



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 the Grand Valley Local School District, Ashtabula County, Ohio (the District), as of and for the year ended June 30, 2013, 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, 2013, and the respective changes in financial position, thereof, and the budgetary comparison for the General Fund for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2014, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

February 13, 2014

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Grand Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

The management's discussion and analysis of Grand Valley Local School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2013. 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 2013 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 37 students in enrollment from fiscal year 2012 to fiscal year 2013.

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 2013?" 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
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Unaudited

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

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

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

The School District as a Whole

You may recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a comparison of the School District's Net Position for 2013 compared to 2012:

Table 1
 Net Position
 Governmental Activities

	2013	2012	Change
Assets			
Current and Other Assets	\$14,951,086	\$15,247,925	(\$296,839)
Capital Assets	26,503,896	27,324,774	(820,878)
<i>Total Assets</i>	\$41,454,982	\$42,572,699	(\$1,117,717)

Grand Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

Table 1
 Net Position (continued)
 Governmental Activities

	<u>2013</u>	<u>2012</u>	<u>Change</u>
Deferred Outflows of Resources			
Deferred Charge on Refunding	\$603,828	\$656,335	(\$52,507)
Liabilities			
Current Liabilities	1,442,732	1,398,558	(44,174)
Long-Term Liabilities			
Due within One Year	805,529	793,130	(12,399)
Due in More than One Year	10,174,485	10,893,433	718,948
<i>Total Liabilities</i>	<u>12,422,746</u>	<u>13,085,121</u>	<u>662,375</u>
Deferred Inflows of Resources			
Property Taxes	3,831,630	2,775,404	1,056,226
Net Position			
Net Investment in Capital Assets	16,927,441	16,983,540	(56,099)
Restricted for:			
Capital Projects	4,931,188	5,520,451	(589,263)
Debt Service	2,803,714	2,953,789	(150,075)
Other Purposes	556,814	629,381	(72,567)
Unrestricted	585,277	1,281,348	(696,071)
<i>Total Net Position</i>	<u>\$25,804,434</u>	<u>\$27,368,509</u>	<u>(\$1,564,075)</u>

Current assets decreased as the result of several factors. Cash and cash equivalents decreased from an decrease in operating grants as well as State foundation monies due to a loss in student enrollment. There was also a reduction to property taxes receivable due to delinquencies and amount available as an advance reduced from the collection on the second half property taxes being extended. The decrease in capital assets was due to an additional year of depreciation.

Total liabilities decreased during fiscal year 2013 which can be attributed to less retirements at the School District and decreases to intergovernmental and accrued wages payable. The decrease in accrued wages payable is from having younger staff that receives less in overall compensation as well as a result of fewer employees from making budget cuts

Table 2 shows the changes in net position for fiscal year 2013 compared to 2012.

Grand Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

Table 2
 Change in Net Position
 Governmental Activities

	2013	2012	Change
Revenues			
<i>Program Revenues:</i>			
Charges for Services and Sales	\$959,696	\$951,044	\$8,652
Operating Grants, Contributions and Interest	1,078,201	1,504,045	(425,844)
Capital Grants	27,774	34,199	(6,425)
Total Program Revenues	<u>2,065,671</u>	<u>2,489,288</u>	<u>(423,617)</u>
<i>General Revenues:</i>			
Property Taxes	3,072,855	4,073,921	(1,001,066)
Grants and Entitlements not Restricted to Specific Programs	6,632,791	6,874,668	(241,877)
Investment Earnings	29,356	33,195	(3,839)
Miscellaneous	82,086	66,023	16,063
Total General Revenues	<u>9,817,088</u>	<u>11,047,807</u>	<u>(1,230,719)</u>
Total Revenues	<u>11,882,759</u>	<u>13,537,095</u>	<u>(1,654,336)</u>
Program Expenses			
<i>Instruction:</i>			
Regular	6,601,375	6,975,423	374,048
Special	819,302	816,061	(3,241)
Vocational	166,464	182,301	15,837
Student Intervention Services	0	66,627	66,627
<i>Support Services:</i>			
Pupil	473,062	564,022	90,960
Instructional Staff	264,326	249,549	(14,777)
Board of Education	18,436	17,030	(1,406)
Administration	1,088,890	1,241,662	152,772
Fiscal	292,429	316,986	24,557
Business	23,970	26,893	2,923
Operation and Maintenance of Plant	1,228,039	1,091,108	(136,931)
Pupil Transportation	1,183,518	1,172,473	(11,045)
Central	21,777	27,393	5,616
Operation of Food Services	478,609	501,609	23,000
Extracurricular Activities	416,357	418,444	2,087
Interest and Fiscal Charges	370,280	265,364	(104,916)
Total Program Expenses	<u>13,446,834</u>	<u>13,932,945</u>	<u>486,111</u>
Decrease in Net Position	(1,564,075)	(395,850)	(1,168,225)
Net Position Beginning of Year	<u>27,368,509</u>	<u>27,764,359</u>	<u>(395,850)</u>
Net Position End of Year	<u>\$25,804,434</u>	<u>\$27,368,509</u>	<u>(\$1,564,075)</u>

Grand Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

Governmental Activities

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

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a voted levy does not increase solely as a result of inflation. It increases as a result of new construction or collection from a new voted levy. Although school districts experience inflationary growth in expenses, tax revenue does not keep pace with the increased expenses due to House Bill 920. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay less than \$35.00 and the School District would collect the same dollar value the levy generated in the year it passed. The 10 percent rollback on all residential/agricultural property and the 2.5 percent rollback on all owner occupied homes would reduce the amount of taxes paid. Thus School District's dependence upon property taxes is hampered by a lack of revenue growth so it must regularly return to the voters to maintain a constant level of service. Property taxes made up 25.86 percent of revenues for governmental activities for Grand Valley Local School District in fiscal year 2013.

Although the School District relies upon local property taxes to support its operations, a large share of general fund revenue is received from the State of Ohio through the State Foundation Formula. This funding is directly impacted by the enrollment of the School District. The School District's enrollment decreased by 37 students in fiscal year 2013. The School District also actively solicits and receives additional grant and entitlement funds to help offset operating costs. However, in fiscal year 2013, there was a decrease in grants and entitlement revenue not restricted.

Overall, expenditures decreased as a result of staff reductions throughout the School District as a result of budget cuts. The School District continues to show vigilance in monitoring all facets of spending.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services for 2013 compared to 2012.

Grand Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

Table 3
 Total and Net Cost of Program Services
 Governmental Activities

	2013		2012	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction:				
Regular	\$6,601,375	\$5,638,169	\$6,975,423	\$5,720,549
Special	819,302	536,757	816,061	539,120
Vocational	166,464	166,464	182,301	182,301
Student Intervention Services	0	0	66,627	4,307
Support Services:				
Pupil	473,062	471,236	564,022	561,529
Instructional Staff	264,326	215,666	249,549	228,788
Board of Education	18,436	18,436	17,030	17,030
Administration	1,088,890	1,088,890	1,241,662	1,216,180
Fiscal	292,429	292,429	316,986	316,986
Business	23,970	23,970	26,893	26,893
Operation and Maintenance of Plant	1,228,039	1,172,062	1,091,108	1,037,751
Pupil Transportation	1,183,518	1,155,744	1,172,473	1,138,274
Central	21,777	20,077	27,393	17,270
Operation of Food Services	478,609	(60,516)	501,609	(101,071)
Extracurricular Activities	416,357	271,499	418,444	272,386
Interest and Fiscal Charges	370,280	370,280	265,364	265,364
Total	\$13,446,834	\$11,381,163	\$13,932,945	\$11,443,657

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 a decrease in expenditures from the prior year as a result of cost cutting measures and staff leaving from retirement. The general fund revenues also decreased from the previous fiscal year due to a decrease in student enrollment which resulted in less funding from the State. The bond retirement fund revenues decreased due to less property tax revenues compared to the prior fiscal year. The classroom facilities capital projects fund expenditures increased as the School District began a major remediation project for roof of the building that was previously done incorrectly. The School District continues to look for grants to help offset the operating expenditures of the School District and to better provide services to our students.

General Fund Budgeting Highlights

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

During the course of fiscal 2013, the School District amended its general fund budget several times. For the general fund, the actual revenue was slightly higher than the final budget basis revenue estimates due to

Grand Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

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

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

Capital Assets and Debt Administration

Capital Assets

Table 4 shows fiscal year 2013 balances compared to fiscal year 2012:

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

	2013	2012	Change
Land	\$845,993	\$845,993	\$0
Land Improvements	2,340,486	2,200,364	140,122
Buildings and Improvements	22,600,974	23,559,664	(958,690)
Furniture and Fixtures	323,643	296,687	26,956
Vehicles	360,898	376,280	(15,382)
Textbooks	31,902	45,786	(13,884)
Total	\$26,503,896	\$27,324,774	(\$820,878)

The decrease in capital assets was the result of annual depreciation on all capital assets other than land. This decrease was offset by improvements to the School Districts parking lots. See Note 11 to the Basic Financial Statements for additional capital asset information.

Debt

Table 5 summarizes the debt outstanding.

Table 5
 Outstanding Debt at Fiscal Year End
 Governmental Activities

	2013	2012	Change
2002 Classroom Improvement Bonds	\$0	\$530,000	(\$530,000)
2012 Classroom Refunding Bonds	9,309,546	9,406,139	(96,593)
2006 Capital Lease	1,072,000	1,139,000	(67,000)
Total	\$10,381,546	\$11,075,139	(\$693,593)

Grand Valley Local School District
Management's Discussion and Analysis
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The School District has bonded debt issued for the construction of the new school facility. During fiscal year 2013, the School District fully retired its 2002 classroom improvement bonds. The football stadium/track complex was financed via a lease purchase agreement via the OASBO Expanded Asset Pool Financing Program. See Note 15 to the Basic Financial Statements for additional debt information.

Challenges and Opportunities

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

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

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

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

Contacting the School District's Financial Management

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

Basic Financial Statements

Grand Valley Local School District

Statement of Net Position

June 30, 2013

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$9,906,116
Accounts Receivable	2,256
Accrued Interest Receivable	6,214
Intergovernmental Receivable	107,062
Inventory Held for Resale	16,742
Materials and Supplies Inventory	42,449
Property Taxes Receivable	4,870,247
Nondepreciable Capital Assets	845,993
Depreciable Capital Assets, Net	<u>25,657,903</u>
<i>Total Assets</i>	<u>41,454,982</u>
Deferred Outflows of Resources	
Deferred Charge on Refunding	<u>603,828</u>
Liabilities	
Accounts Payable	55,493
Contracts Payable	160,054
Accrued Wages and Benefits	921,073
Matured Compensated Absences Payable	20,529
Intergovernmental Payable	203,159
Accrued Interest Payable	14,239
Vacation Benefits Payable	68,185
Long-Term Liabilities:	
Due Within One Year	805,529
Due In More Than One Year	<u>10,174,485</u>
<i>Total Liabilities</i>	<u>12,422,746</u>
Deferred Inflows of Resources	
Property Taxes	<u>3,831,630</u>
Net Position	
Net Investment in Capital Assets	16,927,441
Restricted for:	
Capital Projects	4,931,188
Debt Service	2,803,714
Other Purposes	556,814
Unrestricted	<u>585,277</u>
<i>Total Net Position</i>	<u><u>\$25,804,434</u></u>

See accompanying notes to the basic financial statements

Grand Valley Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2013

	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest		
Governmental Activities					
Instruction:					
Regular	\$6,601,375	\$623,037	\$340,169	\$0	(\$5,638,169)
Special	819,302	0	282,545	0	(536,757)
Vocational	166,464	0	0	0	(166,464)
Support Services:					
Pupil	473,062	0	1,826	0	(471,236)
Instructional Staff	264,326	0	48,660	0	(215,666)
Board of Education	18,436	0	0	0	(18,436)
Administration	1,088,890	0	0	0	(1,088,890)
Fiscal	292,429	0	0	0	(292,429)
Business	23,970	0	0	0	(23,970)
Operation and Maintenance of Plant	1,228,039	29,734	26,243	0	(1,172,062)
Pupil Transportation	1,183,518	0	0	27,774	(1,155,744)
Central	21,777	0	1,700	0	(20,077)
Operation of Food Services	478,609	162,067	377,058	0	60,516
Extracurricular Activities	416,357	144,858	0	0	(271,499)
Interest and Fiscal Charges	370,280	0	0	0	(370,280)
<i>Totals</i>	<u>\$13,446,834</u>	<u>\$959,696</u>	<u>\$1,078,201</u>	<u>\$27,774</u>	<u>(11,381,163)</u>
General Revenues					
Property Taxes Levied for:					
					2,370,885
					581,430
					79,840
					40,700
Grants and Entitlements not Restricted to Specific Programs					
					6,632,791
					29,356
					82,086
<i>Total General Revenues</i>					
					<u>9,817,088</u>
Change in Net Position					
					(1,564,075)
<i>Net Position Beginning of Year</i>					
					<u>27,368,509</u>
<i>Net Position End of Year</i>					
					<u>\$25,804,434</u>

See accompanying notes to the basic financial statements

Grand Valley Local School District

Balance Sheet

Governmental Funds

June 30, 2013

	General	Bond Retirement	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and					
Cash Equivalents	\$1,635,944	\$2,617,618	\$3,954,260	\$1,698,294	\$9,906,116
Accounts Receivable	0	0	0	2,256	2,256
Accrued Interest Receivable	6,214	0	0	0	6,214
Intergovernmental Receivable	24,883	0	0	82,179	107,062
Inventory Held for Resale	0	0	0	16,742	16,742
Materials and Supplies Inventory	41,119	0	0	1,330	42,449
Property Taxes Receivable	3,762,088	918,648	0	189,511	4,870,247
<i>Total Assets</i>	<u>\$5,470,248</u>	<u>\$3,536,266</u>	<u>\$3,954,260</u>	<u>\$1,990,312</u>	<u>\$14,951,086</u>
Liabilities					
Accounts Payable	\$46,229	\$0	\$0	\$9,264	\$55,493
Contracts Payable	0	0	160,054	0	160,054
Accrued Wages and Benefits	820,066	0	0	101,007	921,073
Matured Compensated Absences Payable	20,529	0	0	0	20,529
Intergovernmental Payable	184,609	0	0	18,550	203,159
<i>Total Liabilities</i>	<u>1,071,433</u>	<u>0</u>	<u>160,054</u>	<u>128,821</u>	<u>1,360,308</u>
Deferred Inflows of Resources					
Property Taxes	2,964,405	718,313	0	148,912	3,831,630
Unavailable Revenue	325,208	75,428	0	18,572	419,208
<i>Total Deferred Inflows of Resources</i>	<u>3,289,613</u>	<u>793,741</u>	<u>0</u>	<u>167,484</u>	<u>4,250,838</u>
Fund Balances					
Nonspendable	41,119	0	0	1,330	42,449
Restricted	0	2,742,525	3,794,206	1,695,355	8,232,086
Committed	101,134	0	0	0	101,134
Assigned	966,949	0	0	0	966,949
Unassigned (Deficit)	0	0	0	(2,678)	(2,678)
<i>Total Fund Balances</i>	<u>1,109,202</u>	<u>2,742,525</u>	<u>3,794,206</u>	<u>1,694,007</u>	<u>9,339,940</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$5,470,248</u>	<u>\$3,536,266</u>	<u>\$3,954,260</u>	<u>\$1,990,312</u>	<u>\$14,951,086</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, 2013*

Total Governmental Fund Balances	\$9,339,940
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*Amounts reported for governmental activities in the statement of
 net position are different because*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	26,503,896
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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	391,029
Intergovernmental	<u>28,179</u>

Total	419,208
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In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(14,239)
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Vacation Benefits payable is not expected to be paid with expendable available financial resources and therefore is not reported in the funds.	(68,185)
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

General Obligation Bonds	(9,309,546)
Capital Leases Payable	(1,072,000)
Compensated Absences	(598,468)
Deferred Charge on Refunding	<u>603,828</u>

Total	<u>(10,376,186)</u>
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<i>Net Position of Governmental Activities</i>	<u><u>\$25,804,434</u></u>
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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, 2013

	General	Bond Retirement	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$2,455,355	\$602,882	\$0	\$123,972	\$3,182,209
Intergovernmental	6,452,062	180,729	0	1,163,944	7,796,735
Interest	5,405	0	23,740	656	29,801
Tuition and Fees	623,037	0	0	0	623,037
Extracurricular Activities	77,537	0	0	67,321	144,858
Charges for Services	0	0	0	162,067	162,067
Rentals	29,734	0	0	0	29,734
Contributions and Donations	0	0	0	3,219	3,219
Miscellaneous	81,689	0	0	397	82,086
<i>Total Revenues</i>	<u>9,724,819</u>	<u>783,611</u>	<u>23,740</u>	<u>1,521,576</u>	<u>12,053,746</u>
Expenditures					
Current:					
Instruction:					
Regular	5,146,161	0	0	354,413	5,500,574
Special	531,029	0	0	285,208	816,237
Vocational	188,529	0	0	0	188,529
Support Services:					
Pupil	468,883	0	0	4,682	473,565
Instructional Staff	203,621	0	0	61,086	264,707
Board of Education	18,436	0	0	0	18,436
Administration	1,032,800	2,310	0	35,583	1,070,693
Fiscal	269,058	20,344	0	4,030	293,432
Business	23,970	0	0	0	23,970
Operation and Maintenance of Plant	1,010,725	0	0	173,702	1,184,427
Pupil Transportation	992,129	0	0	96,192	1,088,321
Central	19,589	0	0	2,188	21,777
Operation of Food Services	0	0	0	476,342	476,342
Extracurricular Activities	289,686	0	0	72,787	362,473
Capital Outlay	0	0	480,384	12,940	493,324
Debt Service:					
Principal Retirement	0	690,000	0	67,000	757,000
Interest and Fiscal Charges	0	203,323	0	54,786	258,109
<i>Total Expenditures</i>	<u>10,194,616</u>	<u>915,977</u>	<u>480,384</u>	<u>1,700,939</u>	<u>13,291,916</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(469,797)</u>	<u>(132,366)</u>	<u>(456,644)</u>	<u>(179,363)</u>	<u>(1,238,170)</u>
Other Financing Sources (Uses)					
Transfers In	0	0	0	4,000	4,000
Transfers Out	(4,000)	0	0	0	(4,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(4,000)</u>	<u>0</u>	<u>0</u>	<u>4,000</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	<u>(473,797)</u>	<u>(132,366)</u>	<u>(456,644)</u>	<u>(175,363)</u>	<u>(1,238,170)</u>
<i>Fund Balances Beginning of Year</i>	<u>1,582,999</u>	<u>2,874,891</u>	<u>4,250,850</u>	<u>1,869,370</u>	<u>10,578,110</u>
<i>Fund Balances End of Year</i>	<u>\$1,109,202</u>	<u>\$2,742,525</u>	<u>\$3,794,206</u>	<u>\$1,694,007</u>	<u>\$9,339,940</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, 2013*

Net Change in Fund Balances - Total Governmental Funds (\$1,238,170)

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

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

Capital Outlay	458,813
Current Year Depreciation	<u>(1,271,986)</u>

Total (813,173)

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.

(7,705)

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

Property Taxes	(109,354)
Intergovernmental	(61,633)
State Employee Retirement System Refund of Expenditure	<u>12,002</u>

Total (158,985)

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.

757,000

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

Accrued Interest on Bonds	3,743
Bond Accretion	(123,693)
Amortization of Premium on Bonds	60,286
Amortization of Deferred Charge on Refunding	<u>(52,507)</u>

Total (112,171)

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	12,956
Vacation Benefits Payable	<u>(3,827)</u>

Total 9,129

Change in Net Position of Governmental Activities (\$1,564,075)

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, 2013

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property Taxes	\$3,433,816	\$3,250,508	\$3,250,508	\$0
Intergovernmental	6,512,365	6,461,388	6,464,692	3,304
Interest	10,429	10,335	9,611	(724)
Tuition and Fees	545,628	623,025	623,037	12
Extracurricular Activities	64,290	56,435	57,510	1,075
Rentals	25,876	30,334	29,734	(600)
Miscellaneous	49,293	51,124	52,223	1,099
<i>Total Revenues</i>	<u>10,641,697</u>	<u>10,483,149</u>	<u>10,487,315</u>	<u>4,166</u>
Expenditures				
Current:				
Instruction:				
Regular	5,266,504	5,282,400	5,173,195	109,205
Special	589,710	615,130	543,642	71,488
Vocational	188,024	205,524	191,290	14,234
Support Services:				
Pupil	568,280	536,085	487,689	48,396
Instructional Staff	225,329	228,827	202,763	26,064
Board of Education	24,009	24,029	21,785	2,244
Administration	1,184,696	1,104,790	1,060,374	44,416
Fiscal	304,463	299,913	282,578	17,335
Business	29,807	29,807	25,970	3,837
Operation and Maintenance of Plant	1,221,035	1,185,835	1,124,151	61,684
Pupil Transportation	1,068,044	1,065,244	1,007,823	57,421
Central	39,589	39,589	38,275	1,314
Extracurricular Activities	235,770	231,010	223,331	7,679
<i>Total Expenditures</i>	<u>10,945,260</u>	<u>10,848,183</u>	<u>10,382,866</u>	<u>465,317</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(303,563)</u>	<u>(365,034)</u>	<u>104,449</u>	<u>469,483</u>
Other Financing Sources (Uses)				
Advances In	54,200	54,200	54,200	0
Transfers Out	(4,000)	(4,000)	(4,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>50,200</u>	<u>50,200</u>	<u>50,200</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(253,363)	(314,834)	154,649	469,483
<i>Fund Balance Beginning of Year</i>	1,087,334	1,087,334	1,087,334	0
Prior Year Encumbrances Appropriated	173,112	173,112	173,112	0
<i>Fund Balance End of Year</i>	<u>\$1,007,083</u>	<u>\$945,612</u>	<u>\$1,415,095</u>	<u>\$469,483</u>

See accompanying notes to the basic financial statements

Grand Valley Local School District

Statement of Net Position

Fiduciary Funds

June 30, 2013

	Private Purpose Trust	
	<u>Scholarships</u>	<u>Agency</u>
Assets		
Equity in Pooled Cash and Cash Equivalents	\$11,083	<u>\$41,266</u>
Liabilities		
Due to Students	<u>0</u>	<u>\$41,266</u>
Net Position		
Held in Trust for College Scholarships	<u>\$11,083</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, 2013

	<u>Scholarships</u>
Additions	
Interest	\$37
Deductions	
College Scholarships Awarded	<u>250</u>
<i>Change in Net Position</i>	(213)
<i>Net Position Beginning of Year</i>	<u>11,296</u>
<i>Net Position End of Year</i>	<u><u>\$11,083</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, 2013

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 46 classified employees and 76 certified employees who provide services to 1,400 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 Joint Vocational School District, Ohio Association of School Business Officials Workers' Compensation Group Rating Program, Ashtabula County Schools Council of Governments, Schools of Ohio Risk Sharing Authority and the Grand Valley Public Library Association. These organizations are presented in Notes 18, 20 and 23 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, 2013*

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, 2013

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

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

Measurement Focus

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

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

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

Basis of Accounting

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

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year in which the taxes are levied (See Note 8). Revenue from

Grand Valley Local School District

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2013

grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance fiscal year 2014 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

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

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

Cash and Cash Equivalents

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

During fiscal year 2013, investments were limited to nonnegotiable certificates of deposits, mutual funds, federal farm credit bank bonds, federal national mortgage association notes and STAR Ohio. Non-negotiable certificates of deposit are reported at cost. Investments are reported at fair value which, is based on quoted market price or current share.

Grand Valley Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

STAR Ohio is an investment pool managed by the State Treasurer’s Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio’s net asset value per share, which is the price the investment could be sold for on June 30, 2013.

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 2013 amounted to \$5,405 which includes \$64 assigned from other School District funds.

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

Inventory

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

Capital Assets

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

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

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

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

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will

Grand Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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

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

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

Accrued Liabilities and Long-term Obligations

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

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

Deferred Charge on Refunding

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

Bond Premiums

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

Interfund Activity

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

Grand Valley Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

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

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for auxiliary services and extracurricular activities.

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

Fund Balance

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

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

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

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

Assigned Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by the School District Board of Education. In the general fund, assigned amounts represent intended uses established by the School District Board of Education or a School District official delegated that authority by State statute. State statute authorizes the Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. The School District Board of Education assigned fund balance to cover a gap between fiscal year 2014’s estimated revenue and appropriated budget.

Grand Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Unassigned Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

Estimates

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

Budgetary Data

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

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

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

Note 3 – Change in Accounting Principles

For fiscal year 2013, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements," Statement No. 61, "The Financial Reporting Entity: Omnibus—an amendment of GASB Statement No. 14 and 34," Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements" and Statement No. 66, "Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62."

Grand Valley Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

GASB Statement No. 60 improves financial reporting by addressing issues related to service concession arrangements, which are a type of public-private or public-public partnership. The implementation of this statement did not result in any change in the School District's financial statements.

GASB Statement No. 61 modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, the display of component units presentation and certain disclosure requirements. The implementation of this statement did not result in any change in the School District's financial statements.

GASB Statement No. 62 incorporates into GASB's authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989. The implementation of this statement did not result in any change in the School District's financial statements.

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The implementation of this statement did not result in any change in the School District's financial statements.

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 below:

Fund Balances	General	Bond Retirement	Classroom Facilities	Other Governmental Funds	Total
<i>Nonspendable</i>					
Inventory	\$41,119	\$0	\$0	\$1,330	\$42,449
<i>Restricted for</i>					
Inventory	0	0	0	16,742	16,742
Food Service Operations	0	0	0	320,535	320,535
Scholarship Awards	0	0	0	58,995	58,995
Classroom Maintenance	0	0	0	132,448	132,448
Athletics	0	0	0	31,050	31,050
Regular Instruction	0	0	0	8,648	8,648
Debt Service Payments	0	2,742,525	0	0	2,742,525
Capital Improvements	0	0	3,794,206	1,126,937	4,921,143
<i>Total Restricted</i>	0	2,742,525	3,794,206	1,695,355	8,232,086
<i>Committed to</i>					
Property insurance	52,270	0			52,270
Consulting fees	48,864	0	0	0	48,864
<i>Total Committed</i>	101,134	0	0	0	101,134
<i>Assigned to</i>					
Classroom support services	40,704	0	0	0	40,704
Purchases on Order	40,106	0	0	0	40,106
Fiscal Year 2014 Appropriations	886,139	0	0	0	886,139
<i>Total Assigned</i>	966,949	0	0	0	966,949
<i>Unassigned (Deficit)</i>	0	0	0	(2,678)	(2,678)
<i>Total Fund Balances</i>	\$1,109,202	\$2,742,525	\$3,794,206	\$1,694,007	\$9,339,940

Grand Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 5 - Accountability

At June 30, 2013, the miscellaneous federal grants special revenue fund had a deficit fund balance in the amount of \$2,678. The deficit balance resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in this fund and provides transfers when cash is required, not when accruals occur.

Note 6 - Budgetary Basis of Accounting

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as restricted, committed or assigned fund balance (GAAP).
4. Investments reported at cost (budget) rather than at fair value (GAAP).
5. Advances-Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP.)
6. Budgetary revenues and expenditures of the public school support fund are classified to general fund for GAAP Reporting.

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

Net Change in Fund Balance	
GAAP Basis	(\$473,797)
Net Adjustment for Revenue Accruals	710,466
Advances In	54,200
Beginning Fair Value Adjustment for Investments	(817)
Ending Fair Value Adjustment for Investments	3,354
Perspective Differences:	
Public School Support	(19,246)
Net Adjustment for Expenditure Accruals	57,748
Encumbrances	<u>(177,259)</u>
Budget Basis	<u><u>\$154,649</u></u>

Grand Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 7 - Deposits and Investments

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

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

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

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

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

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

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

Grand Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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, \$2,260,477 of the School District's bank balance of \$6,390,149 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, 2013, the School District had the following investments. All investments are in an internal investment pool.

	Fair Value	Maturity	Standard & Poor's	Percent of Total Investments
Mutual Funds	\$2,908,730	Daily	AAA	79.16%
Federal Farm Credit Bank Bonds	99,772	Less than Two years	AAA	2.72%
Federal National Mortgage Association Notes	140,184	Less than Two years	AAA	3.82%
STAR Ohio	525,577	Average 57.5 Day	AAAm	N/A
<i>Totals</i>	<u>\$3,674,263</u>			

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

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

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

Note 8 – Property Taxes

Property taxes are levied and assessed on a calendar year basis, while the School District's fiscal year runs from July through June. First-half tax 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.

Grand Valley Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

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 2013 represent the collection of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed values as of January 1, 2012, 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 2013, represent the collection of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien on December 31, 2011, were levied after April 1, 2012, 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, 2013, are available to finance fiscal year 2014 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, 2013, 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, 2013, was \$497,358 in the general fund, \$8,665 in the classroom facilities maintenance special revenue fund, \$124,907 in the bond retirement debt service fund and \$16,658 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2012, was \$1,292,511 in the general fund, \$21,911 in the classroom facilities maintenance special revenue fund, \$311,804 in the bond retirement debt service fund and \$43,267 in the permanent improvement capital projects fund.

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 2013 taxes were collected are:

	2012 First Half Collections		2013 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$161,241,410	96.86 %	\$161,777,870	96.60 %
Public Utility Personal	5,225,970	3.14	5,693,790	3.40
Total	\$166,467,380	100.00 %	\$167,471,660	100.00 %
Full Tax Rate per \$1,000 of assessed valuation	\$48.01		\$48.01	

Grand Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 9 - Receivables

Receivables at June 30, 2013, 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:

	<u>Amounts</u>
Title I Grant	\$61,223
School Employees Retirement System	28,179
Title VI-R Grant	15,002
Workers' Compensation Reimbursement	1,458
Race to the Top Grant	1,200
Total	<u><u>\$107,062</u></u>

Note 10 - Other Employee Benefits

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn five to twenty-five days of vacation per year, depending upon length of service. Employees are able to roll over up to fifteen days of vacation from year to year without penalty. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated to a maximum of 320 days for certified employees as well as classified employees. Maximum sick leave accumulation for individuals on administrative contracts varies depending on the number of days in the administrator's work year. For all employees, retirement severance is paid to each employee retiring from the School District at a per diem rate of the annual salary at the time of retirement. Any certified employee receiving retirement severance pay is entitled to a dollar amount equivalent to one-fourth of the first 220 days of sick leave credited to that employee, up to 55 days and 1 severance day for each 10 accumulated sick days above 220 days. The maximum attainable is 65 days. Any classified employee receiving retirement severance pay shall be entitled to a dollar amount equivalent to one-fourth of the first 240 days of sick leave credited to that employee, up to 60 days and 1 severance day for each fifteen accumulated sick leave days above 240 days. The maximum attainable is 65 days.

Life Insurance Benefits

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

Health Insurance Benefits

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

Grand Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 11 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
<i>Capital Assets not being Depreciated:</i>				
Land	\$845,993	\$0	\$0	\$845,993
<i>Capital Assets being Depreciated:</i>				
Land Improvements	3,234,226	305,481	0	3,539,707
Buildings and Improvements	32,685,614	12,129	0	32,697,743
Furniture and Fixtures	641,069	62,070	0	703,139
Vehicles	1,392,028	73,950	(155,442)	1,310,536
Textbooks	385,410	5,183	(777)	389,816
<i>Total Capital Assets being Depreciated</i>	38,338,347	458,813	(156,219)	38,640,941
<i>Less: Accumulated Depreciation</i>				
Land Improvements	(1,033,862)	(165,359)	0	(1,199,221)
Buildings and Improvements	(9,125,950)	(970,819)	0	(10,096,769)
Furniture and Fixtures	(344,382)	(35,114)	0	(379,496)
Vehicles	(1,015,748)	(81,627)	147,737	(949,638)
Textbooks	(339,624)	(19,067)	777	(357,914)
<i>Total Accumulated Depreciation</i>	(11,859,566)	(1,271,986)	148,514	(12,983,038)
<i>Total Capital Assets being Depreciated, Net</i>	26,478,781	(813,173)	(7,705)	25,657,903
<i>Governmental Activities</i>				
<i>Capital Assets, Net</i>	\$27,324,774	(\$813,173)	(\$7,705)	\$26,503,896

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,101,480
Support Services:	
Instructional Staff	823
Administration	8,690
Operation and Maintenance of Plant	12,001
Pupil Transportation	89,131
Operation of Food Services	5,977
Extracurricular Activities	53,884
Total Depreciation Expense	\$1,271,986

Grand Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 12 - Interfund Transfers

The general fund transferred \$4,000 to the athletics and music special revenue fund to help provide funding for fiscal year 2013.

Note 13 - Pension Plans

School Employees Retirement System

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2013, the allocation to pension and death benefits was 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2013, 2012 and 2011 were \$170,039, \$174,157 and \$172,676, respectively. For fiscal year 2013, 97.06 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

State Teachers Retirement System of Ohio

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

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

Grand Valley Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

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

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The statutory maximum employee contribution rate will be increased one percent each year beginning July 1, 2013, until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2013, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$613,346 and \$0 for the fiscal year ended June 30, 2013, \$630,081 and \$0 for the fiscal year ended June 30, 2012, and \$646,096 and \$50 for the fiscal year ended June 30, 2011. For fiscal year 2012, 86.79 percent has been contributed for the DB plan, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

Contributions made to STRS Ohio for the DC Plan for fiscal year 2013 were \$2,218 made by the School District and \$1,584 made by the plan members. No member contributions were made for fiscal year 2013 for the defined contribution portion of the Combined Plan.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2013, three members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

Note 14 - Postemployment Benefits

School Employee Retirement System

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

Grand Valley Local School District

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2013

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2013, 0.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2013, this amount was \$20,525. During fiscal year 2013, the School District paid \$16,262 in surcharge.

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

The School District's contributions for health care for the fiscal years ended June 30, 2013, 2012 and 2011 were \$23,626, \$27,991 and \$42,279, respectively. For fiscal year 2013, 97.06 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012 and 2011, were \$10,042, \$10,285 and \$11,112, respectively. For fiscal year 2013, 97.06 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2013, 2012 and 2011 were \$47,180, \$48,468 and \$50,773, respectively. For fiscal year 2013, 86.79 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

Grand Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 15 – Long-Term Obligations

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

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

Changes in long-term obligations of the School District during fiscal year 2013 were as follows:

	Principal Outstanding 6/30/12	Additions	Deductions	Principal Outstanding 6/30/13	Amounts Due in One Year
General Obligation Bonds					
2002 Classroom Improvement Bonds					
Serial Bonds	\$530,000	\$0	\$530,000	\$0	\$0
2012 Classroom Refunding Bonds					
Serial Bonds	8,045,000	0	160,000	7,885,000	715,000
Capital Appreciation Bonds	529,988	0	0	529,988	0
Accretion on Bonds	77,570	123,693	0	201,263	0
Premium	753,581	0	60,286	693,295	0
Total 2012 Classroom Refunding Bonds	9,406,139	123,693	220,286	9,309,546	715,000
Total General Obligation Bonds	9,936,139	123,693	750,286	9,309,546	715,000
Other Long-Term Obligations					
Capital Leases Payable	1,139,000	0	67,000	1,072,000	70,000
Compensated Absences	611,424	23,174	36,130	598,468	20,529
Total Governmental Activities Long-Term Liabilities	\$11,686,563	\$146,867	\$853,416	\$10,980,014	\$805,529

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

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

On October 4, 2011, the School District issued \$8,689,988 in general obligation refunding bonds which included serial and capital appreciation (deep discount) bonds in the amount of \$8,160,000 and \$529,988, respectively. The general obligation refunding bonds were issued for the purpose of refunding a portion of the 2002 classroom improvement bonds to take advantage of lower interest rates. The proceeds were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the School District’s financial statements. On June 30, 2013, \$8,160,000 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.

Grand Valley Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

The maturity amount of outstanding capital appreciation bonds at June 30, 2013 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 2013 was \$123,693, for a total outstanding bond liability of \$731,251 at June 30, 2013.

The overall debt margin of the School District as of June 30, 2013 was \$9,198,723 with an unvoted debt margin of \$167,472. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2013 are as follows:

	General Obligation Bonds			
	Serial		Capital Appreciation	
	Principal	Interest	Principal	Interest
2014	\$715,000	\$181,925	\$0	\$0
2015	730,000	167,512	0	0
2016	745,000	156,450	0	0
2017	0	150,862	288,667	461,333
2018	0	150,863	241,321	513,679
2019-2023	3,960,000	519,364	0	0
2024-2025	1,735,000	53,745	0	0
Total	<u>\$7,885,000</u>	<u>\$1,380,721</u>	<u>\$529,988</u>	<u>\$975,012</u>

Note 16 – Capital Lease

On August 18, 2006, the School District entered into a capitalized lease obligation for a new football field. The lease meets the criteria for a capital lease and has been recorded on the government-wide statements. The original amount capitalized for the capital lease and the book value as of June 30, 2013, follows:

	Amounts
Asset:	
Land Improvements	\$1,526,000
Less: Accumulated Depreciation	<u>(610,400)</u>
Current Book Value	<u>\$915,600</u>

The following is a schedule of the future minimum leases payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2013.

	Amounts
2014	\$119,419
2015	119,192
2016	118,827
2017	118,323
2018	118,681
2019-2023	589,740
2024-2025	<u>234,259</u>
Total Minimum Lease Payments	1,418,441
Less: Amount Representing Interest	<u>(346,441)</u>
Present Value of Minimum Lease Payments	<u>\$1,072,000</u>

Grand Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 17 - Risk Management

Property and Liability

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

Type of Coverage	Coverage Amount
Property - Building and Business Personal	\$55,647,242
Equipment Breakdown	50,000,000
Crime Coverage per occurrence	100,000
Unintentional Errors and Omissions	1,000,000
Utility Service Direct Damage	500,000
Valuable Papers	1,000,000
General Liability:	
Bodily Inhury and Property Damage	12,000,000
Personal Injury	12,000,000
Products/Completed Operations	12,000,000
Automobile Bodily Injury	12,000,000

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

Employee Medical Benefits

The School District participates in the Ashtabula County Schools Council of Governments, a shared risk pool (Note 20) to provide employee medical/surgical, prescription drug, dental and vision benefits. Rates are set through an annual calculation process. The School District pays a monthly contribution which is placed in a common fund from which the claim payments are made for all participating districts. Certified employees per negotiated agreement are required to pay \$110 per month for family coverage and \$55 per month for single coverage. Classified employees per negotiated agreement are required to pay \$80 per month for family coverage and \$40 per month for single coverage.

Worker's Compensation

For fiscal year 2013, the School District participated in the Ohio Association of School Business Officials Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 20). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley UniService provides administrative, cost control and actuarial services to the GRP.

Grand Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 18 - Jointly Governed Organizations

Northeast Ohio Management Information Network (NEOMIN) NEOMIN is a jointly governed organization among thirty school districts in Trumbull and Ashtabula Counties. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the districts support NEOMIN based upon a per pupil charge. The School District paid \$24,595 to NEOMIN during fiscal year 2013.

Superintendents of the participating school districts are eligible to be voting members of the Governing Board which consists of ten members: the Trumbull and Ashtabula County superintendents (permanent members, three superintendents from Ashtabula County School Districts, three superintendents from Trumbull County School Districts, and a treasurer from each county. The School District was represented on the Governing Board by the Treasurer during fiscal year 2013. 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 Joint Vocational School District The Ashtabula County Joint Vocational School District (JVS) is a distinct political subdivision of the State of Ohio which provides vocational education to students. The JVS is operated under the direction of a Board consisting of representatives from some of the participating School Districts' elected boards. The degree of control exercised by the School District is limited to its representation on the Board. The Board is its own budgeting and taxing authority. The School District did not make any contributions for fiscal year 2013. Financial information can be obtained from MaryAnn Wayman, Treasurer at Ashtabula County Joint Vocational School District, 1565 State Route 167, Jefferson, Ohio 44047.

Note 19 - Contingencies

Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2013, if applicable, cannot be determined at this time.

Litigation

The School District is not party to legal proceedings as of June 30, 2013.

Grand Valley Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

Note 20 – Public Entity Risk Pools

Insurance Purchasing Pool

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

Risk Sharing Pools

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

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

Note 21 - 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	\$177,259
Classroom Facilities	3,952,278
Other Governmental Funds	393,028
Totals	<u><u>\$4,522,565</u></u>

Grand Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 22 - Set Asides

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

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

	Capital Improvements
Set-aside balance June 30, 2012	(\$9,105,025)
Current year set-aside requirement	246,930
Current year offsets	(217,845)
Qualifying disbursements	(281,072)
Totals	(\$9,357,012)
Set-aside balance carried forward to future fiscal years	(\$8,415,025)
Set-aside balance June 30, 2013	\$0

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

Note 23 – Related Organization

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

**GRAND VALLEY LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY
FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2013**

Federal Grantor/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through The Ohio Department of Education:</i>						
<i>Nutrition Cluster:</i>						
School Breakfast Program		10.553	\$ 80,120	\$ -	\$ 80,120	\$ -
National School Lunch Program		10.555	263,480	16,742	263,480	16,742
Total -- Nutrition Cluster			343,600		343,600	
Total U.S. Department of Agriculture			343,600	16,742	343,600	16,742
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through The Ohio Department of Education:</i>						
<i>Title One Cluster:</i>						
Grants to Local Educational Agencies						
Title I School Subsidy	2012	84.010	96,930		98,660	
	2013		449,568		432,715	
Total -- Title I School Subsidy			546,498		531,375	
Title VI-B Rural and Low	2012	84.358	2,425		6,527	
	2013		25,254		25,254	
Total - Title VI-B Rural and Low			27,679		31,781	
ARRA - Race to the Top	2012	84.395	2,852		4,167	
Race to the Top	2013		66,796		65,680	
F.A.M.S. Grant	2013		34,864		34,864	
Total - Race to the Top			104,512		104,711	
Title II, Part A -- Improving Teacher Quality	2012	84.367	17,551		17,861	
	2013		68,037		67,424	
Total - Title II Part A			85,588		85,285	
Education Jobs	2012	84.410	70,397		70,734	
Total -- U.S. Department of Education			834,674		823,886	
Totals			\$ 1,178,274	\$ 16,742	\$ 1,167,486	\$ 16,742

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

**GRAND VALLEY LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2013**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – 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 C – NUTRITION CLUSTER

Federal monies received by the District for these programs are comingled with State grants and local revenues. It is assumed that federal monies are expected first.



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Grand Valley Local School District, Ashtabula County, (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 13, 2014.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

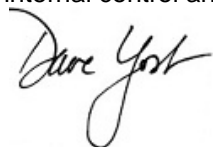
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies 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.



Dave Yost
Auditor of State
Columbus, Ohio

February 13, 2014



Dave Yost • Auditor of State

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

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

To The Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Grand Valley Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Grand Valley Local School District's major federal program for the year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, the Grand Valley Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect the major federal program for the year ended June 30, 2013.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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



Dave Yost
Auditor of State
Columbus, Ohio

February 13, 2014

**GRAND VALLEY LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2013**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	<u>Child Nutrition Cluster:</u> National School Lunch Program – CFDA 10.553 & 10.555
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

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

To the Board of Education:

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on June 25, 2012 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

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

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State
Columbus, Ohio

February 13, 2014

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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
FEBRUARY 25, 2014