



Dave Yost • Auditor of State



**GRAND VALLEY LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY**

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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 Grand Valley Local School District, Ashtabula County, Ohio (the District), as of and for the year ended June 30, 2015, 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, 2015, and the respective changes in financial position thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 3 to the financial statements, during the year ended June 30, 2015, the District adopted Governmental Accounting Standard No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

**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*, and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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 and Other Information*

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Schedule of Federal Awards Receipts and Expenditures presents 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 not a required part of the financial statements.

The Schedule is management's responsibility, and derives from and relates 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 the Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this 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 March 14, 2016, 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

March 14, 2016

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**Grand Valley Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*  
*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, 2015. 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 2015 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 107 students in enrollment from fiscal year 2014 to fiscal year 2015.

**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 2015?" 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, 2015*  
*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 11. 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 2015 compared to 2014:

**Table 1**  
 Net Position  
 Governmental Activities

	2015	Restated 2014	Change
<b>Assets</b>			
Current and Other Assets	\$10,963,066	\$12,662,328	(\$1,699,262)
Capital Assets	28,672,104	28,590,093	82,011
<i>Total Assets</i>	<u>\$39,635,170</u>	<u>\$41,252,421</u>	<u>(\$1,617,251)</u>

**Grand Valley Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*  
*Unaudited*

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

	2015	Restated 2014	Change
<b>Deferred Outflows of Resources</b>			
Deferred Charge on Refunding	\$498,814	\$551,321	(\$52,507)
Pension	919,507	824,315	95,192
<i>Total Deferred Outflows of Resources</i>	<u>1,418,321</u>	<u>1,375,636</u>	<u>42,685</u>
<b>Liabilities</b>			
Current Liabilities	1,194,817	1,743,059	548,242
Long-Term Liabilities			
Due within One Year	863,127	825,785	(37,342)
Due in More than One Year:			
Net Pension Liability	13,805,496	16,403,264	2,597,768
Other Amounts Due in More Than One Year	8,842,404	9,482,293	639,889
<i>Total Liabilities</i>	<u>24,705,844</u>	<u>28,454,401</u>	<u>3,748,557</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes	3,835,276	3,924,855	89,579
Pension	2,495,487	0	(2,495,487)
<i>Total Deferred Inflows of Resources</i>	<u>6,330,763</u>	<u>3,924,855</u>	<u>(2,405,908)</u>
<b>Net Position</b>			
Net Investment in Capital Assets	20,637,521	19,408,693	1,228,828
Restricted for:			
Capital Projects	932,061	2,158,993	(1,226,932)
Debt Service	2,980,472	2,834,316	146,156
Other Purposes	614,563	638,218	(23,655)
Unrestricted (Deficit)	<u>(15,147,733)</u>	<u>(14,791,419)</u>	<u>(356,314)</u>
<i>Total Net Position</i>	<u>\$10,016,884</u>	<u>\$10,248,801</u>	<u>(\$231,917)</u>

During 2015, the School District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

**Grand Valley Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*  
*Unaudited*

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Under the new standards required by GASB 68, the net pension liability equals the School District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service.
2. Minus plan assets available to pay these benefits.

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the School District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the School District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$25,827,750 to \$10,248,801.

**Grand Valley Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*  
*Unaudited*

Table 2 shows the changes in net position for fiscal year 2015 compared to 2014.

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

	2015	Restated 2014	Change
<b>Revenues</b>			
<i>Program Revenues:</i>			
Charges for Services and Sales	\$983,562	\$969,992	\$13,570
Operating Grants, Contributions and Interest	1,496,319	1,817,740	(321,421)
Capital Grants	28,003	27,918	85
Total Program Revenues	<u>2,507,884</u>	<u>2,815,650</u>	<u>(307,766)</u>
<i>General Revenues:</i>			
Property Taxes	4,583,533	4,105,178	478,355
Grants and Entitlements not Restricted to Specific Programs	6,458,367	6,652,209	(193,842)
Investment Earnings	15,574	20,372	(4,798)
Miscellaneous	274,152	188,611	85,541
Total General Revenues	<u>11,331,626</u>	<u>10,966,370</u>	<u>365,256</u>
Total Revenues	<u>13,839,510</u>	<u>13,782,020</u>	<u>57,490</u>
<b>Program Expenses</b>			
<i>Instruction:</i>			
Regular	6,789,544	6,873,686	84,142
Special	962,355	969,661	7,306
Vocational	186,180	202,465	16,285
<i>Support Services:</i>			
Pupil	532,406	510,558	(21,848)
Instructional Staff	105,307	111,922	6,615
Board of Education	15,635	17,352	1,717
Administration	1,239,138	1,228,716	(10,422)
Fiscal	317,922	319,707	1,785
Business	24,272	23,777	(495)
Operation and Maintenance of Plant	1,170,189	894,850	(275,339)
Pupil Transportation	1,284,498	1,198,755	(85,743)
Central	91,416	92,969	1,553
Operation of Food Services	509,346	557,492	48,146
Extracurricular Activities	454,205	382,033	(72,172)
Interest and Fiscal Charges	389,014	374,761	(14,253)
Total Program Expenses	<u>14,071,427</u>	<u>13,758,704</u>	<u>(312,723)</u>
Increase (Decrease) in Net Position	(231,917)	23,316	(208,601)
Net Position Beginning of Year - Restated	<u>10,248,801</u>	N/A	
Net Position End of Year	<u>\$10,016,884</u>	<u>\$10,248,801</u>	<u>(\$231,917)</u>

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

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The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$824,315 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$592,006. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68	\$14,071,427
Pension expense under GASB 68	(592,006)
2015 contractually required contribution	<u>789,479</u>
Adjusted 2015 program expenses	14,268,900
Total 2014 program expenses under GASB 27	<u>(13,758,704)</u>
Increase in program expenses not related to pension	<u>\$510,196</u>

***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 33.12 percent of revenues for governmental activities for Grand Valley Local School District in fiscal year 2015. This is an increase of 11.65 percent in collections from the previous fiscal 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. The School District saw a decrease in enrollment from fiscal year 2014. As a result, there was a decrease in operating grants and grants and entitlement revenue not restricted.

Overall, expenses increased as a result of the School District hiring two classified employees and one certified employee. The School District continues to show vigilance in monitoring all facets of spending.

**Grand Valley Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*  
*Unaudited*

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services for 2015 compared to 2014.

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

	2015		2014	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction:				
Regular	\$6,789,544	\$5,825,477	\$6,873,686	\$5,772,162
Special	962,355	260,596	969,661	191,498
Vocational	186,180	147,808	202,465	174,027
Support Services:				
Pupil	532,406	530,384	510,558	508,579
Instructional Staff	105,307	99,907	111,922	49,855
Board of Education	15,635	15,635	17,352	17,352
Administration	1,239,138	1,239,138	1,228,716	1,228,716
Fiscal	317,922	317,922	319,707	319,707
Business	24,272	24,272	23,777	23,777
Operation and Maintenance of Plant	1,170,189	1,117,470	894,850	851,377
Pupil Transportation	1,284,498	1,217,666	1,198,755	1,130,184
Central	91,416	91,416	92,969	88,030
Operation of Food Services	509,346	(10,178)	557,492	2,448
Extracurricular Activities	454,205	297,016	382,033	210,581
Interest and Fiscal Charges	389,014	389,014	374,761	374,761
<b>Total</b>	<b>\$14,071,427</b>	<b>\$11,563,543</b>	<b>\$13,758,704</b>	<b>\$10,943,054</b>

**The School District's Funds**

Information about the School District's major funds starts on page 16. 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 decreased slightly from the previous fiscal year due to a decrease in State funding as a result of a decrease in enrollment. 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 expenditures exceeding revenue received during the year. The School District continues to look for grants to help offset the operating expenditures of the School District and to better provide services to our students.

**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.

**Grand Valley Local School District**  
*Management's Discussion and Analysis*  
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During the course of fiscal year 2015, the School District amended its general fund budget several times. For the general fund, the actual revenue was slightly lower than the final budget basis revenue estimates due to slightly higher estimates in property taxes than what was actually received. 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 2015 balances compared to fiscal year 2014:

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

	2015	2014	Change
Land	\$845,993	\$845,993	\$0
Construction in Progress	0	3,243,209	(3,243,209)
Land Improvements	2,093,692	2,167,490	(73,798)
Buildings and Improvements	24,995,371	21,652,889	3,342,482
Furniture and Fixtures	322,634	291,217	31,417
Vehicles	358,633	354,541	4,092
Textbooks	55,781	34,754	21,027
<b>Total</b>	<b>\$28,672,104</b>	<b>\$28,590,093</b>	<b>\$82,011</b>

The increase in capital assets was the result of the completion of the roof replacement project. This increase was offset by an additional year of annual depreciation on all capital assets other than land. See Note 12 to the Basic Financial Statements for additional capital asset information.

***Debt***

Table 5 summarizes the debt outstanding.

**Table 5**  
 Outstanding Debt at Fiscal Year End  
 Governmental Activities

	2015	2014	Change
2012 Classroom Refunding Bonds	\$8,072,033	\$8,683,134	(\$611,101)
Capital Leases	990,687	1,002,000	(11,313)
<b>Total</b>	<b>\$9,062,720</b>	<b>\$9,685,134</b>	<b>(\$622,414)</b>

**Grand Valley Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*  
*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. During fiscal year 2015, the School District entered into a new capital lease for copiers. See Notes 13 and 14 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, Ohio 44076 email at [lisa.moodt@neomin.org](mailto:lisa.moodt@neomin.org).

**Grand Valley Local School District**

*Statement of Net Position*

*June 30, 2015*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$5,710,803
Accounts Receivable	799
Accrued Interest Receivable	596
Intergovernmental Receivable	201,364
Inventory Held for Resale	38,904
Materials and Supplies Inventory	10,006
Property Taxes Receivable	5,000,594
Nondepreciable Capital Assets	845,993
Depreciable Capital Assets, Net	<u>27,826,111</u>
<i>Total Assets</i>	<u>39,635,170</u>
<b>Deferred Outflows of Resources</b>	
Deferred Charge on Refunding	498,814
Pension	<u>919,507</u>
<i>Total Deferred Outflows of Resources</i>	<u>1,418,321</u>
<b>Liabilities</b>	
Accounts Payable	48,563
Accrued Wages and Benefits	855,460
Matured Compensated Absences Payable	28,902
Intergovernmental Payable	175,414
Accrued Interest Payable	13,503
Vacation Benefits Payable	72,975
Long-Term Liabilities:	
Due Within One Year	863,127
Due In More Than One Year:	
Net Pension Liability (See Note 21)	13,805,496
Other Amounts Due in More Than One Year	<u>8,842,404</u>
<i>Total Liabilities</i>	<u>24,705,844</u>
<b>Deferred Inflows of Resources</b>	
Property Taxes	3,835,276
Pension	<u>2,495,487</u>
<i>Total Deferred Inflows of Resources</i>	<u>6,330,763</u>
<b>Net Position</b>	
Net Investment in Capital Assets	20,637,521
Restricted for:	
Capital Projects	932,061
Debt Service	2,980,472
Other Purposes	614,563
Unrestricted (Deficit)	<u>(15,147,733)</u>
<i>Total Net Position</i>	<u>\$10,016,884</u>

See accompanying notes to the basic financial statements

**Grand Valley Local School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2015

	Program Revenues			Capital Grants	Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest		Governmental Activities
<b>Governmental Activities</b>					
Instruction:					
Regular	\$6,789,544	\$656,714	\$307,353	\$0	(\$5,825,477)
Special	962,355	0	701,759	0	(260,596)
Vocational	186,180	0	38,372	0	(147,808)
Support Services:					
Pupil	532,406	0	2,022	0	(530,384)
Instructional Staff	105,307	0	5,400	0	(99,907)
Board of Education	15,635	0	0	0	(15,635)
Administration	1,239,138	0	0	0	(1,239,138)
Fiscal	317,922	0	0	0	(317,922)
Business	24,272	0	0	0	(24,272)
Operation and Maintenance of Plant	1,170,189	26,351	26,368	0	(1,117,470)
Pupil Transportation	1,284,498	0	38,829	28,003	(1,217,666)
Central	91,416	0	0	0	(91,416)
Operation of Food Services	509,346	143,308	376,216	0	10,178
Extracurricular Activities	454,205	157,189	0	0	(297,016)
Interest and Fiscal Charges	389,014	0	0	0	(389,014)
<b>Totals</b>	<b>\$14,071,427</b>	<b>\$983,562</b>	<b>\$1,496,319</b>	<b>\$28,003</b>	<b>(11,563,543)</b>
<b>General Revenues</b>					
Property Taxes Levied for:					
					3,527,137
					880,057
					117,041
					59,298
					6,458,367
					15,574
					274,152
					<b>Total General Revenues</b>
					<b>11,331,626</b>
					(231,917)
					<b>Net Position Beginning of Year - Restated (See Note 3)</b>
					<b>10,248,801</b>
					<b>Net Position End of Year</b>
					<b>\$10,016,884</b>

See accompanying notes to the basic financial statements

**Grand Valley Local School District**

*Balance Sheet*

*Governmental Funds*

*June 30, 2015*

	General	Bond Retirement	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and					
Cash Equivalents	\$1,776,777	\$2,762,933	\$3,061	\$1,168,032	\$5,710,803
Accounts Receivable	684	0	0	115	799
Accrued Interest Receivable	596	0	0	0	596
Intergovernmental Receivable	29,178	0	0	172,186	201,364
Interfund Receivable	310	0	0	0	310
Inventory Held for Resale	0	0	0	38,904	38,904
Materials and Supplies Inventory	9,865	0	0	141	10,006
Property Taxes Receivable	3,838,687	970,767	0	191,140	5,000,594
<i>Total Assets</i>	<u>\$5,656,097</u>	<u>\$3,733,700</u>	<u>\$3,061</u>	<u>\$1,570,518</u>	<u>\$10,963,376</u>
<b>Liabilities</b>					
Accounts Payable	\$46,710	\$0	\$0	\$1,853	\$48,563
Accrued Wages and Benefits	777,672	0	0	77,788	855,460
Interfund Payable	0	0	0	310	310
Matured Compensated Absences Payable	28,902	0	0	0	28,902
Intergovernmental Payable	157,891	0	0	17,523	175,414
<i>Total Liabilities</i>	<u>1,011,175</u>	<u>0</u>	<u>0</u>	<u>97,474</u>	<u>1,108,649</u>
<b>Deferred Inflows of Resources</b>					
Property Taxes	2,948,452	739,725	0	147,099	3,835,276
Unavailable Revenue	292,429	68,047	0	38,402	398,878
<i>Total Deferred Inflows of Resources</i>	<u>3,240,881</u>	<u>807,772</u>	<u>0</u>	<u>185,501</u>	<u>4,234,154</u>
<b>Fund Balances</b>					
Nonspendable	9,865	0	0	141	10,006
Restricted	0	2,925,928	3,061	1,287,402	4,216,391
Committed	103,350	0	0	0	103,350
Assigned	1,196,973	0	0	0	1,196,973
Unassigned	93,853	0	0	0	93,853
<i>Total Fund Balances</i>	<u>1,404,041</u>	<u>2,925,928</u>	<u>3,061</u>	<u>1,287,543</u>	<u>5,620,573</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$5,656,097</u>	<u>\$3,733,700</u>	<u>\$3,061</u>	<u>\$1,570,518</u>	<u>\$10,963,376</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, 2015*

<b>Total Governmental Fund Balances</b>	<b>\$5,620,573</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.	28,672,104
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	351,130
Intergovernmental	22,001
School Employees Retirement	
System Reimbursement	<u>25,747</u>
Total	398,878
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(13,503)
Vacation Benefits payable is not expected to be paid with expendable available financial resources and therefore is not reported in the funds.	(72,975)
Deferred Outflows of Resources represent deferred charges on refundings, which are not reported in the funds.	498,814
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
General Obligation Bonds	(8,072,033)
Capital Leases Payable	(990,687)
Compensated Absences	<u>(642,811)</u>
Total	<u>(9,705,531)</u>
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:	
Deferred Outflows - Pension	919,507
Net Pension Liability	(13,805,496)
Deferred Inflows - Pension	<u>(2,495,487)</u>
Total	<u>(15,381,476)</u>
<i>Net Position of Governmental Activities</i>	<u><u>\$10,016,884</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, 2015*

	General	Bond Retirement	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property Taxes	\$3,499,537	\$872,756	\$0	\$174,917	\$4,547,210
Intergovernmental	6,779,884	186,112	0	1,031,578	7,997,574
Interest	11,618	0	3,615	400	15,633
Tuition and Fees	656,714	0	0	0	656,714
Extracurricular Activities	75,318	0	0	81,871	157,189
Charges for Services	0	0	0	143,308	143,308
Rentals	26,351	0	0	0	26,351
Contributions and Donations	0	0	0	4,206	4,206
Miscellaneous	74,042	0	200,000	110	274,152
<i>Total Revenues</i>	<u>11,123,464</u>	<u>1,058,868</u>	<u>203,615</u>	<u>1,436,390</u>	<u>13,822,337</u>
<b>Expenditures</b>					
Current:					
Instruction:					
Regular	5,479,338	0	0	315,505	5,794,843
Special	718,981	0	0	256,239	975,220
Vocational	188,923	0	0	0	188,923
Support Services:					
Pupil	528,932	0	0	2,022	530,954
Instructional Staff	101,118	0	0	5,756	106,874
Board of Education	15,635	0	0	0	15,635
Administration	1,230,798	2,525	0	22,537	1,255,860
Fiscal	282,759	20,888	0	4,117	307,764
Business	24,272	0	0	0	24,272
Operation and Maintenance of Plant	1,189,915	0	0	114,764	1,304,679
Pupil Transportation	1,112,160	0	0	68,037	1,180,197
Central	88,442	0	0	1,746	90,188
Operation of Food Services	1,378	0	0	486,546	487,924
Extracurricular Activities	311,275	0	0	94,377	405,652
Capital Outlay	0	0	916,350	338,663	1,255,013
Debt Service:					
Principal Retirement	9,446	730,000	0	73,000	812,446
Interest and Fiscal Charges	2,812	167,513	0	48,196	218,521
<i>Total Expenditures</i>	<u>11,286,184</u>	<u>920,926</u>	<u>916,350</u>	<u>1,831,505</u>	<u>14,954,965</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(162,720)</u>	<u>137,942</u>	<u>(712,735)</u>	<u>(395,115)</u>	<u>(1,132,628)</u>
<b>Other Financing Sources (Uses)</b>					
Proceeds of Capital Lease	71,133	0	0	0	71,133
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>67,133</u>	<u>0</u>	<u>0</u>	<u>4,000</u>	<u>71,133</u>
<i>Net Change in Fund Balances</i>	(95,587)	137,942	(712,735)	(391,115)	(1,061,495)
<i>Fund Balances Beginning of Year</i>	1,499,628	2,787,986	715,796	1,678,658	6,682,068
<i>Fund Balances End of Year</i>	<u>\$1,404,041</u>	<u>\$2,925,928</u>	<u>\$3,061</u>	<u>\$1,287,543</u>	<u>\$5,620,573</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, 2015*

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**Net Change in Fund Balances - Total Governmental Funds** (\$1,061,495)

*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	1,437,878	
Current Year Depreciation	(1,349,917)	
Total		87,961

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (5,950)

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

Property Taxes	36,323	
Intergovernmental	(19,150)	
State Employee Retirement System Refund	(10,554)	
Total		6,619

Other financing sources, such as proceeds of capital leases, in the governmental funds increase long-term liabilities in the statement of net position. (71,133)

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. 812,446

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	913	
Bond Accretion	(179,185)	
Amortization of Premium on Bonds	60,286	
Amortization of Deferred Charge on Refunding	(52,507)	
Total		(170,493)

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	(19,867)	
Vacation Benefits Payable	(7,478)	
Total		(27,345)

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows. 789,479

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (592,006)

*Change in Net Position of Governmental Activities* (\$231,917)

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, 2015*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Property Taxes	\$3,492,616	\$3,531,178	\$3,332,566	(\$198,612)
Intergovernmental	7,009,186	6,690,578	6,794,212	103,634
Interest	9,195	7,489	8,913	1,424
Tuition and Fees	677,335	601,034	656,561	55,527
Extracurricular Activities	55,764	51,735	54,054	2,319
Rentals	27,185	21,988	26,351	4,363
Miscellaneous	65,285	76,580	63,282	(13,298)
<i>Total Revenues</i>	<u>11,336,566</u>	<u>10,980,582</u>	<u>10,935,939</u>	<u>(44,643)</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	5,710,407	5,674,107	5,511,724	162,383
Special	836,903	799,956	685,299	114,657
Vocational	195,098	196,593	193,166	3,427
Support Services:				
Pupil	627,539	583,814	568,891	14,923
Instructional Staff	116,136	127,291	108,661	18,630
Board of Education	21,627	21,877	20,862	1,015
Administration	1,303,212	1,321,777	1,249,571	72,206
Fiscal	295,926	301,226	290,069	11,157
Business	26,200	31,200	28,860	2,340
Operation and Maintenance of Plant	1,376,334	1,406,058	1,278,501	127,557
Pupil Transportation	1,152,813	1,164,912	1,075,587	89,325
Central	121,019	108,271	104,308	3,963
Extracurricular Activities	246,385	253,586	237,047	16,539
<i>Total Expenditures</i>	<u>12,029,599</u>	<u>11,990,668</u>	<u>11,352,546</u>	<u>638,122</u>
<i>Excess of Revenues Under Expenditures</i>	(693,033)	(1,010,086)	(416,607)	593,479
<b>Other Financing Uses</b>				
Transfers Out	(4,000)	(4,000)	(4,000)	0
<i>Net Change in Fund Balance</i>	(697,033)	(1,014,086)	(420,607)	593,479
<i>Fund Balance Beginning of Year</i>	1,745,776	1,745,776	1,745,776	0
Prior Year Encumbrances Appropriated	203,032	203,032	203,032	0
<i>Fund Balance End of Year</i>	<u>\$1,251,775</u>	<u>\$934,722</u>	<u>\$1,528,201</u>	<u>\$593,479</u>

See accompanying notes to the basic financial statements

**Grand Valley Local School District**

*Statement of Net Position*

*Fiduciary Funds*

*June 30, 2015*

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	Private Purpose Trust	
	<u>Scholarships</u>	<u>Agency</u>
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	<u>\$10,642</u>	<u>\$48,875</u>
<b>Liabilities</b>		
Due to Students	<u>0</u>	<u>\$48,875</u>
<b>Net Position</b>		
Held in Trust for College Scholarships	<u>\$10,642</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, 2015*

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	<u>Scholarships</u>
<b>Additions</b>	
Interest	\$31
<b>Deductions</b>	
College Scholarships Awarded	<u>250</u>
<i>Change in Net Position</i>	(219)
<i>Net Position Beginning of Year</i>	<u>10,861</u>
<i>Net Position End of Year</i>	<u><u>\$10,642</u></u>

See accompanying notes to the basic financial statements

**Grand Valley Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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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 49 classified employees and 83 certified employees who provide services to 1,271 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 16, 17 and 18 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, 2015*

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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, 2015*

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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 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 outflows/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, 2015

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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 are reported on the government-wide statement of net position for deferred charges on refunding and for pension. 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. The deferred outflows of resources related to pension are explained in Note 21.

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 until that time. For the School District, deferred inflows of resources include property taxes, pension and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2016 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. Deferred inflows of resources related to pension are reported on the government-wide statement of net position (See Note 21).

### ***Pensions***

For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

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

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

**Grand Valley Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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***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 2015, investments were limited to mutual funds, federal farm credit bank bonds, federal home loan mortgage bonds, United States Treasury 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.

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's net asset value per share, which is the price the investment could be sold for on June 30, 2015.

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 2015 amounted to \$11,618 which includes \$6,754 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 and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

**Grand Valley Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

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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 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, compensated absences and net pension liability 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.

**Grand Valley Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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***Bond Premiums***

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

***Interfund Activity***

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

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

***Net Position***

Net position represents the difference between 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.

## **Grand Valley Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

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**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 includes the remaining amount that is not restricted or committed. These assigned balances are established 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 2016's estimated revenue and appropriated budget.

**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.

**Grand Valley Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2015

**Note 3 – Change in Accounting Principle and Restatement of Net Position**

For fiscal year 2015, the School District implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions” and GASB Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68.” GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2014:

Net Position June 30, 2014	\$25,827,750
Adjustments:	
Net Pension Liability	(16,403,264)
Deferred Outflow - Payments Subsequent to Measurement Date	824,315
Restated Net Position June 30, 2014	\$10,248,801

**Note 4 - 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 as follows:

Fund Balances	General	Bond Retirement	Classroom Facilities	Other Governmental Funds	Total
<i><b>Nonspendable</b></i>					
Inventory	\$9,865	\$0	\$0	\$141	\$10,006
<i><b>Restricted for</b></i>					
Inventory	0	0	0	38,904	38,904
Food Service Operations	0	0	0	291,776	291,776
Scholarship Awards	0	0	0	106,907	106,907
Classroom Maintenance	0	0	0	134,918	134,918
Athletics	0	0	0	36,599	36,599
Regular Instruction	0	0	0	27,333	27,333
Debt Service Payments	0	2,925,928	0	0	2,925,928
Capital Improvements	0	0	3,061	650,965	654,026
<i>Total Restricted</i>	\$0	\$2,925,928	\$3,061	\$1,287,402	\$4,216,391

(continued)

**Grand Valley Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2015

Fund Balances	General	Bond Retirement	Classroom Facilities	Other Governmental Funds	Total
<i>Committed to</i>					
Property insurance	\$50,520	\$0	\$0	\$0	\$50,520
Consulting fees	52,830	0	0	0	52,830
<i>Total Committed</i>	<u>103,350</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>103,350</u>
<i>Assigned to</i>					
Classroom support services	33,644	0	0	0	33,644
Purchases on Order	52,835	0	0	0	52,835
Fiscal Year 2016 Appropriations	1,110,494	0	0	0	1,110,494
<i>Total Assigned</i>	<u>1,196,973</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,196,973</u>
<i>Unassigned (Deficit)</i>	<u>93,853</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>93,853</u>
<i>Total Fund Balances</i>	<u>\$1,404,041</u>	<u>\$2,925,928</u>	<u>\$3,061</u>	<u>\$1,287,543</u>	<u>\$5,620,573</u>

**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. Proceeds for capital leases and principal retirement on capital leases are reported on the operating statement (budget) rather than on the balance sheet (GAAP).
3. Investments reported at cost (budget) rather than at fair value (GAAP).
4. Budgetary revenues and expenditures of the public school support fund are classified to general fund for GAAP Reporting.
5. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
6. Encumbrances are treated as expenditures (budget) rather than as restricted, committed or assigned fund balance (GAAP).

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

**Grand Valley Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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Net Change in Fund Balance

GAAP Basis	(\$95,587)
Net Adjustment for Revenue Accruals	(357,749)
Proceeds of Capital Lease	71,133
Beginning Fair Value Adjustment for Investments	1,032
Ending Fair Value Adjustment for Investments	(4,682)
Perspective Differences:	
Public School Support	(47,741)
Net Adjustment for Expenditure Accruals	232,683
Principal Retirement	(9,446)
Encumbrances	<u>(210,250)</u>
Budget Basis	<u><u>(\$420,607)</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;
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;

**Grand Valley Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

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, \$2,440,485 of the School District's bank balance of \$4,325,191 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, 2015, the School District had the following investments. All investments are in an internal investment pool.

	<u>Fair Value</u>	<u>Maturity</u>	<u>Standard &amp; Poor's</u>	<u>Percent of Total Investments</u>
Mutual Funds	\$703,180	Daily	AAA	47.41 %
Federal Farm Credit Bank Bonds	200,135	Less than One Year	AAA	13.49
Federal Home Loan Mortgage Bonds	92,951	Less than Two years	AAA	6.27
United States Treasury Notes	461,929	Less than Five years	AAA	31.14
STAR Ohio	25,150	Average 53.4 Days	N/A	N/A
<b><i>Totals</i></b>	<u><u>\$1,483,345</u></u>			

**Grand Valley Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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

**Credit Risk.** The Standard & Poor's ratings of the School District's investments are listed in the preceding table. 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 2015 represent the collection of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed values as of January 1, 2014, 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 2015, represent the collection of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien on December 31, 2013, were levied after April 1, 2014, 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, 2015, 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.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2015, 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, 2015, was \$620,630 in the general fund, \$162,995 in the bond retirement debt service fund, \$10,615 in the classroom facilities maintenance special revenue fund and \$19,948 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2014, was \$453,659 in the general fund, \$113,818 in the bond retirement debt service fund, \$7,864 in the classroom facilities maintenance special revenue fund and \$14,860 in the permanent improvement capital projects fund.

**Grand Valley Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

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 2015 taxes were collected are:

	2014 Second Half Collections		2015 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$161,924,600	96.28 %	\$172,742,740	96.35 %
Public Utility Personal	6,264,860	3.72	6,546,170	3.65
Total	<u>\$168,189,460</u>	<u>100.00 %</u>	<u>\$179,288,910</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, 2015, consisted of taxes, accounts (rent and student fees), tuition, School Employees Retirement System reimbursement and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables except for delinquent property taxes are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	Amounts
Title I Grant	\$102,118
Food Service Subsidy	46,462
School Employees Retirement System	25,747
Title VI-R Grant	11,172
Federal Grant	9,511
School Foundation	4,836
State of Ohio	1,518
Total	<u>\$201,364</u>

**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 325 days for certified

## **Grand Valley Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

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employees and 320 days for 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 is 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 \$150,000 is provided to the treasurer and \$200,000 superintendent.

### ***Health Insurance Benefits***

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

## **Note 10 - Interfund Transactions**

### ***Interfund Transfers***

The general fund transferred \$4,000 to the athletics and music special revenue fund to help provide funding for fiscal year 2015.

### ***Interfund Balances***

Interfund balances at June 30, 2015, consisted of an interfund receivable/payable of \$310 between the general fund and the miscellaneous federal grants special revenue fund pending the receipt of grant money. The interfund balance will be repaid within one year.

## **Note 11 - Contingencies**

### ***Grants***

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2015, 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, 2015

**School Foundation**

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for fiscal year 2015, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the school district; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in a receivable of \$4,836 from ODE to the School District.

**Litigation**

The School District is party to various legal proceedings. Legal Counsel believes financial exposure is limited and would not have a significant effect on the financial statements.

**Note 12 – Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
<b>Capital Assets not being Depreciated:</b>				
Land	\$845,993	\$0	\$0	\$845,993
Construction in Progress	3,243,209	1,114,926	(4,358,135)	0
<i>Total Capital Assets not being Depreciated</i>	<u>4,089,202</u>	<u>1,114,926</u>	<u>(4,358,135)</u>	<u>845,993</u>
<b>Capital Assets being Depreciated:</b>				
Land Improvements	3,539,707	101,742	0	3,641,449
Buildings and Improvements	32,721,255	4,358,135	0	37,079,390
Furniture and Fixtures	708,214	82,803	0	791,017
Vehicles	1,367,036	99,779	(170,222)	1,296,593
Textbooks	412,174	38,628	(5,794)	445,008
<i>Total Capital Assets being Depreciated</i>	<u>38,748,386</u>	<u>4,681,087</u>	<u>(176,016)</u>	<u>43,253,457</u>
<b>Less: Accumulated Depreciation</b>				
Land Improvements	(1,372,217)	(175,540)	0	(1,547,757)
Buildings and Improvements	(11,068,366)	(1,015,653)	0	(12,084,019)
Furniture and Fixtures	(416,997)	(51,386)	0	(468,383)
Vehicles	(1,012,495)	(89,737)	164,272	(937,960)
Textbooks	(377,420)	(17,601)	5,794	(389,227)
<i>Total Accumulated Depreciation</i>	<u>(14,247,495)</u>	<u>(1,349,917) *</u>	<u>170,066</u>	<u>(15,427,346)</u>
<i>Total Capital Assets being Depreciated, Net</i>	<u>24,500,891</u>	<u>3,331,170</u>	<u>(5,950)</u>	<u>27,826,111</u>
<i>Governmental Activities</i>				
<i>Capital Assets, Net</i>	<u>\$28,590,093</u>	<u>\$4,446,096</u>	<u>(\$4,364,085)</u>	<u>\$28,672,104</u>

**Grand Valley Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2015

\*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,164,123
Support Services:	
Instructional Staff	823
Administration	8,690
Operation and Maintenance of Plant	14,527
Pupil Transportation	101,059
Operation of Food Services	5,978
Extracurricular Activities	54,717
Total Depreciation Expense	\$1,349,917

**Note 13 – 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 2015 were as follows:

	Principal Outstanding 6/30/14	Additions	Deductions	Principal Outstanding 6/30/15	Amounts Due in One Year
<b><i>General Obligation Bonds</i></b>					
2012 Classroom Refunding Bonds					
Serial Bonds	\$7,170,000	\$0	\$730,000	\$6,440,000	\$745,000
Capital Appreciation Bonds	529,988	0	0	529,988	0
Accretion on Bonds	350,138	179,185	0	529,323	0
Premium	633,008	0	60,286	572,722	0
<b><i>Total General Obligation Bonds</i></b>	8,683,134	179,185	790,286	8,072,033	745,000
<b><i>Other Long-Term Obligations</i></b>					
Capital Leases Payable	1,002,000	71,133	82,446	990,687	89,225
Compensated Absences	622,944	42,652	22,785	642,811	28,902
Net Pension Liability					
SERS	3,032,271	0	451,646	2,580,625	0
STRS	13,370,993	0	2,146,122	11,224,871	0
<b><i>Total Net Pension Liability</i></b>	16,403,264	0	2,597,768	13,805,496	0
<b><i>Total Other Long-Term Obligations</i></b>	18,028,208	113,785	2,702,999	15,438,994	118,127
<b><i>Total Governmental Activities Long-Term Liabilities</i></b>	\$26,711,342	\$292,970	\$3,493,285	\$23,511,027	\$863,127

**Grand Valley Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

The capital lease is paid from the permanent improvement capital projects fund. Compensated absences will be paid from the general fund and the title I and the food service special revenue funds. The School District pays obligations related to employee compensation from the fund benefiting from their service.

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, 2015, \$6,585,000 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, 2015 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 2015 was \$179,185, for a total outstanding bond liability of \$1,059,311 at June 30, 2015.

The overall debt margin of the School District as of June 30, 2015 was \$11,562,619 with an unvoted debt margin of \$179,289. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2015 are as follows:

	General Obligation Bonds			
	Serial		Capital Appreciation	
	Principal	Interest	Principal	Interest
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	775,000	123,269	0	0
2021-2025	4,165,000	308,415	0	0
Total	<u>\$6,440,000</u>	<u>\$1,031,284</u>	<u>\$529,988</u>	<u>\$975,012</u>

**Note 14 – Capital Leases**

On August 18, 2006, the School District entered into a capitalized lease obligation for a new football field. During fiscal year 2015, the School District entered into a capitalized lease obligation for copiers. These leases meet the criteria for a capital lease and have been recorded on the government-wide statements. The original amount capitalized for the capital lease and the book value as of June 30, 2015, follows:

	Amounts
Assets:	
Land Improvements	\$1,526,000
Copiers	71,133
Less: Accumulated Depreciation	(777,227)
Current Book Value	<u>\$819,906</u>

**Grand Valley Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2015.

	Amounts
2016	\$135,171
2017	134,667
2018	135,025
2019	134,199
2020	121,971
2021-2025	588,253
Total Minimum Lease Payments	1,249,286
Less: Amount Representing Interest	(258,599)
Present Value of Minimum Lease Payments	\$990,687

**Note 15 - 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 17).

Type of Coverage	Coverage Amount
Property - Building and Business Personal	\$58,298,936
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 Injury 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 17) 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.

## **Grand Valley Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

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### ***Worker's Compensation***

For fiscal year 2015, the School District participated in the Ohio Association of School Business Officials Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley UniService provides administrative, cost control and actuarial services to the GRP.

### **Note 16 - 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 \$30,186 to NEOMIN during fiscal year 2015.

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 2015. 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 \$400 to the Career Center for fiscal year 2015. Financial information can be obtained from MaryAnn Wayman, Treasurer at Ashtabula County Technical and Career Center, 1565 State Route 167, Jefferson, Ohio 44047.

### **Note 17 – 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.

**Grand Valley Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

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***Risk Sharing Pools***

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

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

**Note 18 – 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 19 – 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	\$210,250
Classroom Facilities	1,875
Other Governmental Funds	34,743
Totals	<u><u>\$246,868</u></u>

**Grand Valley Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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**Note 20 - 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.

	Capital Improvements
Set-aside balance June 30, 2014	(\$7,700,025)
Current year set-aside requirement	233,353
Current year offsets	(221,448)
Qualifying disbursements	(493,466)
Totals	(\$8,181,586)
Set-aside balance carried forward to future fiscal years	\$0
Set-aside balance June 30, 2015	\$0

The School District had qualifying disbursements during the fiscal year that reduced the capital improvements set-aside below zero. This negative balance is therefore not presented as being carried forward to future fiscal years.

**Note 21 – Defined Benefit Pension Plans**

***Net Pension Liability***

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions – between an employer and its employees – of salaries and benefits for employee services. Pensions are provided to an employee – on a deferred-payment basis – as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the School District’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the School District’s obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School District does receive the benefit of employees’ services in exchange for compensation including pension.

**Grand Valley Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

***Plan Description - School Employees Retirement System (SERS)***

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. 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, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

Benefit	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

\* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

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, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

**Grand Valley Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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The School District's contractually required contribution to SERS was \$199,172 for fiscal year 2015. Of this amount \$7,358 is reported as an intergovernmental payable.

***Plan Description - State Teachers Retirement System (STRS)***

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS 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. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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 allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability 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.

**Grand Valley Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The School District’s contractually required contribution to STRS was \$590,307 for fiscal year 2015. Of this amount \$94,812 is reported as an intergovernmental payable.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$2,580,625	\$11,224,871	\$13,805,496
Proportion of the Net Pension Liability	0.05099100%	0.04614833%	
Pension Expense	\$152,321	\$439,685	\$592,006

At June 30, 2015, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$21,964	\$108,064	\$130,028
School District contributions subsequent to the measurement date	<u>199,172</u>	<u>590,307</u>	<u>789,479</u>
Total Deferred Outflows of Resources	<u>\$221,136</u>	<u>\$698,371</u>	<u>\$919,507</u>
<b>Deferred Inflows of Resources</b>			
Net difference between projected and actual earnings on pension plan investments	<u>\$418,843</u>	<u>\$2,076,644</u>	<u>\$2,495,487</u>

\$789,479 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

**Grand Valley Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2016	(\$99,164)	(\$492,145)	(\$591,309)
2017	(99,164)	(492,145)	(591,309)
2018	(99,164)	(492,145)	(591,309)
2019	<u>(99,387)</u>	<u>(492,145)</u>	<u>(591,532)</u>
Total	<u>(\$396,879)</u>	<u>(\$1,968,580)</u>	<u>(\$2,365,459)</u>

**Actuarial Assumptions - SERS**

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented as follows:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

**Grand Valley Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
<b>Total</b>	<b>100.00 %</b>	

**Discount Rate** The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$3,681,786	\$2,580,625	\$1,654,455

**Actuarial Assumptions - STRS**

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

**Grand Valley Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022 – Scale AA) for Males and Females. Males’ ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS’ investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	<u>1.00</u>	3.00
Total	<u><u>100.00 %</u></u>	

**Discount Rate** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS’ fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

**Grand Valley Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

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	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$16,069,627	\$11,224,871	\$7,127,838

***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, 2015, three members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

**Note 22 - Postemployment Benefits**

***School Employee Retirement System***

Health Care Plan Description – The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) 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 financial report of the Plan is 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.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS’ Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS’ participation in Medicare programs. 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.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer’s SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the School District’s surcharge obligation was \$18,087.

## **Grand Valley Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

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The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014 and 2013 were \$29,555, \$18,892 and \$23,626, respectively. For fiscal year 2015, 96.24 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2014 and 2013.

### ***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) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. 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 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. 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 2015, STRS did not allocate any employer contributions to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$48,177 and \$47,180, respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

## **Required Supplementary Information**

**Grand Valley Local School District**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net Pension Liability*  
*School Employees Retirement System of Ohio*  
*Last Two Fiscal Years (1)*

	2014	2013
School District's Proportion of the Net Pension Liability	0.05099100%	0.05099100%
School District's Proportionate Share of the Net Pension Liability	\$2,580,625	\$3,032,271
School District's Covered-Employee Payroll	\$1,494,145	\$1,298,008
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	172.72%	233.61%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.70%	65.52%

(1) Information prior to 2013 is not available.

Amounts presented as of the School District's measurement date which is the prior fiscal year end.

**Grand Valley Local School District**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net Pension Liability*  
*State Teachers Retirement System of Ohio*  
*Last Two Fiscal Years (1)*

	2014	2013
School District's Proportion of the Net Pension Liability	0.04614833%	0.04614833%
School District's Proportionate Share of the Net Pension Liability	\$11,224,871	\$13,370,993
School District's Covered-Employee Payroll	\$4,747,900	\$4,718,046
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	236.42%	283.40%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	69.30%

(1) Information prior to 2013 is not available.

Amounts presented as of the School District's measurement date which is the prior fiscal year end.

**Grand Valley Local School District**  
*Required Supplementary Information*  
*Schedule of School District Contributions*  
*School Employees Retirement System of Ohio*  
*Last Ten Fiscal Years*

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually Required Contribution	\$199,172	\$207,088	\$179,644	\$184,442
Contributions in Relation to the Contractually Required Contribution	<u>(199,172)</u>	<u>(207,088)</u>	<u>(179,644)</u>	<u>(184,442)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$1,511,171	\$1,494,145	\$1,298,008	\$1,371,315
Contributions as a Percentage of Covered-Employee Payroll	13.18%	13.86%	13.84%	13.45%

2011	2010	2009	2008	2007	2006
\$183,788	\$207,575	\$150,233	\$145,255	\$134,419	\$131,730
<u>(183,788)</u>	<u>(207,575)</u>	<u>(150,233)</u>	<u>(145,255)</u>	<u>(134,419)</u>	<u>(131,730)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,462,117	\$1,533,052	\$1,526,755	\$1,479,170	\$1,258,605	\$1,245,085
12.57%	13.54%	9.84%	9.82%	10.68%	10.58%

**Grand Valley Local School District**  
*Required Supplementary Information*  
*Schedule of School District Contributions*  
*State Teachers Retirement System of Ohio*  
*Last Ten Fiscal Years*

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually Required Contribution	\$590,307	\$617,227	\$613,346	\$630,081
Contributions in Relation to the Contractually Required Contribution	<u>(590,307)</u>	<u>(617,227)</u>	<u>(613,346)</u>	<u>(630,081)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$4,216,479	\$4,747,900	\$4,718,046	\$4,846,777
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.00%	13.00%	13.00%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$646,146	\$698,726	\$720,103	\$654,346	\$616,825	\$594,529
<u>(646,146)</u>	<u>(698,726)</u>	<u>(720,103)</u>	<u>(654,346)</u>	<u>(616,825)</u>	<u>(594,529)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$4,970,354	\$5,374,815	\$5,539,254	\$5,033,431	\$4,744,808	\$4,573,300
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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**GRAND VALLEY LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY  
SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2015**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Non-Cash Receipts</b>	<b>Expenditures</b>	<b>Non-Cash Expenditures</b>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
<i>Passed Through The Ohio Department of Education:</i>						
<i>Nutrition Cluster:</i>						
School Breakfast Program	2015 - 3L70	10.553	\$81,188	\$0	\$81,188	\$0
National School Lunch Program	2015 - 3L60	10.555	249,046	38,180	249,046	38,180
<b>Total - Nutrition Cluster</b>			<b>330,234</b>		<b>330,234</b>	
<b>Total U.S. Department of Agriculture</b>			<b>330,234</b>	<b>38,180</b>	<b>330,234</b>	<b>38,180</b>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
<i>Passed Through The Ohio Department of Education:</i>						
<i>Title One</i>						
<i>Grants to Local Educational Agencies</i>						
Title I School Subsidy	2014 - 3M00	84.010	76,594		79,619	
Title I School Subsidy	2015 - 3M00	84.010	403,989		403,071	
<b>Total - Title I School Subsidy</b>			<b>480,583</b>		<b>482,690</b>	
Title VI-B Rural and Low	2014 - 3Y80	84.358	14,459		14,769	
Title VI-B Rural and Low	2015 - 3Y80	84.358	5,892		5,892	
<b>Total - Title VI-B Rural and Low</b>			<b>20,351</b>		<b>20,661</b>	
Title II, Part A - Improving Teacher Quality	2014 - 3Y60	84.367	9,340		10,596	
Title II, Part A - Improving Teacher Quality	2015 - 3Y60	84.367	67,926		67,580	
<b>Total - Title II Part A</b>			<b>77,266</b>		<b>78,176</b>	
Race to the Top	2014 - 3FD0	84.395	-		47	
F.A.M.S. Grant	2014 - 3FD0	84.395	5,860		5,770	
OPAPP Grant	2014 - 3FD0	84.395	1,414		1,517	
Race to the Top	2015 - 3FD0	84.395	2,054		2,054	
<b>Total - Race to the Top</b>			<b>9,328</b>		<b>9,388</b>	
<b>Total - U.S. Department of Education</b>			<b>587,528</b>		<b>590,915</b>	
<b>Totals</b>			<b>\$917,762</b>	<b>\$38,180</b>	<b>\$921,149</b>	<b>\$38,180</b>

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

**GRAND VALLEY LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C - FOOD DONATION PROGRAM**

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.

**NOTE D - MATCHING REQUIREMENTS**

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



# 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 Grand Valley Local School District, Ashtabula County, (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 14, 2016, wherein we noted the District adopted Government Accounting Standard No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

### ***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 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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***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.

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

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

March 14, 2016



# 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, 2015. The *Summary of Auditor's 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 its major federal program for the year ended June 30, 2015.

***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 over 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

March 14, 2016

**GRAND VALLEY LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2015**

**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):	Child Nutrition Cluster CFDA #'s 10.553 and 10.555
<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  
MARCH 31, 2016