

**PYMATUNING VALLEY LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY**

**SINGLE AUDIT**

**JUNE 30, 2007**

*Perry & Associates*  
Certified Public Accountants, A.C.





Mary Taylor, CPA  
Auditor of State

Board of Education  
Pymatuning Valley Local School District  
5571 U.S. Route 6 W  
Andover, Ohio 44003

We have reviewed the *Independent Accountants' Report* of the Pymatuning Valley Local School District, Ashtabula County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period July 1, 2006 through June 30, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Pymatuning Valley Local School District is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

March 2, 2009

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**PYMATUNING VALLEY LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY**

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***Perry & Associates***  
Certified Public Accountants, A.C.

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**INDEPENDENT ACCOUNTANTS' REPORT**

December 23, 2008

Pymatuning Valley Local School District  
Ashtabula County  
5571 US RT 6 W  
Andover, Ohio 44003

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major funds, and the aggregate remaining fund information of **Pymatuning Valley Local School District, Ashtabula County, Ohio** (the District), as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major funds, and the aggregate remaining fund information of Pymatuning Valley Local School District, as of June 30, 2007, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2008, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements. The accompanying Schedule of Federal Awards Receipts and Expenditures is presented for purposes of additional analysis as required by 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 basic financial statements. We subjected the Federal Awards Receipts and Expenditures Schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Perry & Associates CPAs A.C.".

**Perry and Associates**  
Certified Public Accountants, A.C.

# **Pymatuning Valley Local School District**

Ashtabula County, Ohio

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2007  
Unaudited*

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This discussion and analysis of Pymatuning 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, 2007. 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 financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

## **Financial Highlights**

Key financial highlights for fiscal year 2007 are as follows:

For governmental activities, net assets decreased \$614,851 which represents a 2.4 percent decrease from fiscal year 2006.

General revenues accounted for \$11,945,558 in revenue or 88.2 percent of all governmental revenues. Program specific revenues in the form of charges for services and sales, operating grants and contributions and capital grants and contributions accounted for \$1,599,090 or 11.8 percent of total governmental revenues of \$13,544,648.

The District had \$14,159,499 in expenses related to governmental activities; with \$1,599,090 of these expenses being offset by program specific charges for services and operating and capital grants or contributions. General revenues (primarily taxes and unrestricted grants) of \$11,945,558 were not adequate to provide for the remainder of these programs.

Among major funds, the general fund had \$11,255,311 in revenues and \$11,073,817 in expenditures, excluding transfers. The general fund's fund balance increased \$167,055 from fiscal year 2006.

## **Using this Annual Financial Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The statement of net assets and statement of activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements present 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 nonmajor funds presented in total in one column. In the case of Pymatuning Valley Local School District, the general fund and the debt service bond retirement fund are by far the most significant.



# **Pymatuning Valley Local School District**

Ashtabula County, Ohio

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2007  
Unaudited*

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## **Reporting the School District as a Whole**

### *Statement of Net Assets and the Statement of Activities*

While these statements contain information about the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and answers the question, "How did we do financially during 2007?" These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting similar to the accounting method used by most private-sector companies. These bases of 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 assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's current property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net assets and the statement of activities, the School Districts' activities are considered to be all governmental activities.

Governmental Activities - Most of the School District's programs and services are reported here including instruction, support services, operation of non-instructional services 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 8. Fund financial statements 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 and the debt service bond retirement fund as stated previously.

**Governmental Funds** Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end 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 determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is reconciled in the financial statements.

**Fiduciary Funds** Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the School District's programs. These funds use the full accrual basis of accounting.

**Pymatuning Valley Local School District**  
Ashtabula County, Ohio

*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2007*  
*Unaudited*

**The School District as a Whole**

Recall that the statement of net assets provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net assets for fiscal year 2007 as compared to fiscal year 2006.

**Table 1**  
Net Assets  
Governmental Activities

	2007	2006	Change
<b>Assets</b>			
Current and Other Assets	\$9,043,316	\$9,580,163	(\$536,847)
Capital Assets	28,388,947	28,976,634	(587,687)
<i>Total Assets</i>	<u>37,432,263</u>	<u>38,556,797</u>	<u>(1,124,534)</u>
<b>Liabilities</b>			
Current Liabilities	3,956,188	4,238,397	(282,209)
Long-Term Liabilities			
Due within One Year	530,482	378,524	151,958
Due in More than One Year	7,548,297	7,927,729	(379,432)
<i>Total Liabilities</i>	<u>12,034,967</u>	<u>12,544,650</u>	<u>(509,683)</u>
<b>Net Assets</b>			
Invested in Capital Assets			
Net of Related Debt	21,430,379	21,384,386	45,993
Restricted	2,528,342	2,186,968	341,374
Unrestricted	1,438,575	2,440,793	(1,002,218)
<i>Total Net Assets</i>	<u>\$25,397,296</u>	<u>\$26,012,147</u>	<u>(\$614,851)</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2007, the School District's assets exceeded liabilities by \$25,397,296.

Invested in capital assets, net of related debt, reported on the government-wide statements represent the largest portion of the School District's net assets, 84.4 percent for fiscal year 2007. Capital assets include land, land improvements, buildings and improvements, furniture, fixtures, and equipment and vehicles, and are used to provide services to students and are not available for future spending. Although the School District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the School District's net assets, \$2,528,342, or 10 percent, represents resources that are subject to external restrictions on how the funds may be used. Of the total restricted assets, \$533,339 or 21.1 percent is restricted for debt service payment; \$1,186,874 or 46.9 percent is restricted for capital projects and \$808,129 or 32.0 percent is restricted for other purposes and set-asides. The remaining balance of government-wide unrestricted net assets of \$1,438,575 may be used to meet the School District's ongoing obligations to students and staff.

**Pymatuning Valley Local School District**  
Ashtabula County, Ohio

*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2007*  
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Table 2 shows change in net assets for fiscal year 2007 compared to 2006.

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

	2007	2006	Change
<b>Revenues</b>			
<b>Program Revenues</b>			
Charges for Services and Sales	\$580,433	\$542,441	\$37,992
Operating Grants and Contributions	797,478	741,467	56,011
Capital Grants and Contributions	221,179	2,472,300	(2,251,121)
<i>Total Program Revenues</i>	<u>1,599,090</u>	<u>3,756,208</u>	<u>(2,157,118)</u>
<b>General Revenues</b>			
Property Taxes	3,942,764	4,055,168	(112,404)
Intergovernmental	7,658,685	7,404,842	253,843
Investment Earnings	248,244	300,511	(52,267)
Miscellaneous	95,865	11,233	84,632
<i>Total General Revenues</i>	<u>11,945,558</u>	<u>11,771,754</u>	<u>173,804</u>
<i>Total Revenues</i>	<u>13,544,648</u>	<u>15,527,962</u>	<u>(1,983,314)</u>
<b>Program Expenses</b>			
Current:			
Instruction	7,945,633	7,134,475	811,158
Support Services:			
Pupils	519,789	483,208	36,581
Instructional Staff	278,335	178,183	100,152
Board of Education	25,394	25,635	(241)
Administration	1,180,468	989,269	191,199
Fiscal	275,532	289,969	(14,437)
Business	78,384	47,005	31,379
Operation and Maintenance of Plant	1,234,065	1,075,626	158,439
Pupil Transportation	1,090,539	1,024,637	65,902
Central	61,214	29,336	31,878
Operation of Non-Instructional Services	22,752	452,245	(429,493)
Operation of Food Services	541,275	0	541,275
Extracurricular Activities	492,704	427,418	65,286
Interest and Fiscal Charges	413,415	379,749	33,666
<i>Total Program Expenses</i>	<u>14,159,499</u>	<u>12,536,755</u>	<u>1,622,744</u>
<i>Change in Net Assets</i>	<u>(614,851)</u>	<u>2,991,207</u>	<u>(3,606,058)</u>
Net Assets Beginning of Year	<u>26,012,147</u>	<u>23,020,940</u>	<u>2,991,207</u>
<i>Net Assets End of Year</i>	<u>\$25,397,296</u>	<u>\$26,012,147</u>	<u>(\$614,851)</u>

# **Pymatuning Valley Local School District**

Ashtabula County, Ohio

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2007  
Unaudited*

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## **Governmental Activities**

Several revenue sources fund the School District's governmental activities with property tax and State foundation revenues being the largest contributors. Property tax levies generated \$3,942,764 in fiscal year 2007. General revenues from grants and entitlements, such as the school foundation program, generated \$7,658,685. With the combination of taxes and intergovernmental funding comprising approximately 85.7 percent of all revenues, the School District monitors both of these revenue sources very closely for fluctuations.

A review of Table 2 reflects the total cost of instructional services was \$7,945,633 or 56.1 percent of governmental program expenses. Instructional expenses include activities directly related to the teaching of pupils and the interaction between teacher and pupil. These expenses increased \$811,158, or 11.4 percent as compared to the prior year. The primary cause to this increase was due to an increase in costs related to depreciation on capital assets being charged to this function.

Pupil services and instructional staff include the activities involved in assisting staff and the content and process of teaching to pupils. These expenses represent \$798,124, or 5.6 percent of the total governmental program expenses. Expenses to provide these programs increased \$136,733, or 20.7 percent, as compared to fiscal year 2006.

Operation and maintenance of plant expenses refer to the care and upkeep of the buildings, grounds, equipment and the safety of the School District's operations. The total cost for the operation and maintenance services was \$1,234,065 or 8.7 percent of the governmental program expenses. These expenses increased \$158,439, or 14.7 percent as compared to fiscal year 2006.

Pupil transportation expenses are related to the transportation of students to and from school, as well as the service and maintenance of those vehicles. Total transportation cost was \$1,090,539 or 7.7 percent of the total governmental program expenditures. Expenses for providing this program increased \$65,902, or 6.4 percent as compared to the prior year.

Central classifications reflect expenses associated with activities other than general administration, which support each of the other instructional and supporting services programs such as planning, research and development and data processing services. The total cost to provide these programs was \$61,214 during fiscal year 2007. Costs of these programs increased \$31,878 from the prior year due to an increase in depreciation expense.

The statement of activities shows the cost of program services and the charges for services and grants, contributions, and interest offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services for fiscal year 2007 and 2006. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**Pymatuning Valley Local School District**  
Ashtabula County, Ohio

*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2007*  
*Unaudited*

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

	2007		2006	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
<b>Program Expenses</b>				
Instruction:				
Regular	\$5,815,641	\$5,447,820	\$5,261,404	\$2,477,194
Special	1,296,286	1,021,935	1,076,827	814,313
Vocational	215,988	211,231	271,535	271,535
Adult/Continuing	0	0	8,500	0
Other	617,718	527,819	516,209	495,551
Support Services:				
Pupil	519,789	495,250	483,208	481,483
Instructional Staff	278,335	264,055	178,183	169,543
Board of Education	25,394	24,836	25,635	25,635
Administration	1,180,468	1,145,840	989,269	975,475
Fiscal	275,532	269,435	289,969	283,712
Business	78,384	64,202	47,005	39,417
Operation and Maintenance of Plant	1,234,065	1,206,750	1,075,626	1,075,226
Pupil Transportation	1,090,539	1,060,028	1,024,637	955,450
Central	61,214	51,085	29,336	20,336
Operation of Non-Instructional Services	22,752	21,274	452,245	26,335
Operation of Food Services	541,275	(3,692)	0	0
Extracurricular Activities	492,704	339,126	427,418	289,593
Interest and Fiscal Charges	413,415	413,415	379,749	379,749
<i>Total Expenditures</i>	<u>\$14,159,499</u>	<u>\$12,560,409</u>	<u>\$12,536,755</u>	<u>\$8,780,547</u>

**The School District's Funds**

The School District's governmental funds are accounted for using the modified accrual basis of accounting. Total revenues and expenditures during fiscal year 2007, excluding transfers, were \$13,553,709 and \$13,859,275 respectively. The School District continues to be financially stable. The net increase in fund balance for the year was significant in the general fund, amounting to \$167,055. The primary cause of this increase was from an increase in property tax collections and an increase in investment earnings. The net increase in fund balance for the year was also significant in the bond retirement debt service fund, amounting to \$92,663. Net changes across all nonmajor governmental funds amounted to a decrease of \$565,284, or 25.5 percent.

**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 fiscal year 2007, the School District amended its general fund budget, however not significantly. Budget revisions become necessary as expenditure priorities change according to student, building and operational needs. Budget revisions are presented to the Board of Education for approval.

**Pymatuning Valley Local School District**

Ashtabula County, Ohio

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2007  
Unaudited*

For the general fund, the final budget basis revenue estimate was \$11,394,391, which was higher than the original budget estimate of \$10,667,700. Most of this \$726,691 difference was due to conservative estimates for grant awards, the amounts of which are unknown during the original budgeting process. Those estimates must be increased during the year as the awards are finalized.

The original expenditures estimate of \$11,761,541 was revised slightly over the fiscal year. Actual expenditures, however, were only \$11,360,533, \$401,008 less than originally anticipated. Insignificant changes from the original to final budget were posted to nearly all line items of the budget.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2007, the School District had \$28,388,947 invested in capital assets. Table 4 shows fiscal year 2007 balances as compared to fiscal year 2006:

**Table 4**  
Capital Assets at June 30 (Net of Depreciation)

	<u>2007</u>	<u>2006</u>
Land	\$478,147	\$478,147
Land Improvements	1,336,140	1,312,558
Buildings	25,635,815	26,583,675
Furniture, Fixtures and Equipment	539,698	177,880
Vehicles	<u>399,147</u>	<u>424,374</u>
<i>Total</i>	<u>\$28,388,947</u>	<u>\$28,976,634</u>

The School District purchased \$661,384 worth of capital assets during the fiscal year; however, annual depreciation of \$1,249,071 resulted in an overall decrease in net assets of \$587,687. See Note 9 to the basic financial statements for detail on the School District's capital assets.

**Debt**

At June 30, 2007 the School District had \$7,230,569 in bonds and notes outstanding with \$445,661 due within one year. Table 5 summarizes the bonds and loans outstanding:

**Table 5**  
Outstanding Debt at Year End

	<u>2007</u>	<u>2006</u>
2002 School Improvement Bonds	\$6,748,587	\$6,949,605
Ohio School Facilities Commission Note	<u>481,982</u>	<u>642,643</u>
<i>Total</i>	<u>\$7,230,569</u>	<u>\$7,592,248</u>

## **Pymatuning Valley Local School District**

Ashtabula County, Ohio

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2007  
Unaudited*

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During fiscal year 2002, the School District issued \$7,774,998 in bonds, the proceeds of which were used to pay the local share of construction. During fiscal year 2006 the School District issued the Ohio School Facilities note in the amount of \$803,304. The purpose of this note is to pay for the construction of the school buildings.

The School District has budgeted to meet all of its debt requirements, all of which are to be repaid from the general and debt service funds. See Note 14 to the basic financial statements for detail on the School District's debt.

### **Current Issues Affecting Financial Condition**

The Board of Education and administration closely monitor its revenues and expenditures in accordance with its financial forecast. The financial future of the School District is not without its challenges though. These challenges stem from issues that are local and at the State level. The local challenges will continue to exist, as the School District must rely heavily on property taxes to fund its operations. State level challenges continue to evolve as the State of Ohio determines the outcome of the Ohio Supreme Court case dealing with the unconstitutionality of the State's educational funding system. Although the School District relies heavily on its property taxpayers to support its operations, community support remains quite strong.

The State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional educational funding system, one that was neither 'adequate' nor 'equitable'. Since 1997, the State has directed its additional financial support toward School Districts with little property tax wealth. In December 2003, the Ohio Supreme Court again, ruled that, while the State had made some progress, the current funding system for schools is far too dependent on property taxes, which are inherently not 'equitable' nor 'adequate'. The Court directed the Governor and the legislature to address the fundamental issue creating the inequities.

Due to the unsettled issues in school funding, management is required to plan carefully and prudently to provide the resources to meet student needs over the next several years.

In conclusion, the School District's system of budgeting and internal controls is well regarded. All of the School District's financial abilities will be needed to meet the challenges of the future.

### **Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Patricia Smith, Treasurer at Pymatuning Valley Local School District, 5571 Route 6 W, Andover, OH 44003.

**Pymatuning Valley Local School District**

Ashtabula County, Ohio

*Statement of Net Assets*

*June 30, 2007*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$3,293,449
Cash and Cash Equivalents:	
With Fiscal Agents	1,107,228
Accrued Interest Receivable	4,082
Accounts Receivable	4,704
Intergovernmental Receivable	46,940
Property Taxes Receivable	4,570,854
Inventory Held for Resale	14,650
Materials and Supplies Inventory	1,409
Nondepreciable Capital Assets	478,147
Depreciable Capital Assets, Net	27,910,800
<i>Total Assets</i>	<u>37,432,263</u>
<b>Liabilities</b>	
Accounts Payable	35,646
Accrued Wages and Benefits Payable	874,594
Intergovernmental Payable	280,375
Matured Compensated Absences Payable	14,174
Early Retirement Incentive Payable	10,000
Deferred Revenue	2,498,428
Accrued Interest Payable	24,409
Claims Payable	218,562
Long-Term Liabilities:	
Due Within One Year	530,482
Due In More Than One Year	7,548,297
<i>Total Liabilities</i>	<u>12,034,967</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	21,430,379
Restricted for:	
Capital Projects	1,186,874
Debt Service	533,339
Other Purposes	452,120
Set-asides	356,009
Unrestricted	1,438,575
<i>Total Net Assets</i>	<u>\$25,397,296</u>

See accompanying notes to the basic financial statements



**Pymatuning Valley Local School District**  
Ashtabula County, Ohio

*Statement of Activities*  
*For the Fiscal Year Ended June 30, 2007*

	Program Revenues			Net (Expense)	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Assets	
			Capital Grants and Contributions	Governmental Activities	
<b>Governmental Activities</b>					
Current:					
Instruction:					
Regular	\$5,815,641	\$102,848	\$64,955	\$200,018	(\$5,447,820)
Special	1,296,286	23,286	251,065	0	(1,021,935)
Vocational	215,988	4,757	0	0	(211,231)
Other	617,718	11,817	78,082	0	(527,819)
Support Services:					
Pupils	519,789	16,511	8,028	0	(495,250)
Instructional Staff	278,335	4,572	9,708	0	(264,055)
Board of Education	25,394	558	0	0	(24,836)
Administration	1,180,468	25,808	8,820	0	(1,145,840)
Fiscal	275,532	6,097	0	0	(269,435)
Business	78,384	1,545	0	12,637	(64,202)
Operation and Maintenance of Plant	1,234,065	27,315	0	0	(1,206,750)
Pupil Transportation	1,090,539	21,987	0	8,524	(1,060,028)
Central	61,214	1,129	9,000	0	(51,085)
Operation of Non-Instructional Services	22,752	478	1,000	0	(21,274)
Operation of Food Services	541,275	178,147	366,820	0	3,692
Extracurricular Activities	492,704	153,578	0	0	(339,126)
Interest and Fiscal Charges	413,415	0	0	0	(413,415)
<i>Total Governmental Activities</i>	<u>\$14,169,499</u>	<u>\$580,433</u>	<u>\$797,478</u>	<u>\$221,179</u>	<u>(12,560,409)</u>
<b>General Revenues</b>					
Property Taxes Levied for:					
					3,314,366
					580,566
					47,832
					7,658,685
					248,244
					95,865
					<u>11,945,558</u>
					(614,851)
					26,012,147
					<u>\$25,397,296</u>

See accompanying notes to the basic financial statements

**Pymatuning Valley Local School District**  
Ashtabula County, Ohio

*Balance Sheet*  
*Governmental Funds*  
*June 30, 2007*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$726,512	\$523,058	\$1,687,870	\$2,937,440
Accrued Interest Receivable	1,251	0	2,831	4,082
Accounts Receivable	3,990	0	714	4,704
Interfund Receivable	5,420	0	0	5,420
Intergovernmental Receivable	0	0	46,940	46,940
Property Taxes Receivable	3,843,041	672,838	54,975	4,570,854
Inventory Held for Resale	0	0	14,650	14,650
Materials and Supplies Inventory	0	0	1,409	1,409
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	356,009	0	0	356,009
<i>Total Assets</i>	<u>\$4,936,223</u>	<u>\$1,195,896</u>	<u>\$1,809,389</u>	<u>\$7,941,508</u>
<b>Liabilities</b>				
Accounts Payable	\$21,125	\$0	\$14,521	\$35,646
Accrued Wages and Benefits Payable	801,330	0	73,264	874,594
Intergovernmental Payable	258,722	0	21,653	280,375
Matured Compensated Absences Payable	14,174	0	0	14,174
Interfund Payable	0	0	5,420	5,420
Deferred Revenue	2,573,082	448,338	42,076	3,063,496
Early Retirement Incentive Payable	10,000	0	0	10,000
<i>Total Liabilities</i>	<u>3,678,433</u>	<u>448,338</u>	<u>156,934</u>	<u>4,283,705</u>
<b>Fund Balances</b>				
Reserved for Encumbrances	59,689	0	403,460	463,149
Reserved for Textbooks	356,009	0		356,009
Reserved for Property Taxes	1,269,959	224,500	18,319	1,512,778
Unreserved:				
Designated for:				
Underground Storage Tanks	0	0	11,000	11,000
Undesignated, Reported in:				
General Fund	(427,867)	0	0	(427,867)
Special Revenue Funds	0	0	410,290	410,290
Debt Service Funds	0	523,058	0	523,058
Capital Projects Funds	0	0	809,386	809,386
<i>Total Fund Balances</i>	<u>1,257,790</u>	<u>747,558</u>	<u>1,652,455</u>	<u>3,657,803</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$4,936,223</u>	<u>\$1,195,896</u>	<u>\$1,809,389</u>	<u>\$7,941,508</u>

See accompanying notes to the basic financial statements

**Pymatuning Valley Local School District**

Ashtabula County, Ohio

*Reconciliation of Total Governmental Fund Balances to  
Net Assets of Governmental Activities  
June 30, 2007*

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<b>Total Governmental Fund Balances</b>	<b>\$3,657,803</b>
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***Amounts reported for governmental activities in the  
statement of net assets are different because***

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	28,388,947
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Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.

Property Taxes	559,648
Intergovernmental	<u>5,420</u>

Total	565,068
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An internal service fund is used by management to charge the costs of dental and vision insurance premiums to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net assets.	888,666
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In the statement of activities, interest is accrued on outstanding general obligation bonds, whereas in governmental funds, an interest expenditure is reported when due.	(24,409)
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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	(6,476,586)
Accretion on Capital Appreciation Bonds	(272,001)
Ohio Schools Facilities Commission Note	(481,982)
Compensated Absences	<u>(848,210)</u>

Total	<u>(8,078,779)</u>
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<b><i>Net Assets of Governmental Activities</i></b>	<b><u><u>\$25,397,296</u></u></b>
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See accompanying notes to the basic financial statements

**Pymatuning Valley Local School District**  
Ashtabula County, Ohio

*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2007*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property Taxes	\$3,299,074	\$583,568	\$47,638	\$3,930,280
Tuition and Fees	226,808	0	754	227,562
Interest	170,899	0	50,451	221,350
Charges for Services	17,070	0	178,147	195,217
Extracurricular Activities	0	0	151,565	151,565
Rentals	6,089	0	0	6,089
Contributions and Donations	0	0	1,821	1,821
Intergovernmental	7,492,485	99,119	1,132,356	8,723,960
Miscellaneous	42,886	0	52,979	95,865
<i>Total Revenues</i>	<u>11,255,311</u>	<u>682,687</u>	<u>1,615,711</u>	<u>13,553,709</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	4,531,227	0	108,912	4,640,139
Special	998,062	0	268,971	1,267,033
Vocational	204,939	0	0	204,939
Other	522,211	0	78,082	600,293
Support Services:				
Pupils	496,392	0	10,614	507,006
Instructional Staff	200,623	0	12,709	213,332
Board of Education	24,678	0	0	24,678
Administration	1,124,850	0	9,844	1,134,694
Fiscal	254,776	0	710	255,486
Business	68,278	0	7,895	76,173
Operation and Maintenance of Plant	1,160,386	0	0	1,160,386
Pupil Transportation	931,543	0	5,325	936,868
Central	49,874	0	9,000	58,874
Operation of Non-Instructional Services	21,109	0	1,000	22,109
Operation of Food Services	0	0	521,994	521,994
Extracurricular Activities	324,208	0	147,878	472,086
Capital Outlay	0	0	1,012,500	1,012,500
Debt Service:				
Principal Retirement	160,661	275,000	0	435,661
Interest and Fiscal Charges	0	315,024	0	315,024
<i>Total Expenditures</i>	<u>11,073,817</u>	<u>590,024</u>	<u>2,195,434</u>	<u>13,859,275</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>181,494</u>	<u>92,663</u>	<u>(579,723)</u>	<u>(305,566)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	0	0	14,439	14,439
Transfers Out	(14,439)	0	0	(14,439)
<i>Total Other Financing Sources (Uses)</i>	<u>(14,439)</u>	<u>0</u>	<u>14,439</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	167,055	92,663	(565,284)	(305,566)
<i>Fund Balances Beginning of Year</i>	1,090,735	654,895	2,217,739	3,963,369
<i>Fund Balances End of Year</i>	<u>\$1,257,790</u>	<u>\$747,558</u>	<u>\$1,652,455</u>	<u>\$3,657,803</u>

See accompanying notes to the basic financial statements

**Pymatuning Valley Local School District**

Ashtabula County, Ohio

*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, 2007*

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**Net Change in Fund Balances - Total Governmental Funds:** (\$305,566)

***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	661,384
Current Year Depreciation	<u>(1,249,071)</u>

Total (587,687)

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

Property Taxes	12,484
Intergovernmental	<u>(48,439)</u>

Total (35,955)

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

435,661

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.

Accrued Interest on Bonds	(24,409)
Accreted Interest on Bonds	<u>(73,982)</u>

Total (98,391)

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

(134,205)

The internal service fund used by management to charge the costs of insurance to individual funds are not reported in the district-wide statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.

111,292

*Change in Net Assets of Governmental Activities*

(\$614,851)

See accompanying notes to the basic financial statements

**Pymatuning Valley Local School District**  
Ashtabula County, Ohio

*Statement of Revenues, Expenditures and Changes  
In Fund Balance - Budget (Non-GAAP Basis) and Actual  
General Fund  
For the Fiscal Year Ended June 30, 2007*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$3,165,371	\$3,358,424	\$3,289,340	(\$69,084)
Tuition and Fees	210,877	223,738	223,738	0
Interest	151,416	160,651	154,266	(6,385)
Charges for Services	16,089	17,070	17,070	0
Rentals	5,739	6,089	6,089	0
Intergovernmental	7,075,699	7,584,633	7,492,485	(92,148)
Miscellaneous	42,509	43,786	43,786	0
<i>Total Revenues</i>	<u>10,667,700</u>	<u>11,394,391</u>	<u>11,226,774</u>	<u>(167,617)</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	4,774,577	5,044,358	4,703,537	340,821
Special	1,108,165	1,166,694	966,969	199,725
Vocational	270,300	284,868	261,007	23,861
Other	505,959	534,641	522,368	12,273
Support Services:				
Pupils	503,714	532,710	507,058	25,652
Instructional Staff	216,836	229,318	203,643	25,675
Board of Education	40,777	43,125	16,395	26,730
Administration	1,136,487	1,201,276	1,133,385	67,891
Fiscal	279,115	295,183	281,290	13,893
Business	67,827	71,731	68,278	3,453
Operation and Maintenance of Plant	1,319,563	1,395,182	1,186,383	208,799
Pupil Transportation	975,682	1,029,332	933,637	95,695
Central	52,055	55,052	49,874	5,178
Operation of Non-Instructional Services	21,325	22,553	21,109	1,444
Extracurricular Activities	337,243	356,657	325,080	31,577
Debt Service:				
Principal Retirement	151,916	160,661	160,661	0
<i>Total Expenditures</i>	<u>11,761,541</u>	<u>12,423,341</u>	<u>11,340,674</u>	<u>1,082,667</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(1,093,841)</u>	<u>(1,028,950)</u>	<u>(113,900)</u>	<u>915,050</u>
<b>Other Financing Sources (Uses)</b>				
Advances In	0	0	3,041	3,041
Advances Out	0	0	(5,420)	(5,420)
Transfers Out	0	0	(14,439)	(14,439)
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>(16,818)</u>	<u>(16,818)</u>
<i>Net Change in Fund Balance</i>	<u>(1,093,841)</u>	<u>(1,028,950)</u>	<u>(130,718)</u>	<u>898,232</u>
<i>Fund Balance Beginning of Year</i>	<u>1,116,507</u>	<u>1,116,507</u>	<u>1,116,507</u>	<u>0</u>
<i>Prior Year Encumbrances Appropriated</i>	<u>16,308</u>	<u>16,308</u>	<u>16,308</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$38,974</u>	<u>\$103,865</u>	<u>\$1,002,097</u>	<u>\$898,232</u>

See accompanying notes to the basic financial statements

**Pymatuning Valley Local School District**

Ashtabula County, Ohio

*Statement of Fund Net Assets*

*Proprietary Fund*

*June 30, 2007*

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	<u>Internal Service</u>
<b>Current Assets</b>	
Cash and Cash Equivalents:	
With Fiscal Agents	\$1,107,228
<b>Current Liabilities</b>	
Claims Payable	<u>218,562</u>
<b>Net Assets</b>	
Unrestricted	<u><u>\$888,666</u></u>

See accompanying notes to the basic financial statements

**Pymatuning Valley Local School District**

Ashtabula County, Ohio

*Statement of Revenues,  
Expenses and Changes in Fund Net Assets  
Proprietary Fund  
For the Fiscal Year Ended June 30, 2007*

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	<u>Internal Service</u>
<b>Operating Revenues</b>	
Charges for Services	<u>\$1,775,689</u>
<b>Operating Expenses</b>	
Purchased Services	118,745
Claims	1,572,546
<i>Total Operating Expenses</i>	<u>1,691,291</u>
<i>Operating Income</i>	84,398
<b>Non-Operating Revenues</b>	
Interest	<u>26,894</u>
<i>Change in Net Assets</i>	111,292
<i>Net Assets Beginning of Year</i>	<u>777,374</u>
<i>Net Assets End of Year</i>	<u><u>\$888,666</u></u>

See accompanying notes to the basic financial statements



**Pymatuning Valley Local School District**

Ashtabula County, Ohio

*Statement of Cash Flows*

*Proprietary Fund*

*For the Fiscal Year Ended June 30, 2007*

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	<u>Internal Service</u>
<b><i>Increase in Cash and Cash Equivalents</i></b>	
<b>Cash Flows from Operating Activities</b>	
Cash Received from Interfund Services	\$1,775,689
Cash Payments for Goods and Services	(118,745)
Cash Payments for Claims	<u>(1,559,493)</u>
<i>Net Cash Provided by Operating Activities</i>	97,451
<b>Cash Flows from Investing Activities</b>	
Interest on Investments	<u>26,894</u>
<i>Net Increase in Cash and Cash Equivalents</i>	124,345
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>982,883</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$1,107,228</u></u>
 <b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>	
Operating Income	\$84,398
Adjustments:	
Increase in Claims Payable	<u>13,053</u>
<i>Net Cash Provided by Operating Activities</i>	<u><u>\$97,451</u></u>
See accompanying notes to the basic financial statements	

**Pymatuning Valley Local School District**  
Ashtabula County, Ohio

*Statement of Fiduciary Net Assets*  
*Fiduciary Funds*  
*June 30, 2007*

	Private Purpose Trust	
	Scholarship	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$27,126	\$41,326
<b>Liabilities</b>		
Due to Students	0	\$41,326
<b>Net Assets</b>		
Held in Trust for Scholarships	\$27,126	

See accompanying notes to the basic financial statements

**Pymatuning Valley Local School District**  
Ashtabula County, Ohio

*Statement of Changes in Fiduciary Net Assets*  
*Private Purpose Trust Fund*  
*For the Fiscal Year Ended June 30, 2007*

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	<u>Private Purpose Trust</u>
<b>Additions</b>	
Interest	\$672
<b>Deductions</b>	
Scholarships Awarded	<u>751</u>
<i>Change in Net Assets</i>	(79)
<i>Net Assets Beginning of Year</i>	<u>27,205</u>
<i>Net Assets End of Year</i>	<u><u>\$27,126</u></u>

See accompanying notes to the basic financial statements

## **Pymatuning Valley Local School District**

Ashtabula County, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007*

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

Pymatuning 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/or federal agencies. The Board of Education controls the School District's seven instructional/support facilities staffed by 50 classified employees and 89 certificated full and part-time teaching personnel who provide services to 1,390 students and other community members.

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 entity for establishing governmental accounting and financial reporting principles. Following are the more significant of the School District's accounting policies.

#### ***Reporting Entity***

A reporting entity is composed of the primary government, component units, and other organizations that are included to insure that the basic 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 Pymatuning Valley Local 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.

Nonpublic Schools - Within the School District boundaries, there are various nonpublic schools. Current State legislation provides funding to these non-public schools. These monies are received and disbursed by the School District on behalf of the non-public schools by the Treasurer of the School District, as directed by the non-public school. This activity is reflected in a special revenue fund for financial reporting purposes.

Component units are legally separate organizations for which the School District is financially accountable. 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. There are no component units of the Pymatuning Valley Local School District.

The School District is associated with the Northeast Ohio Management Information Network (NEOMIN), the Ashtabula County Joint Vocational School District and the Ashtabula County Joint Vocational School District and the Northeast Ohio Special Education Regional Resources Center (NEO/SERRC), which are defined as jointly governed organizations. Jointly governed organizations are governed by representatives from each of the governments that create the organization, but there is no ongoing financial interest or responsibility by the participating governments. Information regarding these organizations is presented in Note 16. In addition, the School District is associated with the Andover Public Library, which is defined as a related organization, as more fully explained in Note 17.

# **Pymatuning Valley Local School District**

Ashtabula County, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007*

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## **Note 2 - Summary of Significant Accounting Policies**

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities and its internal service fund. The more significant of the School District's accounting policies are described below.

### **A. Basis of Presentation**

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities and fund financial statements which provide a more detailed level of financial information.

**Government-wide Financial Statements** The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. These statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type. The School District, however, has no business-type activities.

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program.

Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

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

### **B. 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.

## **Pymatuning Valley Local School District**

Ashtabula County, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007*

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

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

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

The other governmental funds of the School District account for grants and other resources whose uses are restricted to a particular purpose.

**Proprietary Fund Type** Proprietary fund reporting focuses on the determination of operating income, changes in net asset, financial position and cash flows. Proprietary funds are classified as enterprise or internal service. The School District has no enterprise funds. The following is a description of the School District's internal service fund.

**Internal Service Fund** The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund is a self-insurance fund that accounts for medical, surgical, prescription drug, dental and vision claims of the School District's employees.

**Fiduciary Fund Type** Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's only trust fund is a private purpose trust fund. The money in the fund is used to account for scholarships granted to students as specified in trust agreements and from donations received.. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds account for student activities managed by the student body.

### **C. Measurement Focus**

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

**Fund Financial Statements** All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., 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.

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Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its internal service fund.

The private purpose trust fund is accounted for using the economic resources measurement focus.

***D. 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 for the proprietary and fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

***Revenues - Exchange and Non-Exchange Transactions*** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal values, 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 for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

***Deferred Revenue*** Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2007, but which were levied to finance fiscal year 2008 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

**Expenses/Expenditures** On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the fund financial statements as intergovernmental revenue and an expenditure of operation of non-instructional services. In addition, this amount is reported on the statement of activities as an expense with a like amount reported within the "Operating Grants and Contributions" program revenue account. Unused donated commodities are reported in the account "Inventory held for resale" within the basic financial statements.

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.

**E. 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 sets 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 object level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

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 passed by the Board of Education.

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.

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not re-appropriated.

**F. Cash and Cash Equivalents**

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds are maintained in this account or temporarily used to purchase short-term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in pooled cash and cash equivalents".



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During fiscal year 2007, investments were limited to certificates of deposit, Federal National Mortgage Association Notes and Federal Treasury Obligations. All investments of the School District had a maturity of two years or less. These investments are stated at cost, which approximates market value (fair value).

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2007 amounted to \$170,899, which includes \$99,117 assigned from other School District funds.

The School District uses Ohio Mid Eastern Regional Educational Service Agency (OMERSA) to serve as a claim administrator for its self-insurance program. The balance of this account is presented on the combined balance sheet as "cash and cash equivalents with fiscal agents" and represents deposits.

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.

### ***G. Interfund Balances***

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

### ***H. Inventory***

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

### ***I. Restricted Assets***

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the general fund include amounts required by State statute to be set-aside for the purchase of textbooks. See Note 15 for additional information regarding set asides.

### ***J. Capital Assets***

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

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

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normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The School District's policy is not to capitalize interest costs incurred as part of construction.

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>Estimated Lives</u>
Land Improvements	20 years
Buildings and Improvements	30 - 50 years
Furniture, Fixtures and Equipment	10 - 20 years
Vehicles	10 years

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

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

For the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees who have accumulated leave are paid.

***L. Accrued Liabilities and Long-term Obligations***

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

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

***M. Net Assets***

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either

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through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The government-wide statement of net assets reports restricted net assets of \$2,528,342, none of which is restricted by enabling legislation. Net assets restricted for other purposes include operation of instructional services, food service operations and extracurricular activities.

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

### ***N. Fund Balance Reserves and Designations***

The School District reserves those portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, textbooks and tax revenue unavailable for appropriation. The reserve for tax revenue unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriation under state statute.

Designations represent tentative plans for future use of financial resources. A designation of fund equity has been established by the Board for the potential liability for leaks in underground storage tanks.

### ***O. Operating Revenues and Expenses***

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are charges for services for self-insurance programs. Operating expenses are necessary costs that are incurred to provide the good or service that is the primary activity of the fund. Any revenue or expense not meeting the definition of operating is reported as non-operating.

### ***P. Interfund Activity***

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.

### ***Q. Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence.

### ***R. 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.

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**Note 3 – Fund Deficits**

Fund balances at June 30, 2007 included the following individual fund deficits:

Nonmajor Governmental Funds:	Deficit
Management Information Systems	\$519
Ohio Reads	1,738
Title I	43,621
Title VI	1,475
Improving Teacher Quality	9,343

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. These deficit fund balances are the result of adjustments for accrued liabilities.

**Note 4 - Budgetary Basis of Accounting**

While the School District is reporting its 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 (modified accrual) basis are as follows:

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 fund liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
4. Advances-In and Advances-Out are operating transactions (budget) as opposed to balance sheet transactions.

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	\$167,055
Net Adjustment for Revenue Accruals	(28,537)
Advances In	3,041
Net Adjustment for Expenditure Accruals	(186,106)
Advances Out	(5,420)
Adjustment for Encumbrances	(80,751)
Budget Basis	(\$130,718)

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**Note 5 - Deposits and Investments**

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

Active deposits are public deposits 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 of Education 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 Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to payment of principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
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) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAROhio);
8. Commercial paper and bankers acceptances if training requirements have been met.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian

**A. - Cash with Fiscal Agent**

The District participates in the OME-RESA Health Insurance Consortium for employee health benefits which are administered by Self-Funded Plans, Inc., also see note 10. The District's account balance at fiscal year end for the Employee Benefit Self-Insurance Fund was \$1,107,228. All deposits made to the District's Health Insurance account are managed by Self-Funded Plans, Inc. Collateral is held by a qualified third party trustee in the name of the administrator.

**B. - Deposits**

At June 30, 2007, the carrying amount of all District deposits was \$3,742,036. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2007, \$200,000 of the District's bank balance of \$2,784,751 was covered by the Federal Deposit Insurance Corporation, while \$2,584,751 was exposed to custodial risk as discussed below.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. As permitted by Ohio Revised Code, collateral is held in single financial institution collateral pools at Federal Reserve Banks, or member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the District's name.

**C. - Investments**

As of June 30, 2007, the School District had the following investments. All investments are in an internal investment pool.

	<u>Fair Value</u>	<u>Maturity</u>
Federal National Mortgage Association	\$700,578	6 months or less
Federal Treasury Obligations	26,515	6 months or less
Total Portfolio	<u>\$727,093</u>	

The weighted average maturity of investments is 0.35 years.

**Interest Rate Risk** As a means of limiting its exposure to fair value losses caused by rising interest rates, the School District's investment policy requires that operating funds be invested primarily in short-term investments maturing within one year from the date of purchase and that the School District's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

**Credit Risk** The securities underlying the Federal National Mortgage Association Notes had a credit risk rating of AAA by Standard and Poors. The School District has no investment policy that would further limit its investment choices.

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**Custodial Credit Risk** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Federal National Mortgage Association Notes are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the School District's name. The School District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

**Concentration of Credit Risk** The School District places no limit on the amount it may invest in any one issuer. The School District's investment in the Federal National Mortgage Association Notes and the Federal Treasury Obligations represent 96.35 and 3.65 percent, respectively, of the School District's total investments.

**D. - Reconciliation of Cash and Investment to the Statement of Net Assets**

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2007:

<u>Cash and Investments per Note Disclosure</u>	
Carrying amount of deposits	\$3,742,036
Investments	727,093
Total	\$4,469,129
 <u>Cash and Investments per Statement of Net Assets</u>	
Governmental activities	\$4,400,677
Private-purpose trust funds	27,126
Agency funds	41,326
Total	\$4,469,129

**Note 6 - Property Taxes**

Property taxes are levied and assessed on a calendar year basis while the school district fiscal year runs from July through June. First half tax collections are received by the school district in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed value listed as of January 1, 2006, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien December 31, 2005, were levied after April 1, 2006 and are collected in 2007 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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Tangible personal property tax revenue received during calendar 2007 (other than public utility property) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value as of December 31, 2006. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2007 is 12.5 percent. This will be reduced to 6.25 for 2008 and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Ashtabula County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2007, are available to finance fiscal year 2008 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, public utility property and tangible personal property taxes which are measurable as of June 30, 2007 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2007, was \$1,269,959 in the general fund, \$224,500 in the debt service fund and \$18,319 in the classroom facilities maintenance fund. The amount available as an advance at June 30, 2006 was \$1,260,225 in the general fund, \$247,038 in the debt service fund and \$17,908 in the classroom facilities maintenance fund.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

The assessed values upon which the fiscal year 2007 taxes were collected are:

	2006 Second Half Collections		2007 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$116,497,880	89.47 %	\$118,213,450	90.24 %
Public Utility Personal	70,340	0.05	8,310,600	6.34
Tangible Personal Property	13,647,750	10.48	4,483,360	3.42
Total	<u>\$130,215,970</u>	<u>100.00 %</u>	<u>\$131,007,410</u>	<u>100.00 %</u>
 Tax rate per \$1,000 of assessed valuation	 \$37.92		 \$37.92	

**Note 7 - Receivables**

Receivables at June 30, 2007, consisted of taxes, accounts (rent, student fees and tuition), accrued interest 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



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fiscal year guarantee of Federal funds. All receivables are expected to be collected within one year. At June 30, 2007, the School District reported intergovernmental receivable of \$46,940 for federal lunchroom reimbursements and various grants.

**Note 8 – Interfund Transactions**

**A - Interfund Receivable/Payable**

Interfund balances at June 30, 2007 consisted of the following individual interfund loans receivable and payable, as reported on the fund financial statements

	Interfund Receivable	Interfund Payable
Major Governmental Fund:		
General	\$5,420	\$0
Non-major Governmental Funds:		
Other Grants	0	495
Ohio Reads	0	1,738
Title I	0	1,712
Title VI	0	1,475
	<u>\$5,420</u>	<u>\$5,420</u>

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2007 are reported on the Statement of Net Assets.

**B – Interfund Transfers**

Interfund transfers for the year ended June 30, 2007 consisted of the following, as reported on the fund financial statements:

	Transfers In	Transfers Out
Major Governmental Fund:		
General	\$0	\$14,439
Non-major Governmental Funds:		
Management Information Systems	2,909	0
Title I	11,530	0
	<u>\$14,439</u>	<u>\$14,439</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Transfers between governmental funds are eliminated on the government-wide financials. All transfers were made in compliance with Ohio Revised code Sections 5705.14, 5705.15 and 5705.16.

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**Note 9 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	Balance 6/30/06	Additions	Reductions	Balance 6/30/07
<b>Governmental Activities:</b>				
Capital assets not being depreciated				
Land	\$478,147	\$0	\$0	\$478,147
Capital assets being depreciated				
Land improvements	1,612,163	59,600	0	1,671,763
Buildings and improvements	31,413,960	47,008	0	31,460,968
Furniture, fixtures and equipment	315,643	486,276	0	801,919
Vehicles	1,049,880	68,500	0	1,118,380
<b>Total capital assets being depreciated</b>	<b>34,391,646</b>	<b>661,384</b>	<b>0</b>	<b>35,053,030</b>
Accumulated depreciation				
Land improvements	(299,605)	(36,018)	0	(335,623)
Buildings and improvements	(4,830,285)	(994,868)	0	(5,825,153)
Furniture, fixtures and equipment	(137,763)	(124,458)	0	(262,221)
Vehicles	(625,506)	(93,727)	0	(719,233)
<b>Total accumulated depreciation</b>	<b>(5,893,159)</b>	<b>(1,249,071) *</b>	<b>0</b>	<b>(7,142,230)</b>
Capital assets being depreciated, net	28,498,487	(587,687)	0	27,910,800
<b>Governmental activities capital assets, net</b>	<b>\$28,976,634</b>	<b>(\$587,687)</b>	<b>\$0</b>	<b>\$28,388,947</b>

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

<b>Instruction:</b>	
Regular	\$1,067,143
Special	5,910
Vocational	1,466
<b>Support Services:</b>	
Pupil	57,406
Administration	8,509
Operation and Maintenance of Plant	455
Pupil Transportation	93,727
Central	631
Operation of Food Services	3,018
Extracurricular	10,806
<b>Total Depreciation Expense</b>	<b>\$1,249,071</b>

**Pymatuning Valley Local School District**  
Ashtabula County, Ohio

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007*

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**Note 10 - Risk Management**

**A. General Risk**

The 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 District has addressed these various types of risk by purchasing a comprehensive insurance policy through commercial carriers.

Professional liability insurance is maintained in the amount of \$2,000,000 for single occurrence and \$5,000,000 in the aggregate.

The District maintains fleet insurance in the amount of \$1,000,000 for any one accident or loss. The District maintains replacement cost insurance on buildings and contents in the amount of \$25,665,400 and \$250,000 for equipment breakdown coverage. In addition, the District maintains coverage on musical instruments, computers, band uniforms, audio-visual equipment and electronics.

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

**B. Health Insurance**

The District belongs to the Ohio Mid Eastern Regional Educational Service Agency (OMERSA) to self insure its medical claims. OMERSA currently includes 50 member school districts. Contributions are determined by the consortium's board of directors and are remitted monthly to the consortium's fiscal agent, Jefferson County Educational Service Center, who then pays all incurred claims. Thus actual cash "reserves" are held by the fiscal agent. Settlements have never exceeded insurance coverage.

Self Funded Plans, Inc., a third party administrator, services all health/medical claims submitted by employees. An excess coverage insurance policy covers individual claims in excess of \$50,000 per employee consortium wide.

The School District uses an internal service fund to record and report its self-funded health care insurance program. The claims liability of \$218,562, reported in the fund at year end was estimated by the third party administrator and is based on the requirements of GASB Statement No. 10, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported.

Changes in the claims liability amount during the last two fiscal years were as follows:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2006	\$233,638	1,627,486	1,655,615	\$205,509
2007	205,509	1,572,546	1,559,493	218,562

**C - Workers' Compensation**

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), and insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past

## **Pymatuning Valley Local School District**

Ashtabula County, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007*

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President of the Ohio School Boards Association (OSBA). The Executive Director of OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

The intent of the GRP is to achieve the benefit of a reduced premium for the 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. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

### **Note 11 - Pension Plans**

#### **A - School Employees Retirement System**

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website, [www.ohsers.org](http://www.ohsers.org), under Forms and Publications.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2007, 10.58 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's required contribution for pension obligations to SERS for fiscal years ended 2007, 2006, and 2005 were \$142,750, \$145,623, and \$159,768, respectively; 48.9 percent has been contributed for fiscal year 2007 and 100 percent has been contributed for fiscal year 2006 and 2005.

#### **B - State Teachers Retirement System**

The 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 may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

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

**Pymatuning Valley Local School District**  
Ashtabula County, Ohio

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007*

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on member contributions and earned interest matched by STRS Ohio funds times 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 Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years 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 dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for fund pension obligations to the DB Plan for the fiscal years ended June 30, 2007, 2006, and 2005 were \$626,002, \$604,143, and \$712,440, respectively; 85.2 percent has been contributed for fiscal year 2007 and 100 percent for fiscal year 2006 and 2005. Contributions to the DC and Combined Plans for fiscal year 2007 were \$11,945 made by the District and \$30,112 made by the plan members.

**Note 12 - Postemployment Benefits**

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

STRS retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$48,154 for fiscal year 2007.

**Pymatuning Valley Local School District**

Ashtabula County, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007*

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STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006 (the latest information available), the balance in the Health Care Stabilization Fund was \$3.5 billion. For the fiscal year ended June 30, 2006 (the latest information available), net health care costs paid by STRS were \$282,743,000 and STRS had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.42 percent of covered payroll, a decrease of 0.01 percent from fiscal year 2006. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2007 fiscal year, District paid \$56,475 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2006 (the latest information available) were \$158,751,207. At June 30, 2006 (the latest information available), SERS had net assets available for payment of health care benefits of \$295.6 million, which is about 221 percent of next years projected net health care costs. On the basis of actuarial projections, the allocated contributions will be insufficient in the long term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs. SERS has 59,942 participants currently receiving health care benefits.

**Note 13 - Compensated Absences**

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Only administrative and support personnel who are under a full year contract (11 and 12 month) are eligible for vacation time. The number of days granted to employees is determined upon length of service.

Classified employees earn five to twenty five days of vacation per year, depending upon length of service. Classified employees' accumulated vacation days shall not exceed thirty days. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment.

The classified personnel accumulate vacation based on the following schedule:

<u>Years of Service</u>	<u>Vacation Days</u>
6 Months to 1 Year	5
1 - 5 Years	10
6 - 10 Years	15
11-19 Years	20
20 - 25 Years	20 plus one day per year to 25

**Pymatuning Valley Local School District**  
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*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007*

Each employee earns sick leave at the rate of one and one-fourth days per month. Sick leave shall accumulate during active employment on a continuous year-to-year basis; certified employees, 295 days and classified employees, 275 days.

For all employees, retirement severance is paid to each employee retiring from the District at a per diem rate of the annual salary at the time of retirement if the employee has been employed by the District for a minimum of ten consecutive years at the time of retirement for certified personnel and a minimum of five consecutive years for classified personnel. Any employee receiving retirement severance pay shall be entitled to a dollar amount equivalent to one-fourth of all accumulated sick leave credited to that employee up to 70 days for certified employees and 71.25 days for classified employees.

**Note 14 - Long-term Obligations**

The changes in the School District's long-term obligations during fiscal year 2007 were as follows:

	Principal Outstanding 6/30/06	Additions	Deductions	Principal Outstanding 6/30/07	Amounts due in One Year
<b>Governmental-Type Activities</b>					
<b>General Obligation Bonds:</b>					
2002 School Improvement Bonds:					
Current Interest Serial Bonds	\$5,315,000	\$0	\$185,000	\$5,130,000	\$90,000
Current Interest Term Bonds	1,070,000	0	0	1,070,000	0
Capital Appreciation Bonds	324,999	0	48,413	276,586	92,026
Accretion on Capital Appreciation Bonds	239,606	73,982	41,587	272,001	102,974
Total School Improvement Bonds	6,949,605	73,982	275,000	6,748,587	285,000
<b>Other Long-Term Obligations:</b>					
2006 Ohio Schools Facilities Commission Note	642,643	0	160,661	481,982	160,661
Compensated Absences	714,005	167,068	32,863	848,210	84,821
<b>Total Long-Term Obligations</b>	<b>\$8,306,253</b>	<b>\$241,050</b>	<b>\$468,524</b>	<b>\$8,078,779</b>	<b>\$530,482</b>

The District issued School Improvement and Classroom Facilities Bonds on April 4, 2002, in the amount of \$7,774,998 at an average rate of 5.04 percent. The purpose of these bonds, which included serial bonds, term bonds and capital appreciation bonds, is to pay the local share of school construction under the State of Ohio Classroom Facilities Assistance Program for constructing, furnishing and equipping a new high school auditorium and for the repayment of bond anticipation notes issued for this project. The final maturity amount of the capital appreciation bonds will be \$2,597,308. The bonds were issued for a twenty-two year period with a maturity date of December 1, 2025.

The District issued the Ohio School Facilities loan on August 11, 2005, in the amount of \$803,304. The purpose of this note is to pay for the construction of the new school buildings.

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

**Pymatuning Valley Local School District**  
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The School District's overall legal debt margin was \$5,579,657 with an unvoted debt margin of \$131,007 at June 30, 2007. Principal requirements to retire general obligation debt outstanding at June 30, 2007, are as follows:

Fiscal year Ending June 30,	General Obligation Bonds				Ohio Schools Facilities Commission Note
	Serial and Term Bonds		Capital Appreciation Bonds		Principal
	Principal	Interest	Principal	Interest	
2008	\$90,000	\$297,200	\$92,026	\$102,974	\$160,661
2009	95,000	293,590	80,590	114,410	160,661
2010	100,000	289,590	72,384	127,616	160,660
2011	195,000	283,298	31,586	68,414	0
2012	300,000	272,580	0	0	0
2013-2017	1,700,000	1,140,857	0	0	0
2018-2022	2,150,000	671,250	0	0	0
2023-2025	1,570,000	120,250	0	0	0
<i>Total</i>	<u>\$6,200,000</u>	<u>\$3,368,615</u>	<u>\$276,586</u>	<u>\$413,414</u>	<u>\$481,982</u>

**Note 15 - Set-Asides**

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

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

	Capital	
	Textbooks	Improvements
Set-Aside Reserve Balance as of June 30, 2006	\$281,834	\$0
Current Year Set-Aside Requirement	209,529	209,529
Qualifying Disbursements	(135,354)	0
Current year offsets	0	(548,923)
<b>Total</b>	<u>\$356,009</u>	<u>(\$339,394)</u>
Set-Aside Balance Carried Forward to		
Future Fiscal Years	<u>\$356,009</u>	<u>\$0</u>
Cash balance as of June 30, 2007	<u>\$356,009</u>	<u>\$0</u>



**Pymatuning Valley Local School District**  
Ashtabula County, Ohio

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007*

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Although the School District had current year offsets during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement for future years. This negative balance is therefore not presented as being carried forward to future years. The total reserve balance for the two set-asides at the end of the fiscal year was \$356,009.

**Note 16 - Jointly Governed Organizations**

***A. 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. 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 districts, and a treasurer from each county. The District was not represented on the Governing Board during fiscal year 2007. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. A complete set of separate financial statements may be obtained from the Trumbull County Educational Service Center, 347 North Park Avenue, Warren, Ohio, 44481.

***B. Ashtabula County Joint Vocational School District***

The District is a member of the Ashtabula County Joint Vocational School District. The Ashtabula County Joint Vocational School District has a seven member board of education and is funded by levying local millage and state and federal support. The District has no board representation.

***C. Northeast Ohio Special Education Regional Resources Center (NEO/SERRC)***

NEO/SERRC is a special education service center which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for the children with disabilities and their parents. NEO/SERRC is governed by a governing board of 39 members made up of representatives from 35 superintendents of the participating districts, one non-public school, one county board of mental retardation and two parents whose terms rotate each year. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting the Treasurer at the Mahoning County Educational Service Center, 100 DeBartolo Place, Youngstown, Ohio 44512.

**Note 17 – Related Organization**

***A. - Andover Public Library***

The Andover Public Library (the Library) is a district political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the District for operational subsidies. Although the District does serve as the taxing authority and may issue tax related debt on the behalf of

**Pymatuning Valley Local School District**  
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*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007*

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the Library, its role is limited to a ministerial function. The determination to request approval of tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Andover Public Library, Linda Weston, Clerk/Treasurer, at 142 Main Street, Andover, Ohio 44003.

**Note 18 - Contingencies**

**A. 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 agreement and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2007.

**B. Litigation**

The School District is not party to legal proceedings as of June 30, 2007.

**Note 19 – New Accounting Standards**

In April of 2004, the Governmental Accounting Standards Board (the GASB) issued Statement No. 43, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans." This Statement establishes uniform financial reporting standards for Other Postemployment Benefit (OPEB) plans and supersedes guidance included in Statement No. 26, "Financial Reporting for Postemployment Healthcare Plans Administered by Defined Benefit Pension Plans." The standards in Statement No. 43 apply to OPEB trust funds included in the financial reports of plan sponsors or employers, as well as for the stand-alone financial reports of OPEB plans or the public employee retirement systems, or third parties that administer them. Statement No. 43 will not be effective for the District until fiscal year 2008 and, as such, the District has not determined the impact, if any, that this statement will have on its financial statements.

During August of 2004, the GASB issued Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions", which addresses how state and local governments should account for and report their costs and obligations related to postemployment health care and other non-pension benefits. Collectively, these benefits are commonly referred to as other postemployment benefits, or OPEB. Statement No. 45 also establishes disclosure requirements for information about the plans in which an employer participates, the funding policy followed, the actuarial valuation process and assumptions, and, for certain employers, the extent to which the plan has been funded over time. Statement No. 45 will not be effective for the District until fiscal year 2009 and, as such, the District has not determined the impact, if any, that this statement will have on its financial statements.

In September of 2006, the GASB issued Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues." This statement establishes accounting standards on whether a transaction should be regarded as a sale or as collateralized borrowing resulting in a liability. Statement No. 48 will not be effective for the District until fiscal year 2008 and, as such, the District has not determined the impact, if any, that this statement will have on its financial statements.

**Pymatuning Valley Local School District**

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*Notes to the Basic Financial Statements  
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In November 2006, the GASB issued Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations." This Statement is to establish accounting and financial reporting standards for pollution remediation obligations. Statement No. 49 will not be effective for the District until fiscal year 2009 and, as such, the District has not determined the impact, if any, that this statement will have on its financial statements.

In May of 2007, the GASB issued Statement No. 50, "Pension Disclosures." This Statement amends the applicable note disclosure and required supplementary information (RSI) of GASB Statement No. 25 and GASB Statement No. 27 to conform to the requirements of GASB Statement No. 43 and GASB Statement No. 45. This Statement is intended to improve the transparency and usefulness of financial reporting by pension plans and employers by amending Statement No. 25 and Statement No. 27 to conform to the applicable note disclosure and RSI modifications adopted in the OPEB Statements. Statement No. 50 will not be effective for the District until fiscal year 2008 and, as such, the District has not determined the impact, if any, that this statement will have on its financial statements.

In June of 2007, the GASB issued Statement No. 51, "Accounting and Financial Reporting for Intangible Assets." This Statement requires that all intangible assets, which include easements, water rights, timber rights, patents, trademarks, and computer software, be classified as capital assets. Statement No. 51 will not be effective for the District until fiscal year 2010 and, as such, the District has not determined the impact, if any, that this statement will have on its financial statements.

**PYMATUNING VALLEY LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY  
FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2007**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<i>Passed Through The Ohio Department of Education:</i>				
Child Nutrition Cluster:				
School Breakfast Program - Cash Assistance	2008 06-PU	10.553	\$ 66,417	\$ 66,417
National School Lunch Program				
Cash Assistance	2006 LL-P4	10.555	205,822	205,822
Non-Cash Assistance (Food Distribution)	N/A	10.555	75,074	75,074
National School Lunch Program Subtotal			<u>280,896</u>	<u>280,896</u>
<b>Total for Program (Cluster)</b>			<u>347,313</u>	<u>347,313</u>
<i>Cash Assistance Subtotal</i>			272,239	
<i>Non-Cash Assistance (Food Distribution) Subtotal</i>			75,074	
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
<i>Passed Through The Ohio Department of Mental Retardation and Developmental Disabilities:</i>				
Medicaid Cluster:				
Medical Assistance Program	FY 2007	93.778	20,060	20,060
<b>Total -- U.S. Department of Health and Human Services</b>			20,060	20,060
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<i>Passed Through The Ohio Department of Education:</i>				
Grants to Local Educational Agencies				
Title I School Subsidy	C1-S1-2006	84.010	4,598	26,750
	C1-S1-2007		249,353	251,065
<b>Total -- Title I School Subsidy</b>			<u>253,951</u>	<u>277,815</u>
Title IV - A Safe and Drug Free Schools	DR-S1-2006	84.186	633	-
<b>Total -- Safe and Drug Free Schools</b>			<u>633</u>	<u>-</u>
Title V -- Innovative Education Program Strategies	C2-S1-2006	84.298	2,134	3,608
<b>Total -- Innovative Education Program Strategies</b>			<u>2,134</u>	<u>3,608</u>
Technology Literacy Challenge Fund Grants	TJ-S1-2006	84.318	249	-
<b>Total -- Technology Literacy Grants</b>			<u>249</u>	<u>-</u>
Title II-A Improving Teacher Quality State Grants	TR-S1-2006	84.367	38,753	10,452
	TR-S1-2007		77,108	77,108
<b>Total -- Title II-A</b>			<u>115,861</u>	<u>87,560</u>
Hurricane Education Recovery	045880-HR01-2007	84.938	4,000	4,000
<b>Total -- U.S. Department of Education</b>			<u>376,828</u>	<u>372,983</u>
<b>Totals</b>			<u>\$ 744,201</u>	<u>\$ 740,356</u>

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

**PYMATUNING VALLEY LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
JUNE 30, 2007**

**Note A – Significant Accounting Policies**

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) is a summary of the activity of the School District's federal award programs. The schedule has been prepared on the cash basis of accounting.

**Note B – Food Donation**

Program regulations do not require the School District to maintain separate inventory records for purchased food and food received from the United States Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

**Note C – National School Lunch Program**

Cash receipts from the U.S. Department of Agriculture are commingled with State grants and local receipts. It is assumed federal monies are expended first.

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

December 23, 2008

Pymatuning Valley Local School District  
Ashtabula County  
5571 US RT 6 W  
Andover, Ohio 44003

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate fund information of the **Pymatuning Valley Local School District, Ashtabula County, Ohio** (the District) as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents and have issued our report dated December 23, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control over Financial Reporting**

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

**Internal Control over Financial Reporting (Continued)**

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

We noted a certain matter that we reported to the District's management in a separate letter dated December 23, 2008.

**Compliance and Other Matters**

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

We did note one noncompliance or other matter that we reported to the District's management in a separate letter dated December 23, 2008.

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

Respectfully Submitted,



**Perry and Associates**  
Certified Public Accountants, A.C.

***Perry & Associates***  
Certified Public Accountants, A.C.

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

December 23, 2008

Pymatuning Valley Local School District  
Ashtabula County  
5571 US RT 6 W  
Andover, Ohio 44003

To the Board of Education:

**Compliance**

We have audited the compliance of **Pymatuning Valley Local School District, Ashtabula County, Ohio** (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2007. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect one of the major federal programs. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2007.



### **Internal Control over Compliance**

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

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with federal programs compliance requirement on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the District's ability to administer a federal programs such that there is more than a remote likelihood that the entity's internal control will not prevent or detect more-than-consequential noncompliance with a federal programs compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with federal programs' compliance requirements.

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 that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We intend this report solely for the information and use of management, the District, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

Respectfully Submitted,



**Perry and Associates**  
Certified Public Accountants, A.C.

**PYMATUNING VALLEY LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2007**

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

<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unqualified
<i>(d)(1)(ii)</i>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(ii)</i>	<b>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iii)</i>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any other significant deficiencies in internal control reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under § .510?</b>	No
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	Title I - CFDA # 84.010
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee?</b>	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



**Mary Taylor, CPA**  
Auditor of State

**PYMATUNING VALLEY LOCAL SCHOOL DISTRICT**  
**ASHTABULA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED**  
**MARCH 12, 2009**