,000 of assessed valuation	\$48.01		\$48.01	

**Note 8 - Receivables**

Receivables at June 30, 2014, 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.

**Grand Valley Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

A summary of the principal items of intergovernmental receivables follows:

	Amounts
Title I Grant	\$117,745
Ashtabula County Educational Service Center	56,005
Food Service Subsidy	50,758
School Employees Retirement System	36,301
State of Ohio	20,682
Title VI-R Grant	9,340
Race to the Top Grant	2,874
Federal Grant	5,892
Total	\$299,597

**Note 9 - 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.

***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.



**Grand Valley Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2014

**Note 10 - Interfund Transfers**

The general fund transferred \$4,000 to the athletics and music special revenue fund to help provide funding for fiscal year 2014.

**Note 11 – Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
<b><i>Capital Assets not being Depreciated:</i></b>				
Land	\$845,993	\$0	\$0	\$845,993
Construction in Progress	0	3,243,209	0	3,243,209
<b><i>Total Capital Assets not being Depreciated</i></b>	<b>845,993</b>	<b>3,243,209</b>	<b>0</b>	<b>4,089,202</b>
<b><i>Capital Assets being Depreciated:</i></b>				
Land Improvements	3,539,707	0	0	3,539,707
Buildings and Improvements	32,697,743	23,512	0	32,721,255
Furniture and Fixtures	703,139	5,075	0	708,214
Vehicles	1,310,536	77,000	(20,500)	1,367,036
Textbooks	389,816	26,303	(3,945)	412,174
<b><i>Total Capital Assets being Depreciated</i></b>	<b>38,640,941</b>	<b>131,890</b>	<b>(24,445)</b>	<b>38,748,386</b>
<b><i>Less: Accumulated Depreciation</i></b>				
Land Improvements	(1,199,221)	(172,996)	0	(1,372,217)
Buildings and Improvements	(10,096,769)	(971,597)	0	(11,068,366)
Furniture and Fixtures	(379,496)	(37,501)	0	(416,997)
Vehicles	(949,638)	(83,357)	20,500	(1,012,495)
Textbooks	(357,914)	(23,451)	3,945	(377,420)
<b><i>Total Accumulated Depreciation</i></b>	<b>(12,983,038)</b>	<b>(1,288,902)</b>	<b>24,445</b>	<b>(14,247,495)</b>
<b><i>Total Capital Assets being Depreciated, Net</i></b>	<b>25,657,903</b>	<b>(1,157,012)</b>	<b>0</b>	<b>24,500,891</b>
<b><i>Governmental Activities</i></b>				
<b><i>Capital Assets, Net</i></b>	<b>\$26,503,896</b>	<b>\$2,086,197</b>	<b>\$0</b>	<b>\$28,590,093</b>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,114,424
Support Services:	
Instructional Staff	823
Administration	8,690
Operation and Maintenance of Plant	14,242
Pupil Transportation	90,861
Operation of Food Services	5,978
Extracurricular Activities	53,884
<b>Total Depreciation Expense</b>	<b>\$1,288,902</b>

**Grand Valley Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**Note 12 - Pension Plans**

***School Employees Retirement System***

Plan Description – The School District participates in the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://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, 2014, the allocation to pension and death benefits was 13.10 percent. The remaining 0.90 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, 2014, 2013, and 2012 were \$181,521, \$170,039 and \$174,157, respectively. For fiscal year 2014, 96.26 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

***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](http://www.strsoh.org).

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

**Grand Valley Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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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 11 percent for members and 14 percent for employers. The statutory maximum employee contribution rate was increased one percent July 1, 2013, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2014, plan members were required to contribute 11 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 \$626,299 and \$9,089 for the fiscal year ended June 30, 2014, \$613,346 and \$0 for the fiscal year ended June 30, 2013, and \$630,081 and \$0 for the fiscal year ended June 30, 2012. For fiscal year 2013, 85.49 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 2013 and 2012.

Contributions made to STRS Ohio for the DC Plan for fiscal year 2014 were \$655 made by the School District and \$515 made by the plan members. In addition member contributions of \$7,142 were made for fiscal year 2014 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, 2014, three members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

**Note 13 - Postemployment Benefits**

***School Employee Retirement System***

Plan Description – The School District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administrated by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, 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](http://www.ohsers.org) under Employers/Audit Resources.

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

## **Grand Valley Local School District**

### *Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014*

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fiscal year 2014, 0.14 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 2014, this amount was \$20,250. During fiscal year 2014, the School District paid \$16,952 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, 2014, 2013 and 2012 were \$18,892, \$23,626 and \$27,991, respectively. For fiscal year 2014, 96.26 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013 and 2012, were \$10,531, \$10,042 and \$10,285, respectively. For fiscal year 2014, 96.26 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

#### ***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](http://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 2014, STRS Ohio allocated employer contributions equal to one percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$48,177, \$47,180 and \$48,468, respectively. For fiscal year 2014, 85.49 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012. The STRS Board voted to discontinue the current one percent allocation to the health care fund effective July 1, 2014.

#### **Note 14 - Contingencies**

##### ***Grants***

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. 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, 2014, if applicable, cannot be determined at this time.

**Grand Valley Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2014

**Litigation**

The School District is not party to legal proceedings as of June 30, 2014.

**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
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 2013 were as follows:

	Principal Outstanding 6/30/13	Additions	Deductions	Principal Outstanding 6/30/14	Amounts Due in One Year
<b>General Obligation Bonds</b>					
2012 Classroom Refunding Bonds					
Serial Bonds	\$7,885,000	\$0	\$715,000	\$7,170,000	\$730,000
Capital Appreciation Bonds	529,988	0	0	529,988	0
Accretion on Bonds	201,263	148,875	0	350,138	0
Premium	693,295	0	60,287	633,008	0
<b>Total General Obligation Bonds</b>	<b>9,309,546</b>	<b>148,875</b>	<b>775,287</b>	<b>8,683,134</b>	<b>730,000</b>
<b>Other Long-Term Obligations</b>					
Capital Leases Payable	1,072,000	0	70,000	1,002,000	73,000
Compensated Absences	598,468	45,005	20,529	622,944	22,785
<b>Total Other Long-Term Obligations</b>	<b>1,670,468</b>	<b>45,005</b>	<b>90,529</b>	<b>1,624,944</b>	<b>95,785</b>
<b>Total Governmental Activities Long-Term Liabilities</b>	<b>\$10,980,014</b>	<b>\$193,880</b>	<b>\$865,816</b>	<b>\$10,308,078</b>	<b>\$825,785</b>

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 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 proceeds were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the School District’s financial statements. On June 30, 2014, \$7,610,000 of the defeased bonds are still outstanding. 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, 2014 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 2014 was \$148,875, for a total outstanding bond liability of \$880,126 at June 30, 2014.

**Grand Valley Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

The overall debt margin of the School District as of June 30, 2014 was \$9,874,911 with an unvoted debt margin of \$168,189. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2014 are as follows:

	General Obligation Bonds			
	Serial		Capital Appreciation	
	Principal	Interest	Principal	Interest
2015	\$730,000	\$167,512	\$0	\$0
2016	745,000	156,450	0	0
2017	0	150,862	288,667	461,333
2018	0	150,863	241,321	513,679
2019	755,000	141,425	0	0
2020-2024	4,060,000	418,044	0	0
2025	880,000	13,640	0	0
Total	\$7,170,000	\$1,198,796	\$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 and has been recorded on the government-wide statements. The original amount capitalized for the capital lease and the book value as of June 30, 2014, follows:

	Amounts
Asset:	
Land Improvements	\$1,526,000
Less: Accumulated Depreciation	(686,700)
Current Book Value	\$839,300

The following is a schedule of the future minimum leases payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2014.

	Amounts
2015	\$119,192
2016	118,827
2017	118,323
2018	118,681
2019	117,855
2020-2024	588,981
2025	117,163
Total Minimum Lease Payments	1,299,022
Less: Amount Representing Interest	(297,022)
Present Value of Minimum Lease Payments	\$1,002,000

**Grand Valley Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

**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 19).

Type of Coverage	Coverage Amount
Property - Building and Business Personal	\$56,898,539
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	15,000,000
Personal Injury	15,000,000
Products/Completed Operations	15,000,000
Automobile Bodily Injury	15,000,000

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 19) 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. Certified employees per negotiated agreement are required to pay \$110 per month for family coverage and \$55 per month for single coverage. Classified employees per negotiated agreement are required to pay \$80 per month for family coverage and \$40 per month for single coverage.

***Worker's Compensation***

For fiscal year 2013, the School District participated in the Ohio Association of School Business Officials Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 19). 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, 2014*

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### **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 \$26,217 to NEOMIN during fiscal year 2014.

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 Superintendent and Treasurer during fiscal year 2014. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. The Board exercises total control over the operations including budgeting, appropriating, contracting and designating management. 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 Technical and Career Center*** The Ashtabula County Technical and Career Center (the Career Center) is a distinct political subdivision of the State of Ohio which provides vocational education to students. The Career Center 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 \$453 to the Career Center for fiscal year 2014. Financial information can be obtained from MaryAnn Wayman, Treasurer at Ashtabula County Technical and Career Center, 1565 State Route 167, Jefferson, Ohio 44047.

### **Note 19 – 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



**Grand Valley Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

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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 20 – 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 21 – Construction and Other Significant Commitments**

***Contractual Commitments***

At June 30, 2014, the School District had \$918,788 remaining on a \$4,161,997 contract to the replace the entire roof of the School District’s complex. The amounts of \$375,874 and \$21,851 in contracts and retainage payable have been capitalized.

***Encumbrances***

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At fiscal year end the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

General	\$203,032
Classroom Facilities	1,112,091
Other Governmental Funds	584,973
Totals	<u>\$1,900,096</u>

**Grand Valley Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**Note 22 - 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.

	<u>Capital Improvements</u>
Set-aside balance June 30, 2013	(\$8,415,025)
Current year set-aside requirement	237,799
Current year offsets	(219,737)
Qualifying disbursements	(249,898)
Totals	<u>(\$8,646,861)</u>
Set-aside balance carried forward to future fiscal years	<u>(\$7,700,025)</u>
Set-aside balance June 30, 2014	<u>\$0</u>

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 23 – Subsequent Event**

On November 4, 2014, the School District failed to pass a 1.55 mill, five-year renewal for permanent improvements and a 1 mill additional levy for educational technology in the general election. The School District has chosen again to pursue to renew the permanent improvement levy in the next general election in May.

**GRAND VALLEY LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY  
FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2014**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Pass Through Entity Number / Year</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Non-Cash Receipts</b>	<b>Expenditures</b>	<b>Non-Cash Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through The Ohio Department of Education:</i>						
<i>Nutrition Cluster:</i>						
School Breakfast Program	3L70	10.553	\$70,914	\$0	\$70,914	\$0
National School Lunch Program	3L60	10.555	220,123	51,182	220,123	51,182
<b>Total -- Nutrition Cluster</b>			<b>291,037</b>		<b>291,037</b>	
<b>Total U.S. Department of Agriculture</b>			<b>291,037</b>	<b>51,182</b>	<b>291,037</b>	<b>51,182</b>
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed Through The Ohio Department of Education:</i>						
<i>Title One Cluster:</i>						
<i>Grants to Local Educational Agencies</i>						
Title I School Subsidy	2013	84.010	62,055		78,909	
	2014	84.010	456,590		453,565	
<b>Total -- Title I School Subsidy</b>			<b>518,645</b>		<b>532,474</b>	
Title VI-B Rural Education	2014	84.358	<b>18,862</b>		<b>18,862</b>	
Title II, Part A -- Improving Teacher Quality	2013	84.367	15,209		15,822	
	2014	84.367	69,152		67,896	
<b>Total - Title II Part A</b>			<b>84,361</b>		<b>83,718</b>	
Race to the Top	2013	84.395	(91)		1,026	
F.A.M.S. Grant	2014	84.395	29,004		29,094	
Race to the Top	2014	84.395	65,029		64,982	
OPAPP Grant	2014	84.395	16,586		16,483	
<b>Total - Race to the Top</b>			<b>110,528</b>		<b>111,585</b>	
<b>Total -- U.S. Department of Education</b>			<b>732,396</b>		<b>746,639</b>	
<b>Totals</b>			<b>\$1,023,433</b>	<b>\$51,182</b>	<b>\$1,037,676</b>	<b>\$51,182</b>

*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, 2014**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - NATIONAL SCHOOL LUNCH AND BREAKFAST PROGRAMS**

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**

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated commodities.



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Grand Valley Local School District, Ashtabula County, (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 30, 2014.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

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 a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings, we did not identify any deficiencies in internal control over financial reporting, that we consider material weaknesses.

***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, opining 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*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

December 30, 2014



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To The Board of Education:

### ***Report on Compliance for the Major Federal Program***

We have audited the Grand Valley Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Grand Valley Local School District's major federal program for the year ended June 30, 2014. The *Summary of Audit Results* in the accompanying schedule of findings identifies the District's major federal program.

### ***Management's Responsibility***

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

### ***Auditor's Responsibility***

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for 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 us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major program. However, our audit does not provide a legal determination of the District's compliance.

### ***Opinion on the Major Federal Program***

In our opinion, the Grand Valley Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect the major federal program for the year ended June 30, 2014.

**Report on Internal Control Over Compliance**

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on the major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine 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's applicable 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

December 30, 2014



**GRAND VALLEY LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2014**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<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	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list): Title I - Grants to Local Educational Agencies	CFDA #84.010
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None

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# 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  
JANUARY 15, 2015