



Mary Taylor, CPA
Auditor of State

**PYMATUNING VALLEY LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Pymatuning Valley Local School District
Ashtabula County
5571 Route 6 West
Andover, Ohio 44003

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pymatuning Valley Local School District, Ashtabula County, Ohio (the District), as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Pymatuning Valley Local School District, Ashtabula County, Ohio, as of June 30, 2006, 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 September 28, 2007, 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.

Pymatuning Valley Local School District
Ashtabula County
Independent Accountants' Report

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the federal awards expenditure 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.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

September 28, 2007

Pymatuning Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

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, 2006. 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 2005 are as follows:

- For governmental activities, net assets increased \$2,991,207, which represents a 13 percent increase from 2005.
- General revenues accounted for \$11,771,754 in revenue or 75.8 percent of all governmental revenues. Program specific revenues in the form of charges for services and sales, grants and contributions and capital grants and contributions accounted for \$3,756,208 or 24.2 percent of total governmental revenues of \$15,527,962.
- The District had \$12,536,755 in expenses related to governmental activities; with \$3,756,208 of these expenses were offset by program specific charges for services, operating grants or contributions. General revenues (primarily taxes and unrestricted grants) of \$11,771,754 were adequate to provide for the remainder of these programs.
- Among major funds, the general fund had \$10,945,119 in revenues and \$10,039,492 in expenditures. The general fund's fund balance increased \$689,289 from fiscal year 2005.

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, debt service, building improvement and classroom facilities funds are by far the most significant funds.

Pymatuning Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
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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 2006?" 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. This basis 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 9. 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, debt service, building improvement and classroom facilities funds 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.

Pymatuning Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
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 2006 and 2005:

Table 1		Net Assets	
		Governmental Activities	
		(Restated)	
		<u>2006</u>	<u>2005</u>
Assets			
Current and other assets	\$	9,580,163	\$ 20,639,889
Capital assets, net of depreciation		<u>28,976,634</u>	<u>18,238,693</u>
Total assets		<u>38,556,797</u>	<u>38,878,582</u>
Liabilities			
Current and other liabilities		4,238,397	7,873,884
Long-term liabilities			
Due within one year		378,524	399,633
Due in more than one year		<u>7,927,729</u>	<u>7,584,125</u>
Total liabilities		<u>12,544,650</u>	<u>15,857,642</u>
Net Assets			
Invested in capital assets, net of related debt		21,384,386	11,437,693
Restricted		2,186,968	10,135,927
Unrestricted		<u>2,440,793</u>	<u>1,447,320</u>
Total net assets	\$	<u>26,012,147</u>	\$ <u>23,020,940</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2006, the School District's assets exceeded liabilities by \$26,012,147.

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, 82.2 percent for fiscal year 2006. Capital assets include land, construction in progress, 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.

Pymatuning Valley Local School District
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A portion of the School District's net assets, \$2,186,968, or 8.4 percent, represents resources that are subject to external restrictions on how the funds may be used. Of the total restricted assets, \$740,088 or 2.8 percent is restricted for debt service payment; \$1,089,095 or 4.2 percent is restricted for capital projects and \$357,785 or 1.4 percent is restricted for other purposes. The remaining balance of government-wide unrestricted net assets of \$2,440,793 may be used to meet the School District's ongoing obligations to students and staff.

Table 2 shows change in net assets for fiscal year 2006 compared to 2005.

Table 2
Changes in Net Assets

	Governmental Activities	
	2006	2005
Revenues		
Program revenues:		
Charges for services	\$ 542,441	\$ 496,352
Operating grants, contributions and interest	741,467	813,130
Capital grants, contributions and interest	2,472,300	7,060,259
General revenues:		
Property taxes	4,055,168	4,484,298
Grants and entitlements	7,404,842	6,902,401
Investment earnings	300,511	439,581
Miscellaneous	11,233	1,192,266
Loss on sale of capital assets	-	(3,156)
Refund of prior year expenditures	-	26,434
Other non operating revenues	-	94,465
Total revenues	15,527,962	21,506,030

(Continued)

Pymatuning Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
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Table 2 (Continued)
Changes in Net Assets

	Governmental Activities	
	<u>2006</u>	<u>2005</u>
Program Expenses		
Instruction:		
Regular	\$ 5,261,404	\$ 4,775,632
Special	1,076,827	1,051,184
Vocational	271,535	303,080
Adult/continuing	8,500	8,500
Other	516,209	367,179
Support services:		
Pupils	483,208	496,678
Instructional staff	178,183	239,089
Board of education	25,635	50,695
Administration	989,269	1,062,386
Fiscal	289,969	249,048
Business	47,005	18,450
Operation and maintenance of plant	1,075,626	900,448
Pupil transportation	1,024,637	1,038,896
Central	29,336	1,698,382
Operation of non-instructional services:	452,245	466,290
Extracurricular activities	427,418	420,981
Interest and fiscal charges	379,749	328,791
Total expenses	<u>12,536,755</u>	<u>13,475,709</u>
Change in net assets	<u>\$ 2,991,207</u>	<u>\$ 8,030,321</u>

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 \$4,055,168 in 2006. General revenues from grants and entitlements, such as the school foundation program, generated \$7,404,842. With the combination of taxes and intergovernmental funding comprising approximately 73.8 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 \$7,134,475 or 56.9 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 \$628,900, or 9.7 percent as compared to the prior year. The primary cause to this increase was due to an increase in costs related to the instruction to pupils.

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Pupil services and instructional staff include the activities involved in assisting staff and the content and process of teaching to pupils. These expenses represent \$661,391, or 4.9 percent of the total governmental program expenses. Expenses to provide these programs decreased \$74,376, or 10.1 percent, as compared to fiscal year 2005. There was no specific cause to this increase.

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 \$1,075,626 or 8.6 percent of the governmental program expenses. These expenses increased \$175,178, or 19.5 percent as compared to fiscal year 2005.

Pupil transportation expenses are expenses related to the transportation of students to and from school, as well as the service and maintenance of those vehicles. Total transportation cost was \$1,024,637 or 8.2 percent of the total governmental program expenditures. Expenses for providing this program decreased \$14,259, or 1.4 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, development and data processing services. The total cost to provide these programs was \$29,336 of governmental program expenses. Costs of these programs decreased \$1,669,046, or 98.3 percent, as compared to the prior year. The most significant cause to this decrease was a result of a change in the way the School District recorded expenses.

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 2006 and 2005. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Pymatuning Valley Local School District
Management's Discussion and Analysis
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Table 3
 Governmental Activities

	Total Cost of Services <u>2006</u>	Total Cost of Services <u>2005</u>	Net Cost of Services <u>2006</u>	Net Cost of Services <u>2005</u>
<u>Program Expenses</u>				
Instruction:				
Regular	\$ 5,261,404	\$ 4,775,632	\$(2,477,194)	\$3,279,783
Special	1,076,827	1,051,184	(814,313)	(1,051,184)
Vocational	271,535	303,080	(271,535)	(303,080)
Adult/continuing	8,500	8,500	-	(8,500)
Other	516,209	367,179	(495,551)	(367,179)
Support services:				
Pupils	483,208	496,678	(481,483)	(496,678)
Instructional staff	178,183	239,089	(169,543)	(239,089)
Board of education	25,635	50,695	(25,635)	(50,695)
Administration	989,269	1,062,386	(975,475)	(1,062,386)
Fiscal	289,969	249,048	(283,712)	(249,048)
Business	47,005	18,450	(39,417)	(18,450)
Operation and maintenance of plant	1,075,626	900,448	(1,075,226)	(900,448)
Pupil transportation	1,024,637	1,038,896	(955,450)	(1,038,896)
Central	29,336	1,698,382	(20,336)	(1,698,382)
Operation of non-instructional services	452,245	466,290	(26,335)	(279,235)
Extracurricular activities	427,418	420,981	(289,593)	(293,710)
Interest and fiscal charges	<u>379,749</u>	<u>328,791</u>	<u>(379,749)</u>	<u>(328,791)</u>
Total governmental activities	<u>\$ 12,536,755</u>	<u>\$ 13,475,709</u>	<u>\$(8,780,547)</u>	<u>(5,105,968)</u>

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The total revenues for governmental funds were \$15,369,930 and total expenditures were \$23,468,562. 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 \$689,289. The primary cause of this increase was from an increase in property tax collections and an increase in investment earnings. The net decrease in fund balance for the year was also significant in the building improvement and classroom facilities funds, amounting to \$3,280,134 and \$4,833,839, respectively. The primary cause of this decrease was an increase in State Foundation payments. Net changes across all nonmajor governmental funds amounted to a decrease of \$7,295,328 or 64.8 percent.

Pymatuning Valley Local School District
Management's Discussion and Analysis
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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 2006, 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.

For the general fund, the final budget basis revenue estimate was \$10,533,322, which was higher than the original budget estimate of \$10,042,361. Most of this \$490,961 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 \$11,221,420 was revised slightly over the fiscal year. Actual expenditures, however, were only \$10,647,909, \$573,511 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 2006, the School District had \$28,976,634 invested in capital assets. Table 4 shows fiscal year 2006 balances compared to fiscal year 2005:

Table 4
 Capital Assets, at Fiscal Year End
 (Net of Depreciation)

	<u>Governmental Activities</u>	
	<u>2006</u>	<u>2005</u>
Land	\$ 478,147	\$ 478,147
Land improvements	1,312,558	679,360
Buildings	26,583,675	12,268,404
Furniture, fixtures and equipment	177,880	211,515
Vehicles	424,374	484,572
Construction in progress	-	4,116,695
Total capital assets	<u>\$ 28,976,634</u>	<u>\$ 18,238,693</u>

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The School District purchased one school bus that totaled \$54,000 during the fiscal year. The School Districts recorded various land improvements such as playground equipment and asphalt surfacing that totaled \$685,466; the School District also renovated its buildings which amounted to \$15,086,680. Capital assets, net of depreciation, increased by \$10,737,941, which was mainly due to the current year's building purchases. See Note 8 to the basic financial statements for detail on the School District's capital assets.

Debt

At June 30, 2006 the School District had \$7,592,248 in bonds and loans outstanding with \$345,661 due within one year. Table 5 summarizes the bonds and loans outstanding:

Table 5
 Outstanding General Obligation Debt, at Fiscal Year End

	Governmental Activities <u>2006</u>	Governmental Activities <u>2005</u>
General obligation bonds	\$ 6,949,605	\$ 7,308,401
Ohio Schol Facilities Commission loan	<u>642,643</u>	<u>-</u>
Total outstanding debt	<u>\$ 7,592,248</u>	<u>\$ 7,308,401</u>

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 the year the School District issued the Ohio School Facilities loan in the amount of \$803,304. The purpose of this loan 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 13 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.

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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

Statement of Net Assets

June 30, 2006

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 4,097,642
Cash and cash equivalents:	
With fiscal agents	982,883
Inventory held for resale	9,016
Materials and supplies inventory	18,286
Receivables:	
Accounts	1,820
Intergovernmental	53,859
Taxes	4,122,243
Prepaid items	12,580
Restricted assets:	
Equity in pooled cash and cash equivalents	281,834
Capital assets:	
Land	478,147
Depreciable capital assets, net	28,498,487
Total assets	<u>38,556,797</u>
 <u>Liabilities:</u>	
Accounts payable	581,956
Accrued wages and benefits	1,074,233
Compensated absences payable	42,591
Intergovernmental payable	59,670
Pension obligation payable	224,530
Internal payable	
Claims payable	205,509
Deferred revenue	2,049,908
Long-term liabilities:	
Due within one year	378,524
Due in more than one year	7,927,729
Total liabilities	<u>12,544,650</u>
 <u>Net assets:</u>	
Invested in capital assets, net of related debt	21,384,386
Restricted for:	
Capital projects	1,089,095
Debt service	740,088
Other purposes	357,785
Unrestricted	2,440,793
Total net assets	<u>\$ 26,012,147</u>

See accompanying notes to the basic financial statements.

Pymatuning Valley Local School District

Statement of Activities

For the Fiscal Year Ended June 30, 2006

	Program Revenues				Net (Expense)
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and Changes in Net Assets
Governmental Activities:					
Instruction:					
Regular	\$ 5,261,404	\$ 198,799	\$ 181,627	\$ 2,403,784	\$ (2,477,194)
Special	1,076,827	3,055	259,459	-	(814,313)
Vocational	271,535	-	-	-	(271,535)
Adult/continuing	8,500	-	8,500	-	-
Other	516,209	-	20,658	-	(495,551)
Support services:					
Pupils	483,208	-	1,725	-	(481,483)
Instructional staff	178,183	-	8,640	-	(169,543)
Board of education	25,635	-	-	-	(25,635)
Administration	989,269	-	13,794	-	(975,475)
Fiscal	289,969	669	5,588	-	(283,712)
Business	47,005	7,588	-	-	(39,417)
Operation and maintenance of plant	1,075,626	400	-	-	(1,075,226)
Pupil transportation	1,024,637	-	671	68,516	(955,450)
Central	29,336	-	9,000	-	(20,336)
Operation of non-instructional services	452,245	194,105	231,805	-	(26,335)
Extracurricular activities	427,418	137,825	-	-	(289,593)
Interest and fiscal charges	379,749	-	-	-	(379,749)
Total governmental activities	<u>\$ 12,536,755</u>	<u>\$ 542,441</u>	<u>\$ 741,467</u>	<u>\$ 2,472,300</u>	<u>(8,780,547)</u>

General Revenues:

Property taxes levied for:

General purposes	3,414,444
Debt service	640,724
Grants and entitlements not restricted to specific programs	7,404,842
Investment earnings	300,511
Miscellaneous	11,233
Total general revenues	<u>11,771,754</u>

Change in net assets 2,991,207

Net assets beginning of year, as restated 23,020,940

Net assets end of year \$ 26,012,147

See accompanying notes to the basic financial statements.

Pymatuning Valley Local School District

*Balance Sheet
Governmental Funds*

June 30, 2006

	<u>General</u>	<u>Debt Service</u>	<u>Building Improvement</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets:</u>						
Equity in pooled cash and cash equivalents	\$ 835,272	\$ 407,857	\$ 351,622	\$ 1,856,447	\$ 646,444	\$ 4,097,642
Inventory held for resale	-		-	-	9,016	9,016
Materials and supplies inventory	-		-	-	18,286	18,286
<u>Receivables:</u>						
Accounts	1,820	-	-	-	-	1,820
Intergovernmental	-	-	-	-	53,859	53,859
Interfund	3,041		-	-	-	3,041
Taxes	3,468,160	604,714	-	-	49,369	4,122,243
Prepaid items	12,502	-	-	78	-	12,580
Equity in pooled cash - and cash equivalents (restricted)	281,834	-	-	-	-	281,834
Total assets	<u>\$ 4,602,629</u>	<u>\$ 1,012,571</u>	<u>\$ 351,622</u>	<u>\$ 1,856,525</u>	<u>\$ 776,974</u>	<u>\$ 8,600,321</u>
<u>Liabilities:</u>						
Accounts payable	\$ 14,665	\$ -	\$ 8,197	\$ 480,027	\$ 79,067	\$ 581,956
Accrued wages and benefits	982,065	-	-	-	92,168	1,074,233
Compensated absences payable	42,591	-	-	-	-	42,591
Interfund payable	-	-	-	-	3,041	3,041
Intergovernmental payable	55,787	-	-	-	3,883	59,670
Pension obligation payable	208,851	-	-	-	15,679	224,530
Deferred revenue	2,207,935	357,676	-	-	85,320	2,650,931
Total liabilities	<u>3,511,894</u>	<u>357,676</u>	<u>8,197</u>	<u>480,027</u>	<u>279,158</u>	<u>4,636,952</u>
<u>Fund balances:</u>						
Reserved for encumbrances	11,259	-	38,896	1,223,213	34,640	1,308,008
Reserved for property taxes	1,260,225	247,038	-	-	17,908	1,525,171
Reserved for textbooks	281,834	-	-	-	-	281,834
Undesignated, reported in:						
General fund	(462,583)	-	-	-	-	(462,583)
Special revenue funds	-	-	-	-	300,185	300,185
Debt service fund	-	407,857	-	-	-	407,857
Capital projects funds	-	-	304,529	153,285	145,083	602,897
Total fund balances	<u>1,090,735</u>	<u>654,895</u>	<u>343,425</u>	<u>1,376,498</u>	<u>497,816</u>	<u>3,963,369</u>
Total liabilities and fund balances	<u>\$ 4,602,629</u>	<u>\$ 1,012,571</u>	<u>\$ 351,622</u>	<u>\$ 1,856,525</u>	<u>\$ 776,974</u>	<u>\$ 8,600,321</u>

See accompanying notes to the basic financial statements.

Pymatuning Valley Local School District
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2006

Total governmental fund balances		\$ 3,963,369
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.		28,976,634
Other long-term assets that are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property taxes	\$ 547,164	
Intergovernmental Accounts	<u>53,859</u>	
		601,023
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		777,374
Long-term liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds	\$ (6,949,605)	
OSFC loan	(642,643)	
Compensated absences	<u>(714,005)</u>	
Total		<u>(8,306,253)</u>
Net assets of governmental activities		<u><u>\$ 26,012,147</u></u>

See accompanying notes to the basic financial statements.

Pymatuning Valley Local School District

Statement of Revenues, Expenditures

and Changes in Fund Balances

Governmental Funds

For the Fiscal Year Ended June 30, 2006

	General	Debt Service	Building Improvement	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>						
Property taxes	\$ 3,281,439	\$ 641,331	\$ -	\$ -	\$ 50,612	\$ 3,973,382
Intergovernmental	7,376,542	82,127	-	2,403,784	717,079	10,579,532
Interest	84,797	-	47,338	128,163	229	260,527
Tuition and fees	177,504	-	-	-	861	178,365
Extracurricular activities	-	-	-	-	137,825	137,825
Gifts and donations	1,090	-	-	-	1,725	2,815
Charges for services	16,614	-	-	-	194,105	210,719
Rent	400	-	-	-	-	400
Miscellaneous	6,733	-	-	-	19,632	26,365
Total revenues	<u>10,945,119</u>	<u>723,458</u>	<u>47,338</u>	<u>2,531,947</u>	<u>1,122,068</u>	<u>15,369,930</u>
<u>Expenditures:</u>						
Current:						
Instruction:						
Regular	4,252,211	-	-	-	103,504	4,355,715
Special	772,492	-	-	-	284,576	1,057,068
Vocational	276,987	-	-	-	-	276,987
Adult/continuing	-	-	-	-	8,500	8,500
Other	444,679	-	-	-	71,530	516,209
Support services:						
Pupils	489,496	-	-	-	10,047	499,543
Instructional staff	174,145	-	-	-	12,817	186,962
Board of education	25,635	-	-	-	-	25,635
Administration	928,998	-	-	-	15,906	944,904
Fiscal	268,835	12,855	1,415	-	1,439	284,544
Business	41,865	-	-	-	5,140	47,005
Operation and maintenance of plant	1,064,221	-	-	-	2,844	1,067,065
Pupil transportation	822,765	-	-	-	63,459	886,224
Central	18,506	-	-	-	9,000	27,506
Operation of non-instructional services	21,496	-	-	-	421,779	443,275
Extracurricular activities	276,500	-	-	-	125,263	401,763
Capital outlay	-	-	3,443,433	8,210,458	55,560	11,709,451
Debt service:						
Principal retirement	160,661	260,000	-	-	-	420,661
Interest and fiscal charges	-	309,545	-	-	-	309,545
Total expenditures	<u>10,039,492</u>	<u>582,400</u>	<u>3,444,848</u>	<u>8,210,458</u>	<u>1,191,364</u>	<u>23,468,562</u>
Excess of revenues over - (under) expenditures	<u>905,627</u>	<u>141,058</u>	<u>(3,397,510)</u>	<u>(5,678,511)</u>	<u>(69,296)</u>	<u>(8,098,632)</u>
<u>Other financing sources (uses):</u>						
Loan issued	-	-	-	803,304	-	803,304
Transfers in	-	-	117,376	41,368	57,594	216,338
Transfers out	(216,338)	-	-	-	-	(216,338)
Total other financing sources (uses)	<u>(216,338)</u>	<u>-</u>	<u>117,376</u>	<u>844,672</u>	<u>57,594</u>	<u>803,304</u>
Net change in fund balances	689,289	141,058	(3,280,134)	(4,833,839)	(11,702)	(7,295,328)
Fund balances at beginning of year	401,446	513,837	3,623,559	6,210,337	509,518	11,258,697
Fund balances at end of year	<u>\$ 1,090,735</u>	<u>\$ 654,895</u>	<u>\$ 343,425</u>	<u>\$ 1,376,498</u>	<u>\$ 497,816</u>	<u>\$ 3,963,369</u>

See accompanying notes to the basic financial statements.

Pymatuning Valley Local School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2006*

Net change in fund balances - total governmental funds \$ (7,295,328)

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 capital assets is allocated over their estimated useful lives as depreciation expense.

In the current period, these amounts are:

Capital asset additions	\$ 11,709,451	
Depreciation expense	(971,510)	
Excess of capital outlay over depreciation expense		10,737,941

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

Property taxes	\$ 81,788	
Intergovernmental	36,032	
Net change in deferred revenues during the year		117,820

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 420,661

The issuance of long-term loans results in other financing sources in the governmental funds, but this transaction is reflected in the statement of net assets as a long-term liability. (803,304)

Some items 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. These activities consist of:

Decrease in compensated absences	\$ 116,715	
Bond accretion	(70,204)	
Total additional expenditures		46,511

The internal service fund used by management to charge the costs of medical, prescription drug, dental and vision claims to individual funds are not reported in the statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. (233,094)

Change in net assets of governmental activities \$ 2,991,207

See accompanying notes to the basic financial statements.

Pymatuning Valley Local School District
*Statement of Revenues, Expenditures and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual - General Fund
 For the Fiscal Year Ended June 30, 2006*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Taxes	\$ 2,638,080	\$ 2,958,019	\$ 2,933,861	\$ (24,158)
Intergovernmental	7,155,440	7,304,451	7,376,542	72,091
Interest	49,417	74,000	100,507	26,507
Tuition and fees	175,926	174,987	177,504	2,517
Rent	297	300	400	100
Gifts and donations	988	1,090	1,090	-
Charges for services	19,767	18,000	16,614	(1,386)
Miscellaneous	2,446	2,475	4,913	2,438
Total revenues	<u>10,042,361</u>	<u>10,533,322</u>	<u>10,611,431</u>	<u>78,109</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,925,184	4,847,990	4,622,136	225,854
Special	827,348	870,944	807,256	63,688
Vocational	299,881	298,813	290,875	7,938
Other	383,626	444,793	444,797	(4)
Support services:				
Pupils	485,955	497,284	499,392	(2,108)
Instructional staff	224,996	207,336	185,779	21,557
Board of education	58,489	60,774	34,293	26,481
Administration	1,059,599	1,071,569	1,002,435	69,134
Fiscal	282,495	281,333	273,597	7,736
Business	39,722	39,282	41,865	(2,583)
Operation and maintenance of plant	1,199,684	1,178,922	1,061,333	117,589
Pupil transportation	909,197	932,069	896,388	35,681
Central	19,901	19,930	18,506	1,424
Operation of non-instructional services	21,236	21,640	21,496	144
Extracurricular activities	323,446	330,109	287,100	43,009
Debt service:				
Principal retirement	160,661	160,661	160,661	-
Total expenditures	<u>11,221,420</u>	<u>11,263,449</u>	<u>10,647,909</u>	<u>615,540</u>
Excess of revenues over (under) expenditures	<u>(1,179,059)</u>	<u>(730,127)</u>	<u>(36,478)</u>	<u>693,649</u>
Other financing sources (uses):				
Proceeds from sale of capital assets	100	100	-	(100)
Refund of prior year expenditures	24,100	24,131	24,131	-
Advances in	65,973	65,973	65,973	-
Advances out	-	-	(3,041)	(3,041)
Transfers in	117,376	117,376	-	(117,376)
Transfers out	(192,242)	(330,938)	(216,338)	114,600
Total other financing sources (uses)	<u>15,307</u>	<u>(123,358)</u>	<u>(129,275)</u>	<u>(5,917)</u>
Net change in fund balance	(1,163,752)	(853,485)	(165,753)	687,732
Fund balance at beginning of year	1,255,019	1,255,019	1,255,019	-
Prior year encumbrances appropriated	27,241	27,241	27,241	-
Fund balance at end of year	<u>\$ 118,508</u>	<u>\$ 428,775</u>	<u>\$ 1,116,507</u>	<u>\$ 687,732</u>

See accompanying notes to the basic financial statements.

Pymatuning Valley Local School District

Statement of Fund Net Assets

Proprietary Fund

For the Fiscal Year Ended June 30, 2006

	Governmental- Activities Internal Service Fund
<u>Assets:</u>	
Current assets:	
With fiscal agents	\$ 982,883
	<hr/>
<u>Liabilities:</u>	
Current liabilities:	
Claims payable	205,509
	<hr/>
<u>Net assets:</u>	
Unrestricted	777,374
Total net assets	\$ 777,374
	<hr/> <hr/>

See accompanying notes to the basic financial statements.

Pymatuning Valley Local School District
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund
For the Fiscal Year Ended June 30, 2006

	Governmental- Activities Internal Service Fund
<u>Operating revenues:</u>	
Charges for services	\$ 1,521,967
<u>Operating expenses:</u>	
Purchased services	167,787
Claims	1,627,486
Total operating expenses	<u>1,795,273</u>
Operating loss	(273,306)
<u>Nonoperating revenues</u>	
Interest	<u>40,212</u>
Change in net assets	(233,094)
Net assets beginning of year	<u>1,010,468</u>
Net assets end of year	<u>\$ 777,374</u>

See accompanying notes to the basic financial statements.

Pymatuning Valley Local School District

Statement of Cash Flows

Proprietary Fund

For the Fiscal Year Ended June 30, 2006

	Governmental- Activities Internal Service Fund
<u>Cash flows from operating activities:</u>	
Cash received from other operating sources	\$ 1,840,973
Cash payments to suppliers for goods and services	(486,793)
Cash payments for claims	(1,655,615)
Net cash provided by (used in) operating activities	<u>(301,435)</u>
<u>Cash flows from investing activities:</u>	
Interest on investments	<u>40,212</u>
Net increase (decrease) in cash and cash equivalents	(261,223)
Cash and cash equivalents at beginning of year	1,244,106
Cash and cash equivalents at end of year	<u>\$ 982,883</u>
<u>Reconciliation of operating income to net cash provided by operating activities:</u>	
Operating income (loss)	<u>\$ (273,306)</u>
Change in assets and liabilities:	
(Increase) decrease in assets:	
Due from other funds	319,006
Increase (decrease) in liabilities:	
Accounts payable	(319,006)
Claims payable	(28,129)
Total adjustments	<u>(28,129)</u>
Net cash provided by (used in) operating activities	<u>\$ (301,435)</u>

See accompanying notes to the basic financial statements.

Pymatuning Valley Local School District

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2006

	<u>Private Purpose Trust</u>	<u>Agency</u>
<u>Assets:</u>		
Equity in pooled cash and cash equivalents	<u>\$ 27,205</u>	<u>\$ 37,333</u>
 <u>Liabilities:</u>		
Due to students	-	37,333
Total liabilities	<u>-</u>	<u>\$ 37,333</u>
 <u>Net assets:</u>		
Held in trust for scholarships	27,205	
Total net assets	<u>\$ 27,205</u>	

See accompanying notes to the basic financial statements.

Pymatuning Valley Local School District
Statement of Changes in Fiduciary Net Assets
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2006

	Private Purpose Trust
<u>Additions:</u>	
Investment earnings	\$ 488
<u>Deductions:</u>	
Payments in accordance with trust agreements	116
Change in net assets	372
Net assets beginning of year	26,833
Net assets end of year	\$ 27,205

See accompanying notes to the basic financial statements.

PYMATUNING VALLEY LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

Note 1 - Summary of Significant Accounting Policies and Description of the Reporting Entity

A. Description of the School District

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 88 classified employees and 48 certificated full and part-time teaching personnel who provide services to 1,398 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.

B. Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to insure that the financial statements of the School District are not misleading. The primary government 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 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. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization.

Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes. The School District has no component units.

PYMATUNING VALLEY LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

The School District is associated with the Northeast Ohio Management Information Network (NEOMIN), 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 14. 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 15.

C. Basis of Presentation - Fund Accounting

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 and other internal activity of governmental funds are eliminated to avoid "doubling-up" revenues and expenses of governmental activities.

The statement of net assets presents the financial condition of the governmental activities of the School District at 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 and 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 that 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 and proprietary fund financial statements is on major funds rather than reporting funds by type. 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 on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

PYMATUNING VALLEY LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

D. Fund Accounting

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

Governmental Fund Types

Governmental funds focus 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 School District has four 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.

Debt Service Fund: This fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal and interest.

Building Fund: This fund is used to account for the financial resources designated to be used for the construction of a new building.

Classroom Facilities: Fund: This fund is used to account for financial resources contributed by the Ohio Schools Facilities Commission and designated for the addition and renovations of the school buildings.

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

Proprietary Fund Type

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as enterprise or internal service; the School District has no enterprise funds.

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 accounts for revenue received from other funds and the settlement expenses for medical, surgical, prescription drug, and dental and vision claims of School District employees.

PYMATUNING VALLEY LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

Fiduciary Fund Types

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. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's only fiduciary funds are a private purpose trust and an agency fund. The private purpose trust fund accounts for scholarships granted to students as specified in trust agreements and from donations received. The agency fund accounts for student activities managed by the student body.

E. Measurement Focus and Basis of Accounting

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All non-fiduciary assets and 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. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

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 the fund are included on the statement of net assets. The statement of revenues, expenses and changes in fund net assets present 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 activity.

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. The internal service fund, private purpose trust fund and agency fund also use the accrual basis of accounting. Differences in the accrual and modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

PYMATUNING VALLEY LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

Revenue - Exchange and Non-exchange Transactions

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year for which taxes are levied. 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 fiscal 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 the modified accrual basis, revenue from non-exchange 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, investment earnings, tuition, grants and entitlements, and student fees.

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes (should not include delinquent) for which there is an enforceable legal claim as of June 30, 2006, but which were levied to finance fiscal year 2007 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenditures/Expenses

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, Contributions and Interest" 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 the governmental funds.

PYMATUNING VALLEY LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

F. Budgets and Budgetary Accounting

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the Tax Budget, the Certificate of Estimated Resources, and the Appropriation Resolution, all of which are prepared on the budgetary basis of accounting. The primary level of budgetary control is 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 and the Appropriation Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The amounts reported as the original budget revenue in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted revenue amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2006.

The amounts reported as the original budgeted expenditure 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 expenditure amounts represent the final appropriation amounts passed by the Board during the year.

At the close of each 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 reappropriated.

G. Cash and Investments

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". During the fiscal year, investments were limited to STAROhio, the State Treasurer's Investment Pool. 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). Under existing Ohio statutes, all investment earnings accrue to the general fund except those specifically related to certain trust funds, unless the Board specifically allows the interest to be recorded in other funds. The Board of Education has passed a resolution to allow interest to also be recorded in other funds as indicated in Note 4.

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 in segregated accounts" and represents deposits.

For presentation on the basic financial statements, investments of the cash management pool and investments with a maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

PYMATUNING VALLEY LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2006, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year which services are consumed.

I. 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.

J. Inventory

On the governmental-wide financial statements, inventories are presented at cost on a first-in, first-out basis and are expensed when used.

Inventories of the general fund consist of expendable supplies held for consumption. Inventories of the food service special revenue fund consist of donated food, purchased food and supplies held for resale.

K. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are imposed by creditors, contributors, grantors, laws of other governments, or enabling legislation. Restricted assets may include unexpended revenues restricted for the purchase of school buses, and amounts required to be set aside by the School District for the purchase of textbooks or for the acquisition or construction of capital assets. The School District expended all restricted assets in accordance with specific restrictions during the fiscal year. See Note 16 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

L. Capital Assets

General capital assets are those assets resulting 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 on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. The School District's policy is not to capitalize interest costs incurred as part of construction.

PYMATUNING VALLEY LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

All reported capital assets, other than land and construction in progress, are depreciated. 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

M. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employee's 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.

Sick leave benefits are accrued as a liability using the vesting method. An accrual for earned sick leave is made based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future.

For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all classified and non-classified employees age fifty-five (55) or greater; or aged fifty (50) with at least ten (20) years of service; or in any age with at least twenty-five (25) years of service were considered expected to become eligible to retire in accordance with GASB 16.

The total liability for vacation and severance payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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 "compensated absences payable" in the fund from which the employees who have accumulated leave are paid.

N. 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.

PYMATUNING VALLEY LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
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Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments. Net assets restricted for other purposes primarily include amounts generated by individual school buildings to supplement co-curricular and extra-curricular programs, and for operating or capital costs for any new and innovative programs designed to enhance or promote education with the School District.

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

O. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the School District, these revenues are charges for services for the self-insurance program. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund.

P. Interfund transactions

Interfund transactions are reported as other financing sources/uses for governmental funds in the fund financial statements. All transfers between governmental funds have been eliminated within the governmental activities column of the statement of activities.

Q. 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.

R. Fund Balance Reserves

The School District records reservations for portions of fund balances, which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriations or expenditures. Unreserved fund balance indicates the portion of fund balances that are available for appropriation in future periods. Fund balance reserves are established for encumbrances, property taxes and textbooks.

Note 2 - Changes in Accounting Principles and Restatement of Fund Balance

A. Changes in accounting principles

For the fiscal year ended 2006, the School District implemented GASB Statement No. 42, "Accounting and Financial Reporting Impairment of Capital Assets and for Insurance Recoveries", GASB Statement No 46, "Net Assets Restricted by Enabling Legislation" and GASB Statement No. 47, "Accounting for Termination Benefits."

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*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

GASB Statement No. 42 establishes accounting and financial reporting standards for impairment of capital assets. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. This statement also clarifies and establishes accounting requirements for insurance recoveries. GASB Statement No 46 establishes that any amount of the primary government's net assets at the end of the reporting period restricted by enabling legislation should be disclosed in the notes to the financial statements and GASB Statement No. 47 establishes standards of accounting and financial reporting for termination benefits. The implementation of GASB Statements did not materially affect the presentation of the financial statements of the School District.

B. Restatement of net assets

Following the close of the previous fiscal year, an inventory and re-appraisal of the School District's capital assets was conducted. As a result of the procedures performed, a restatement of the capital asset balances, accumulated depreciation and net assets was required. In addition, the School District noted a capital lease that was not previously recorded.

The restatement of net assets is presented below:

Net assets, June 30, 2005	\$ 26,737,875
Restatement of capital assets, net of depreciation	(2,465,654)
Restatement of debt	(169,402)
Restatement of deferred revenue	<u>(1,081,879)</u>
Restated net assets, as of July 1, 2005	<u>\$ 23,020,940</u>

Note 3 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law and described above 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 presentation for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues and other sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures and other uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance (GAAP basis).

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*Notes to the Basic Financial Statements
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The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund:

Net Change in Fund Balance

	<u>General</u>
GAAP basis	\$ 689,289
Revenue accruals	(243,584)
Expenditure accruals	(595,150)
Encumbrances (Budget basis) outstanding at year end	<u>(16,308)</u>
Budget basis	<u>\$ (165,753)</u>

Note 4 - Deposits and Investments

State statutes classify monies held by the School District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such 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 may be invested in the following obligations provided they mature or are redeemable within five years from the date of settlement:

1. United States Treasury Notes, Bill, 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 other obligations or securities issued by any federal government agency or instrumentality. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

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For the Fiscal Year Ended June 30, 2006*

3. Written repurchase agreements for a period not to exceed thirty days in securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain bankers' acceptances and commercial paper notes in an amount not to exceed 25% of the interim monies available for investment at any one time and for a period not to exceed one hundred eighty days; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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.

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. Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The School District's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

As of June 30, the carrying amount of the School District's deposits was \$3,569,224. The School District's bank balance of \$3,673,375 was exposed to custodial credit risk as follows:

Uninsured and collateral held by pledging bank's trust department and not in the School District's name	\$ 3,764,519
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PYMATUNING VALLEY LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

B. Investments

As of June 30, the School District had the following investment:

<u>Investment type</u>	<u>Fair Value</u>	<u>Percentage of Investments</u>	<u>Rating</u>
Federal National Mortgage Association	\$ 1,830,484 *	99.00%	AAA ⁽¹⁾
Federal Treasury Obligations	<u>27,189 *</u>	1.00%	N/A
	<u>\$ 1,857,673</u>		

⁽¹⁾ Standard and Poor's rating

* The securities have various call dates. The School District believes no securities will be called.

Concentration of credit risk is the possibility of loss attributed to the magnitude of the School District's investment in a single issuer. More than 5 percent of the School District's investments are in Federal National Mortgage Association (FNMA). The School District places no limit on the amount that may be invested in any one issuer. The table above includes the percentage of each investment type held by the School District at June 30, 2006:

Custodial credit risk for an investment is the risk that in the event of 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 investments in Federal National Mortgage Association (FNMA) are held by the counterparty's trust department or agent and not in the School District's name. The School District's policy is to invest money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

Interest rate risk is the possibility that changes in interest rates will adversely affect the fair value of an investment. The School District's investment policy does not address limits on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk is the possibility that an issuer or other counterparty to an investment will not fulfill its obligation. Standard and Poor's has assigned FNMA an AAA rating. The School District's investment policy requires certain credit ratings for some investments as allowed by state law.

All interest is legally required to be placed in the general, building, food service, endowment and classroom facilities, and the self insurance funds. Interest revenue credited to the general fund during fiscal year 2006 amounted to \$84,797, which includes \$48,445 assigned from other School District funds.

PYMATUNING VALLEY LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

Funds Held by Fiscal Agent: The District participates in the OME-RESA Health Insurance Consortium for employee health benefits which is administered by Self-Funded Plans, Inc., also see note 12 B. The District's account balance at fiscal year end for the Employee Benefit Self-Insurance Fund was \$982,883. 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.

Note 5 - 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 located in the School District. Property tax revenue received during calendar 2006 for real and public utility property taxes represents collections of calendar 2005 taxes. Property tax payments received during calendar 2006 for tangible personal property (other than public utility property) is for calendar 2006 taxes.

2006 real property taxes are levied after April 1, 2006, on the assessed value listed as of January 1, 2006, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value: public utility real property is assessed at thirty-five percent of true value. 2006 public utility property taxes became a lien December 31, 2005, are levied after April 1, 2006, and are collected in 2006 with real property taxes.

2006 tangible personal property taxes are levied after April 1, 2005 on the value as of December 31, 2005. Collections are made in 2006. Tangible personal property assessments are twenty-five percent of true value. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2006 is 18.75%. This will be reduced to 12.5% for 2007, 6.25% for 2008 and 0% for 2009.

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 later payment dates to be established.

Tangible personal property taxes paid 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.

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*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including Pymatuning Valley Local School District. The County Auditor periodically remits to the School District its portion of taxes. Second-half real property tax payments collected by the County by June 30, 2006, are available to finance fiscal year 2006 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2006 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 was levied to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. The amount available as an advance at year-end was \$1,260,225 in the general fund, \$247,038 in the debt service fund and \$17,908 in the classroom facilities fund is recognized as revenue on the fund financial statements.

On the accrual basis, collectible delinquent property taxes have been recorded as revenue on the statement of activities.

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

	2006 First		2005 Second	
	<u>Half Collections</u>		<u>Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 116,497,880	89.47%	\$ 104,863,250	85.98%
Public Utilities	70,340	0.05%	69,960	0.06%
Tangible Personal Property	<u>13,647,750</u>	<u>10.48%</u>	<u>17,022,290</u>	<u>13.96%</u>
Total Assessed Value	<u>\$ 130,215,970</u>	<u>100.00%</u>	<u>\$ 121,955,500</u>	<u>100.00%</u>

Note 6 - Receivables

Receivables at year-end consisted of taxes, accounts (tuition and excess costs), accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs, and the current year guarantee of federal funds. Nonmajor governmental funds reported intergovernmental receivables in the amount of \$53,859.

Note 7 - Interfund Transfers

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, (2) move receipts restricted to debt service from the fund collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

PYMATUNING VALLEY LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

Interfund transfers for the year ended June 30, 2006, consisted of the following:

Transfers to nonmajor governmental funds from:

General fund \$ 216,338

Note 8 – Capital Assets

The capital asset balances of the governmental activities have been restated due to a physical inventory and re-appraisal of capital assets. See Note 2 for more details. Below is a summary of the effect of these restatements:

	Balance		Restated
	June 30, 2005	Adjustments	Balance
			June 30, 2005
<u>Governmental Activities</u>			
Land	\$ 478,147	\$ -	\$ 478,147
Construction in progress	17,976,774	(13,860,079)	4,116,695
Land improvements	13,831	912,866	926,697
Buildings and improvements	6,581,331	9,745,949	16,327,280
Furniture, fixtures and equipment	1,409,857	(1,094,214)	315,643
Vehicles	1,179,611	(139,731)	1,039,880
Less: Accumulated depreciation	<u>(6,935,204)</u>	<u>1,969,555</u>	<u>(4,965,649)</u>
Total	<u>\$ 20,704,347</u>	<u>\$ (10,884,613)</u>	<u>\$ 18,238,693</u>

PYMATUNING VALLEY LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	Restated Balance <u>7/1/2005</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>6/30/2006</u>
<u>Governmental Activities</u>				
Nondepreciable capital assets				
Land	\$ 478,147	\$ -	\$ -	\$ 478,147
Construction in progress	<u>4,116,695</u>	<u>489,784</u>	<u>(4,606,479)</u>	<u>-</u>
Total nondepreciable capital assets	<u>4,594,842</u>	<u>489,784</u>	<u>(4,606,479)</u>	<u>478,147</u>
Depreciable capital assets				
Land improvements	926,697	685,466	-	1,612,163
Buildings and improvements	16,327,280	15,086,680	-	31,413,960
Furniture, fixtures, and equipment	315,643	-	-	315,643
Vehicles	<u>1,039,880</u>	<u>54,000</u>	<u>(44,000)</u>	<u>1,049,880</u>
Total depreciable capital assets	<u>18,609,500</u>	<u>15,826,146</u>	<u>(44,000)</u>	<u>34,391,646</u>
Less accumulated depreciation:				
Land improvements	(247,337)	(52,268)	-	(299,605)
Buildings and improvements	(4,058,876)	(771,409)	-	(4,830,285)
Furniture, fixtures, and equipment	(104,128)	(33,635)	-	(137,763)
Vehicles	<u>(555,308)</u>	<u>(114,198)</u>	<u>44,000</u>	<u>(625,506)</u>
Total accumulated depreciation	<u>(4,965,649)</u>	<u>(971,510)</u>	<u>44,000</u>	<u>(5,893,159)</u>
Depreciable capital assets, net				
Governmental activities	<u>13,643,851</u>	<u>14,854,636</u>	<u>-</u>	<u>28,498,487</u>
Capital assets, net	<u>\$ 18,238,693</u>	<u>\$ 15,344,420</u>	<u>\$ (4,606,479)</u>	<u>\$ 28,976,634</u>

PYMATUNING VALLEY LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 817,575
Special	5,911
Vocational	1,719
Support services:	
Administration	14,282
Pupil transportation	115,552
Central	1,830
Operation of non-instructional services	1,011
Extracurricular activities	<u>13,630</u>
Total depreciation expense	<u>\$ 971,510</u>

Note 9 – 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 \$125,000 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 five years. There have been no significant reductions 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.

PYMATUNING VALLEY LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

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 \$205,509, 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 fund’s claims liability during 2005 and 2006 were:

<u>Fiscal Year</u>	<u>Balance at beginning of year</u>	<u>Current year claims</u>	<u>Claim payments</u>	<u>Balance at end of year</u>
2005	\$ 231,776	1,665,967	(1,664,105)	233,638
2006	\$ 233,638	1,627,486	(1,655,615)	205,509

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 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 10 – 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 is determined upon length of service.

PYMATUNING VALLEY LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

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

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 70 days for classified employees.

Note 11 - Defined Benefit Pension Plans

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides basic retirement benefits, annual cost-of-living adjustments, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established 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 for SERS. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, by calling (800) 878-5853, or by visiting the SERS website at ohsers.org.

PYMATUNING VALLEY LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2006

Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 10.58% of annual covered salary was the portion used to fund pension obligations. For the fiscal year 2005, 10.57% was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS Retirement Board.

The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005, and 2004 were \$145,623, \$159,768, and \$178,776, respectively; 45% has been contributed for fiscal year 2006 and 100% for the fiscal years 2005 and 2004. \$88,426, representing the unpaid contribution for fiscal year 2006 is recorded as an intergovernmental payable.

B. State Teachers Retirement System of Ohio

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple-employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, disability, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand alone financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (614) 227-4090, or by visiting the STRS website at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% 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.

PYMATUNING VALLEY LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

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 became 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, 2006, plan members were required to contribute 10% of their annual covered salaries and the School District was required to contribute 14%. For fiscal year 2006, 13% was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to the DB plan for the fiscal years ended June 30, 2006, 2005, and 2004 were \$604,143, \$712,440, and \$568,334, respectively; 84% has been contributed for fiscal year 2006 and 100% for the fiscal years 2005 and 2004. \$95,528, representing the unpaid contribution for fiscal year 2006, is recorded as an intergovernmental payable. Contributions to the DC and Combined plans for fiscal year 2006 were \$11,879 made by the School District and \$28,233 made by the plan members.

Note 12 - Postemployment Benefits

Comprehensive health care benefits are provided to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS). Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Benefit provisions and the obligations to contribute are established by the STRS based on authority granted by State statute. Most benefit recipients are required to pay a portion of the health care cost in the form of a monthly premium.

By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. The retirement board currently allocates employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund from which payments for health care benefits are paid. For the School District this amount equaled \$46,473 during the 2006 fiscal year. The balance in the Health Care Stabilization Fund for the STRS was \$3.5 billion at June 30, 2006. For the year ended June 30, 2006 the net health care costs paid by the STRS were \$282,743,000 and eligible benefit recipients totaled 119,184.

For the School Employees Retirement System (SERS), coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Effective January 1, 2005, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply. For the fiscal year 2006, employer contributions to fund health care benefits were 3.42% of covered payroll.

PYMATUNING VALLEY LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay has been established at \$35,800. The surcharge, added to the unallocated portion of the 14% contribution rate, provides for maintenance of the asset target level for the health care fund. For the School District, the amount of employer contributions used to fund health care equaled \$67,734, which includes a surcharge of \$20,662 during the 2006 fiscal year.

Health care benefits are financed on a pay-as-you-go basis. Net health care costs for the year ending June 30, 2006 were \$158,751,207. The target level for the health care reserve is 150% of projected claims less premium contributions for the next fiscal year. As of June 30, 2006, the value of the health care fund was \$295.6 million, which is about 221% of next year's 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% of estimated annual claims costs. The number of participants eligible to receive benefits is 59,492.

Note 13 - Long Term Obligations

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

<u>Governmental activities</u>	<u>Balance</u> <u>July 1, 2005</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2006</u>	<u>Due within</u> <u>one year</u>
<u>General obligation bonds</u>					
<u>School Improvement Bonds</u>					
maturing December 1, 2025					
Serial and term bonds	\$ 6,645,000	\$ -	\$ (260,000)	\$ 6,385,000	\$ 185,000
Capital appreciation bonds	324,999	-	-	324,999	-
Accretion on bonds	<u>169,402</u>	<u>70,204</u>	<u>-</u>	<u>239,606</u>	<u>-</u>
Total general obligation bonds	<u>7,139,401</u>	<u>70,204</u>	<u>(260,000)</u>	<u>6,949,605</u>	<u>185,000</u>
 <u>Loan:</u>					
Ohio School Facilities Commission note, maturing June 30, 2010	<u>-</u>	<u>803,304</u>	<u>(160,661)</u>	<u>642,643</u>	<u>160,661</u>
 <u>Other Obligations</u>					
Compensated absences	<u>\$ 844,356</u>	<u>\$ 51,873</u>	<u>\$ (182,224)</u>	<u>\$ 714,005</u>	<u>\$ 32,863</u>
Governmental activities long- term liabilities	<u>\$ 7,983,757</u>	<u>\$ 925,381</u>	<u>\$ (602,885)</u>	<u>\$ 8,306,253</u>	<u>\$ 378,524</u>

PYMATUNING VALLEY LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

General Obligation Bonds: 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.

Loan: 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.

Principal and interest requirements to retire the long-term debt obligations outstanding at June 30, 2006 are as follows:

<u>Fiscal Year Ending</u>	<u>General Obligation Bonds</u>		<u>Loan</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2007	233,413	343,734	160,661	-	737,808
2008	182,026	400,174	160,661	-	742,861
2009	175,589	408,000	160,661	-	744,250
2010	172,385	417,206	160,660	-	750,251
2011	226,586	351,712	-	-	578,298
2012-2016	1,625,000	1,218,250	-	-	2,843,250
2017-2021	2,055,000	776,187	-	-	2,831,187
2022-2025	2,040,000	210,500	-	-	2,250,500
Total	<u>\$ 6,709,999</u>	<u>\$ 4,125,763</u>	<u>\$ 642,643</u>	<u>\$ -</u>	<u>\$ 11,478,405</u>

Other Obligations: Compensated absences are typically paid from the fund from which the employee is paid.

At June 30, 2006 the School District's overall debt margin was \$4,370,035 with an unvoted debt margin of \$130,252.

PYMATUNING VALLEY LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

Note 14 – Jointly Governed Organizations

Northeast Ohio Management Information Network (NEOMIN) NEOMIN is a jointly governed organization among thirty school districts in Trumbull and Ashtabula Counties. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the districts support NEOMIN based upon a per pupil charge. 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 2005. 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.

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.

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 15 – Related Organization

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 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.

PYMATUNING VALLEY LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

Note 16 – Set-Aside Requirements

The School District is required by State statute to annually set-aside monies for the purchase of textbooks and other instructional materials, and for capital improvements. The amounts set-aside may be reduced by offset credits, which are monies received and restricted for the same specific purpose. Although the School District had qualifying disbursements during the year that reduced the set-aside amounts below zero, these extra amounts may only be used to reduce the set-aside requirements of future years for the purchase of textbooks and/or instructional materials. Negative amounts are therefore not presented as being carried forward to the next fiscal year for the other set-asides. Amounts not spent by year-end or reduced by offset credits must be held in cash at year-end and carried forward to be used for the same purposes in future years.

During the fiscal year ended June 30, 2006, the reserve activity was as follows:

	<u>Textbook Reserve</u>	<u>Capital Maintenance Reserve</u>	<u>Budget Stabilization Reserve</u>	<u>Total</u>
Set-aside cash balance as of June 30, 2005	\$ 104,822	\$ -	\$ 148,755	\$ 253,577
Current year set-aside requirement	207,386	207,386	-	414,772
Current year offset	-	(472,502)	(148,755)	(621,257)
Qualifying disbursements	<u>(30,374)</u>	<u>(78,199)</u>	<u>-</u>	<u>(108,573)</u>
Total	<u>\$ 281,834</u>	<u>\$ (343,315)</u>	<u>\$ -</u>	<u>\$ (61,481)</u>
Balance carried forward to future years	<u>\$ 281,834</u>		<u>\$ -</u>	<u>\$ 281,834</u>

Note 17 – Contingencies

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements 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 District at June 30, 2006.

B. Litigation

The District is not party to any legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending at June 30, 2006.

PYMATUNING VALLEY LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

Note 18 – Accountability and Compliances

A. Accountability

As of June 30, 2006, three funds had a deficit fund balance. This deficit was caused by the application of GAAP; namely in the reporting of various liabilities attributable to the fiscal year. This deficit balance will be eliminated by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30.

The following funds had a deficit balance:

	<u>Amount</u>
<u>Nonmajor special revenue funds:</u>	
Ohio reads	\$ 2,546
Title I	26,455
Improving teacher quality	5,295

B. Legal Compliance

Ohio Revised Code 5705.41(D) requires that encumbrances be charged against proper appropriations. Ohio Revised Code 5705.41(B) prohibits the School District from making expenditures unless they have been properly appropriated. In addition, Auditor of State Bulletin 97-010 requires that budgetary compliance be tested at the legal level of control maintained by the School District. For the year ended June 30, 2006, the legal level of control for the School District was the fund level. The following funds were found to have expenditures plus encumbrances that exceeded appropriations, contrary to the above sections.

<u>Fund</u>	<u>Total Appropriations</u>	<u>Total Expenditures and Encumbrances</u>	<u>Total Appropriations Expended</u>
Permanent Improvement	56,688	117,332	(60,644)
Public Support	38,924	39,272	(348)
Self Insurance	1,855,000	1,980,520	(125,520)
Ohio Reads	29,107	34,781	(5,674)
Reading Intervention	327	1,530	(1,203)
Title I	325,630	335,814	(10,183)
Title V and VI	4,068	4,930	(862)
Title IV	8,500	8,886	(386)
FCC E-Rate	7,957	8,417	(460)
Assistive Tech Infusion	38,772	40,716	(1,944)

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**PYMATUNING VALLEY LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY
FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2006**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE/ Passed Through The Ohio Department of Education:						
Food Distribution Program	N/A	10.550	-	\$18,376	-	\$18,376
<i>Nutrition Cluster:</i>						
School Breakfast Program	05-PU-2005	10.553	\$6,454	-	\$6,454	-
	05-PU-2006		45,015	-	45,015	-
Subtotal -- School Breakfast Program			51,469	-	51,469	-
National School Lunch Program	LL-P4 2005	10.555	24,313	-	24,313	-
	LL-P4 2006		142,373	-	142,373	-
Subtotal -- School National School Lunch Program			166,686	-	166,686	-
Total -- Nutrition Cluster			218,155	-	218,155	-
Total - U.S. Department of Agriculture			218,155	18,376	218,155	18,376
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES Passed Through The Ohio Department of Mental Retardation and Developmental Disabilities						
<i>Medicaid Cluster:</i>						
Medical Assistance Program	FY 2004	93.778	6,025	-	6,025	-
State Children's Insurance Program (CHIP)	FY 2004	93.767	1,617	-	1,617	-
Total -- U.S. Department of Health and Human Services			7,642	-	7,642	-
U.S. DEPARTMENT OF EDUCATION/ Passed Through The Ohio Department of Education:						
<i>Grants to Local Educational Agencies</i>						
Title I School Subsidy	C1-S1-2005	84.010	76,621	-	76,621	-
	C1-S1-2006		246,923	-	244,239	-
Total -- Title I School Subsidy			323,544	-	320,860	-
Advanced Placement Program	AVTF-2004	84.330	364	-	364	-
Title IV - A Safe and Drug Free Schools	DR-S1-2005	84.186	386	-	386	-
	DR-S1-2006		8,500	-	8,500	-
Total -- Safe and Drug Free Schools			8,886	-	8,886	-
Title V -- Innovative Education Program Strategies	C2-S1-2005	84.298	2,359	-	2,335	-
	C2-S1-2006		2,571	-	2,596	-
Total -- Innovative Education Program Strategies			4,930	-	4,931	-
Technology Literacy Challenge Fund Grants	TJ-S1-2005	84.318	4,577	-	4,577	-
	TJ-S1-2006		10,229	-	10,229	-
Total -- Technology Literacy Grants			14,806	-	14,806	-
Title II-A Improving Teacher Quality State Grants	TR-S1-2005	84.367	22,250	-	22,250	-
	TR-S1-2006		51,589	-	50,913	-
Total -- Title II-A			73,839	-	73,163	-
Hurricane Education Recovery	045880-HR01-2006	84.938	2,000	-	2,000	-
Total -- U.S. Department of Education			428,369	-	425,010	-
U.S. Office of Library Services/ Passed Through The Ohio Library Board:						
Library Services and Technology Act	-	45.310	-	-	23,910	-
Totals			\$654,166	\$18,376	\$674,717	\$18,376

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

**PYMAYUNING VALLEY LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY**

**NOTES TO FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR FISCAL YEAR ENDED JUNE 30, 2006**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B- FOOD DISTRIBUTION

Program regulations do not require the District to maintain separate inventory records for the purchased food and food received from the U. S. Department of Agriculture. This nonmonetary assistance (expenditure) is reported in the Schedule at the fair market value of the commodities received.

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

NOTE C - MATCHING REQUIREMENTS

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



Mary Taylor, CPA

Auditor of State

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

Pymatuning Valley Local School District
Ashtabula County
5571 Route 6 West
Andover, Ohio 44003

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pymatuning Valley Local School District, Ashtabula County, (the District) as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 28, 2007. 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 opinion 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 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.

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 certain matters that we reported to the District's management in a separate letter dated September 28, 2007.

Compliance and Other Matters

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

We did note one noncompliance or other matter that we reported to the District's management in a separate letter dated September 28, 2007.

We intend this report solely for the information and use of the audit committee, management, the Board of Education and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

September 28, 2007



Mary Taylor, CPA

Auditor of State

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

Pymatuning Valley Local School District
Ashtabula County
5571 Route 6 West
Andover, Ohio 44003

To the Board of Education:

Compliance

We have audited the compliance of Pymatuning Valley Local School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended June 30, 2006. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. 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 a major federal program. 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 our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the Pymatuning Valley Local School District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2006.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. 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 a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that the entity's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program 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 a federal program's 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 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.



Mary Taylor, CPA
Auditor of State

September 28, 2007

**PYMATUNING VALLEY LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2006**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



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
DECEMBER 11, 2007**