



Dave Yost • Auditor of State

**PYMATUNING VALLEY LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY**

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ASHTABULA COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the modified cash accounting basis Note 2 describes. This responsibility includes determining that the modified cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash 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, 2014, and the respective changes in modified cash financial position and the respective budgetary comparison for the General and Classroom Facilities Maintenance Funds thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

Ohio Administrative Code § 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 6 of the financial statements, which describes the basis applied to these statements, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Supplemental and Other Information

We audited to opine on the District's financial statements that collectively comprise its basic financial statements.

Management's Discussion & Analysis includes tables of net position, changes in net position and governmental activities. This information provides additional analysis and is not a required part of the basic financial statements.

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

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

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2014, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

October 31, 2014

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

This discussion and analysis of the Pymatuning Valley Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the School District's financial performance as a whole, readers should also review the basic financial statements and the notes to the basic financial statement to enhance their understanding of the School District's financial performance.

Highlights

Key highlights for fiscal year 2014 are as follows:

- Certificated and classified employees received step increases only per negotiated agreements. The School District was able to make cuts for fiscal year 2014 through attrition. One certified position was not filled for fiscal year 2014.
- During fiscal year 2014, the School District purchased two buses at a cost of \$162,500 as well as replaced the heating and cooling system at the school board office at a cost of \$20,700.
- The School District actively pursues grants and controls expenses while still maintaining the high academic standards the residents expect of the School District.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the School District's cash basis of accounting.

Report Components

The statement of net position and the statement of activities provide information about the cash activities of the School District as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the School District as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to basic the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The School District has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the School District's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

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

Reporting the School District as a Whole

The statement of net position and the statement of activities reflect how the School District did financially during 2014, within the limitations of cash basis accounting. The statement of net position presents the cash balances and investments of the governmental activities of the School District at fiscal year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the School District's general receipts.

These statements report the School District's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the School District's financial health. Over time, increases or decreases in the School District's cash position is one indicator of whether the School District's financial health is improving or deteriorating. When evaluating the School District's financial condition, you should also consider other nonfinancial factors as well such as the School District's property tax base, the condition of the School District's capital assets, the extent of the School District's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

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

Reporting the School District's Most Significant Funds

Fund financial statements provide detailed information about the School District's major funds – not the School District as a whole. The School District establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the School District are split into three categories: governmental, proprietary and fiduciary.

Governmental Funds - Most of the School District's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the School District's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the School District's programs. The School District's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The School District's major governmental funds are the general fund, the classroom facilities maintenance special revenue fund and the bond retirement debt service fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Proprietary Funds – When the School District charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general

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

public, the activity is reported as an enterprise fund. The School District has no enterprise funds. When the services are provided to other departments of the School District, the service is reported as an internal service fund. The School District has one internal service fund, for self insurance.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the School District-wide financial statements because the resources of these funds are not available to support the School District's programs.

The School District as a Whole

Table 1 provides a summary of the School District's net position for 2014 compared to 2013 on a cash basis:

(Table 1)
Net Position

	Governmental Activities		
	2014	2013	Change
Assets			
Equity in Pooled Cash and Cash Equivalents	\$4,016,995	\$3,401,275	\$615,720
Cash and Cash Equivalents with Fiscal Agents	1,308,416	1,179,274	129,142
Total Assets	\$5,325,411	\$4,580,549	\$744,862
Net Position			
Restricted for:			
Capital Projects	\$253,858	\$298,932	(\$45,074)
Debt Service	1,219,171	1,145,125	74,046
Unclaimed Monies	17,628	17,628	0
Other Purposes	717,665	700,972	16,693
Unrestricted	3,117,089	2,417,892	699,197
Total Net Position	\$5,325,411	\$4,580,549	\$744,862

As mentioned previously, net position of governmental activities increased during 2014. This increase can mainly be attributed to an increase in grants and entitlements the School District received. In addition there were a number of employees that left due to resignations or retirements and the School District did not fill the open positions.

Table 2 shows the change in net position for the year ended June 30, 2014 compared to the year ended June 30, 2013 for governmental activities.

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

	Governmental Activities		
	2014	2013	Change
Receipts			
<i>Program Receipts:</i>			
Charges for Services and Sales	\$721,032	\$704,499	\$16,533
Operating Grants and Contributions	1,862,085	1,292,464	569,621
Total Program Revenues	<u>2,583,117</u>	<u>1,996,963</u>	<u>586,154</u>
<i>General Receipts:</i>			
Property Taxes	4,307,101	4,315,937	(8,836)
Grants and Entitlements	7,249,228	7,329,002	(79,774)
Unrestricted Contributions and Donations	98,500	1,000	97,500
Interest	40,033	44,211	(4,178)
Miscellaneous	92,530	119,562	(27,032)
Total General Revenues	<u>11,787,392</u>	<u>11,809,712</u>	<u>(22,320)</u>
Total Receipts	<u>14,370,509</u>	<u>13,806,675</u>	<u>563,834</u>
Disbursements			
<i>Instruction</i>			
Regular	5,185,736	5,347,807	162,071
Special	1,692,025	1,652,264	(39,761)
Vocational	175,053	235,825	60,772
Student Intervention Services	24,922	11,168	(13,754)
<i>Support Services:</i>			
Pupil	647,456	712,612	65,156
Instructional Staff	84,186	45,119	(39,067)
Board of Education	26,869	30,081	3,212
Administration	1,042,476	1,091,649	49,173
Fiscal	391,075	367,547	(23,528)
Business	69,260	62,462	(6,798)
Operation and Maintenance of Plant	1,279,524	1,233,323	(46,201)
Pupil Transportation	1,235,717	1,338,191	102,474
Central	96,692	121,593	24,901
Operation of Non Instructional Services	556,191	610,217	54,026
Extracurricular Activities	456,677	430,669	(26,008)
Capital Outlay	0	10,037	10,037
Debt Service	661,788	638,793	(22,995)
Total Disbursements	<u>13,625,647</u>	<u>13,939,357</u>	<u>313,710</u>
Increase (Decrease) in Net Assets	744,862	(132,682)	877,544
Net Assets Beginning of Year	<u>4,580,549</u>	<u>4,713,231</u>	<u>(132,682)</u>
Net Assets End of Year	<u>\$5,325,411</u>	<u>\$4,580,549</u>	<u>\$744,862</u>

Grants and entitlements are the School District's largest source of receipts, followed by property taxes. The School District carefully monitors both these receipts and uses both a five year forecast and a spending plan to predict future receipts and disbursements of the School District. During 2014, the School District saw an increase in grants and contributions due to economic disadvantage funding from the State.

Some of the significant disbursements during fiscal year 2014 were in the categories of regular and special instruction, administration, operation and maintenance of plant and pupil transportation. Regular and special

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

instruction disbursements are primarily salary and benefit costs for the School District's teachers. The decrease in regular instruction is mainly due to attrition. Pupil transportation saw a decrease from the previous year.

Governmental Activities

If you look at the Statement of Activities on page 12, you will see that the first column lists the major services provided by the School District. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for instruction and capital outlay. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the School District that must be used to provide a specific service. The Net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

	<u>Total Cost of Service</u>	<u>Net Cost of Service</u>	<u>Total Cost of Service</u>	<u>Net Cost of Service</u>
	<u>2014</u>	<u>2014</u>	<u>2013</u>	<u>2013</u>
Instruction	\$7,077,736	\$5,496,419	\$7,247,064	\$6,102,244
Support Services:				
Pupil and Instructional Staff	731,642	530,437	757,731	739,782
Board of Education, Administration, Fiscal and Business	1,529,680	1,529,680	1,551,739	1,551,739
Operation and Maintenance of Plant	1,279,524	1,236,494	1,233,323	1,189,559
Pupil Transportation	1,235,717	1,189,215	1,338,191	1,289,668
Central	96,692	91,968	121,593	118,893
Operation of Non Instructional Services	556,191	62,084	610,217	70,656
Extracurricular Activities	456,677	244,445	430,669	231,023
Capital Outlay	0	0	10,037	10,037
Debt Service	661,788	661,788	638,793	638,793
Total Expenses	<u>\$13,625,647</u>	<u>\$11,042,530</u>	<u>\$13,939,357</u>	<u>\$11,942,394</u>

The School District's Funds

Information about the School District's major funds starts on page 13. All governmental funds had total receipts of \$14,367,053 and disbursements of \$13,751,333. Other financing sources and uses consisted of prior year advances repaid to the general fund and a new advance from the general fund to other governmental funds to support programs and projects pending the receipt of outstanding grant money. The net change in fund balance for the year was an increase of \$615,720. The general fund and classroom facilities maintenance special revenue fund and bond retirement debt service fund all had increases in fund balance. Other governmental funds showed a deficit in spending during the current year due to decreases in State grants outpacing decreases in instructional services.

General Fund Budgeting Highlights

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

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

fund is the general fund. During 2014, the School District amended its general fund budget several times to allow for changes to the budget. The general fund is often called upon to advance funds to one project or another.

For the general fund, the final budget basis revenue estimate was higher than original budget estimates which can be attributed to more intergovernmental revenues and miscellaneous revenues. The final budget appropriations were higher than the original budget appropriations of the general fund. The change was attributed to anticipated increases in regular and special instruction. Overall, the change in the general fund balance was positive.

Capital Assets and Debt Administration

Capital Assets

The School District maintains a listing of its capital assets. These records are not required to be presented in the financial statements.

Debt

At June 30, 2014, the School District's outstanding debt consisted of \$6,051,037 in general obligation bonds issued for improvements to buildings and structures. For further information regarding the School District's debt, refer to Note 14 of the basic financial statements.

Current Issues

The School District is not without its share of challenges. The need for additional funds for operations will continue in the near future due to several variables. The School District forecasted increases in health insurance premiums over the next few years. Health insurance premiums between fiscal year 2013 and fiscal year 2014 increased 2.81 percent. A decrease of 6.0 percent is effective fiscal year 2015 due to plan changes.

School districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Management must plan expenses accordingly, staying within the School District's five-year plan. The Board of Education always keeps the students as their number one priority when making all planning decisions.

In conclusion, the School District's systems of budgeting and internal controls are 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 parents, citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Brian Stevens, Treasurer at Pymatuning Valley Local School District, 5571 Route 6 W, Andover, Ohio 44003.

Pymatuning Valley Local School District

Statement of Net Position - Cash Basis

June 30, 2014

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$4,016,995
Cash and Cash Equivalents with Fiscal Agents	<u>1,308,416</u>
<i>Total Assets</i>	<u><u>\$5,325,411</u></u>
 Net Position	
Restricted for:	
Capital Projects	\$253,858
Debt Service	1,219,171
Unclaimed Monies	17,628
Other Purposes	717,665
Unrestricted	<u>3,117,089</u>
<i>Total Net Position</i>	<u><u>\$5,325,411</u></u>

See accompanying notes to the basic financial statements

Pymatuning Valley Local School District

Statement of Activities - Cash Basis

For the Fiscal Year Ended June 30, 2014

	Program Cash Receipts			Net (Expense)
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Position
Governmental Activities				
Current:				
Instruction:				
Regular	\$5,185,736	\$379,205	\$231,830	(\$4,574,701)
Special	1,692,025	0	920,257	(771,768)
Vocational	175,053	0	50,025	(125,028)
Student Intervention Services	24,922	0	0	(24,922)
Support Services:				
Pupil	647,456	0	84,592	(562,864)
Instructional Staff	84,186	0	116,613	32,427
Board of Education	26,869	0	0	(26,869)
Administration	1,042,476	0	0	(1,042,476)
Fiscal	391,075	0	0	(391,075)
Business	69,260	0	0	(69,260)
Operation and Maintenance of Plant	1,279,524	650	42,380	(1,236,494)
Pupil Transportation	1,235,717	0	46,502	(1,189,215)
Central	96,692	0	4,724	(91,968)
Operation of Non-Instructional Services	556,191	128,945	365,162	(62,084)
Extracurricular Activities	456,677	212,232	0	(244,445)
Debt Service	661,788	0	0	(661,788)
<i>Totals</i>	<u>\$13,625,647</u>	<u>\$721,032</u>	<u>\$1,862,085</u>	<u>(11,042,530)</u>

General Receipts

Property Taxes Levied for:

General Purposes	3,747,056
Debt Service	506,213
Classroom Facilities Maintenance	53,832

Grants and Entitlements not Restricted to Specific Programs 7,249,228

Unrestricted Contributions and Donations 98,500

Interest 40,033

Miscellaneous 92,530

Total General Receipts 11,787,392

Change in Net Position 744,862

Net Position Beginning of Year 4,580,549

Net Position End of Year \$5,325,411

See accompanying notes to the basic financial statements

Pymatuning Valley Local School District
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
June 30, 2014

	General	Classroom Facilities Maintenance	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$1,703,270	\$449,731	\$1,219,171	\$627,195	\$3,999,367
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	17,628	0	0	0	17,628
<i>Total Assets</i>	<u>\$1,720,898</u>	<u>\$449,731</u>	<u>\$1,219,171</u>	<u>\$627,195</u>	<u>\$4,016,995</u>
Fund Balances					
Nonspendable	\$17,628	\$0	\$0	\$0	\$17,628
Restricted	0	449,731	1,219,171	521,792	2,190,694
Committed	0	0	0	105,403	105,403
Assigned	107,697	0	0	0	107,697
Unassigned	1,595,573	0	0	0	1,595,573
<i>Total Fund Balances</i>	<u>\$1,720,898</u>	<u>\$449,731</u>	<u>\$1,219,171</u>	<u>\$627,195</u>	<u>\$4,016,995</u>

See accompanying notes to the basic financial statements

Pymatuning Valley Local School District
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2014

Total Governmental Funds Balances	\$4,016,995
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*Amounts reported for governmental activities in the
statement of net position are different because*

An internal service fund is used by management to charge the costs of insurance to individual funds. The cash and cash equivalents of the internal fund are included in governmental activities in the statement of net position.

	<u>1,308,416</u>
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<i>Net Position of Governmental Activities</i>	<u><u>\$5,325,411</u></u>
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See accompanying notes to the basic financial statements

Pymatuning Valley Local School District

Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Cash Basis

Governmental Funds

For the Fiscal Year Ended June 30, 2014

	General	Classroom Facilities Maintenance	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Receipts					
Property Taxes	\$3,747,056	\$53,832	\$506,213	\$0	\$4,307,101
Intergovernmental	7,813,507	42,380	101,228	1,068,506	9,025,621
Interest	36,546	0	0	31	36,577
Tuition and Fees	379,205	0	0	0	379,205
Extracurricular Activities	46,116	0	0	153,443	199,559
Contributions and Donations	98,500	0	0	85,692	184,192
Charges for Services	12,673	0	0	128,945	141,618
Rentals	650	0	0	0	650
Miscellaneous	88,580	0	0	3,950	92,530
<i>Total Receipts</i>	<u>12,222,833</u>	<u>96,212</u>	<u>607,441</u>	<u>1,440,567</u>	<u>14,367,053</u>
Disbursements					
Current:					
Instruction:					
Regular	5,018,984	0	0	219,665	5,238,649
Special	1,296,536	0	0	410,194	1,706,730
Vocational	176,297	0	0	0	176,297
Student Intervention Services	24,922	0	0	0	24,922
Support Services:					
Pupil	618,068	0	0	31,286	649,354
Instructional Staff	14,885	0	0	69,301	84,186
Board of Education	26,869	0	0	0	26,869
Administration	988,206	0	0	68,963	1,057,169
Fiscal	391,772	1,364	0	0	393,136
Business	48,560	0	0	20,700	69,260
Operation and Maintenance of Plant	1,203,745	56,443	0	28,323	1,288,511
Pupil Transportation	1,256,506	0	0	0	1,256,506
Central	94,214	0	0	2,478	96,692
Operation of Non-Instructional Services	25,720	0	0	538,867	564,587
Extracurricular Activities	323,936	0	0	132,741	456,677
Debt Service:					
Principal Retirement	85,000	0	400,000	0	485,000
Interest and Fiscal Charges	43,393	0	133,395	0	176,788
<i>Total Disbursements</i>	<u>11,637,613</u>	<u>57,807</u>	<u>533,395</u>	<u>1,522,518</u>	<u>13,751,333</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>585,220</u>	<u>38,405</u>	<u>74,046</u>	<u>(81,951)</u>	<u>615,720</u>
Other Financing Sources (Uses)					
Advances In	24,334	0	0	89,546	113,880
Advances Out	(89,546)	0	0	(24,334)	(113,880)
<i>Total Other Financing Sources (Uses)</i>	<u>(65,212)</u>	<u>0</u>	<u>0</u>	<u>65,212</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	520,008	38,405	74,046	(16,739)	615,720
<i>Fund Balances Beginning of Year</i>	<u>1,200,890</u>	<u>411,326</u>	<u>1,145,125</u>	<u>643,934</u>	<u>3,401,275</u>
<i>Fund Balances End of Year</i>	<u>\$1,720,898</u>	<u>\$449,731</u>	<u>\$1,219,171</u>	<u>\$627,195</u>	<u>\$4,016,995</u>

See accompanying notes to the basic financial statements

Pymatuning Valley Local School District

*Reconciliation of the Statement of Cash Receipts, Cash Disbursements and Changes
in Cash Basis Fund Balances of Governmental Funds to the Statement of Activities*

For the Fiscal Year Ended June 30, 2014

Net Change in Fund Balances - Total Governmental Funds	\$615,720
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*Amounts reported for governmental activities in the
statement of activities are different because*

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

129,142

Change in Net Position of Governmental Activities

\$744,862

See accompanying notes to the basic financial statements

Pymatuning Valley Local School District
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Property Taxes	\$3,877,139	\$3,747,056	\$3,747,056	\$0
Intergovernmental	7,233,058	7,844,273	7,813,507	(30,766)
Interest	3,777	36,425	36,546	121
Tuition and Fees	333,981	384,157	377,509	(6,648)
Charges for Services	11,409	12,909	12,673	(236)
Rentals	259	650	650	0
Miscellaneous	196,315	169,756	75,695	(94,061)
<i>Total Receipts</i>	11,655,938	12,195,226	12,063,636	(131,590)
Disbursements				
Current:				
Instruction:				
Regular	5,184,789	5,154,002	5,022,583	131,419
Special	1,233,473	1,353,040	1,302,936	50,104
Vocational	208,317	189,475	182,419	7,056
Student Intervention Services	11,241	26,378	24,922	1,456
Support Services:				
Pupil	594,453	641,999	618,393	23,606
Instructional Staff	15,520	21,497	14,885	6,612
Board of Education	30,585	27,733	26,869	864
Administration	993,994	1,023,530	981,254	42,276
Fiscal	402,435	411,314	390,859	20,455
Business	50,348	58,348	48,560	9,788
Operation and Maintenance of Plant	1,093,390	1,199,465	1,140,569	58,896
Pupil Transportation	1,322,808	1,308,719	1,256,769	51,950
Central	85,054	103,082	94,214	8,868
Operation of Non-Instructional Services	25,172	25,854	25,720	134
Extracurricular Activities	271,780	286,219	281,603	4,616
Capital Outlay	0	16,000	16,000	0
Debt Service:				
Principal Retirement	80,000	85,000	85,000	0
Interest and Fiscal Charges	13,059	45,955	43,393	2,562
<i>Total Disbursements</i>	11,616,418	11,977,610	11,556,948	420,662
<i>Excess of Receipts Over (Under) Disbursements</i>	39,520	217,616	506,688	289,072
Other Financing Sources (Uses)				
Transfers Out	0	(12,500)	(12,500)	0
Advances In	1,937	24,334	24,334	0
Advances Out	0	(89,546)	(89,546)	0
<i>Total Other Financing Sources (Uses)</i>	1,937	(77,712)	(77,712)	0
<i>Net Change in Fund Balance</i>	41,457	139,904	428,976	289,072
<i>Fund Balance Beginning of Year</i>	1,126,344	1,126,344	1,126,344	0
Prior Year Encumbrances Appropriated	24,423	24,423	24,423	0
<i>Fund Balance End of Year</i>	\$1,192,224	\$1,290,671	\$1,579,743	\$289,072

See accompanying notes to the basic financial statements

Pymatuning Valley Local School District
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Classroom Facilities Maintenance Fund
For the Fiscal Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Receipts				
Property Taxes	\$52,531	\$53,832	\$53,832	\$0
Intergovernmental	43,541	42,380	42,380	0
<i>Total Receipts</i>	<u>96,072</u>	<u>96,212</u>	<u>96,212</u>	<u>0</u>
Disbursements				
Current:				
Support Services:				
Fiscal	1,389	1,390	1,364	26
Operation and Maintenance of Plant	91,178	115,452	60,108	55,344
<i>Total Disbursements</i>	<u>92,567</u>	<u>116,842</u>	<u>61,472</u>	<u>55,370</u>
<i>Net Change in Fund Balance</i>	3,505	(20,630)	34,740	55,370
<i>Fund Balance Beginning of Year</i>	403,444	403,444	403,444	0
Prior Year Encumbrances Appropriated	<u>7,882</u>	<u>7,882</u>	<u>7,882</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$414,831</u></u>	<u><u>\$390,696</u></u>	<u><u>\$446,066</u></u>	<u><u>\$55,370</u></u>

See accompanying notes to the basic financial statements

Pymatuning Valley Local School District
Statement of Fund Net Position - Cash Basis
Internal Service Fund
June 30, 2014

	<u>Insurance</u>
Assets	
Cash and Cash Equivalents with Fiscal Agents	<u>\$1,308,416</u>
Net Position	
Unrestricted	<u>\$1,308,416</u>

See accompanying notes to the basic financial statements

Pymatuning Valley Local School District
*Statement of Receipts, Disbursements
and Changes in Fund Net Position - Cash Basis
Internal Service Fund
For the Fiscal Year Ended June 30, 2014*

	Insurance
Operating Receipts	
Charges for Services	\$2,210,750
Operating Disbursements	
Purchased Services	545,758
Claims	1,539,306
<i>Total Operating Disbursements</i>	2,085,064
<i>Operating Income (Loss)</i>	125,686
Non-Operating Receipts (Disbursements)	
Interest	3,456
<i>Change in Net Position</i>	129,142
<i>Net Position Beginning of Year</i>	1,179,274
<i>Net Position End of Year</i>	\$1,308,416

See accompanying notes to the basic financial statements

Pymatuning Valley Local School District
Statement of Fiduciary Net Position - Cash Basis
Fiduciary Funds
June 30, 2014

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$22,847	\$25,365
Liabilities		
Due to Students	0	\$25,365
Net Position		
Held in Trust for Scholarships	\$22,847	

See accompanying notes to the basic financial statements

Pymatuning Valley Local School District
Statement of Changes in Fiduciary Net Position - Cash Basis
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2014

	<u>Scholarship</u>
Additions	
Interest	\$40
Deductions	
	0
<i>Change in Net Position</i>	40
<i>Net Position Beginning of Year</i>	22,807
<i>Net Position End of Year</i>	\$22,847

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, 2014*

Note 1 - Reporting Entity

Pymatuning Valley Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by state and federal agencies.

The Board of Education controls the School District's seven instructional/support facilities staffed by 48 classified employees and 80 certificated employees who provide services to 1,356 students and other community members.

Primary Government

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the School District are not misleading. The primary government of the School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Pymatuning Valley Local School District, this includes the agencies and departments that provide the following services: general operations, food service and student related activities of the School District.

Component Units

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The School District has no component units.

Other Organizations

The School District participates in three jointly governed organizations, a related organization and two insurance purchasing pool. These organizations are the North Eastern Ohio Management Information Network, the Ashtabula County Technical & Career Center, the State Support Team – Region 5, the Andover Public Library, Ohio Schools Council Workers' Compensation Group Rating Program and the Jefferson Health Self-Insurance Plan. These organizations are presented in Note 15, 16 and 17 to the basic financial statements.

The School District's management believes these financial statements present all activities for which the School District is financially accountable.

Pymatuning Valley Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

Note 2 - Summary of Significant Accounting Policies

The financial statements of the School District are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the School District's accounting policies.

Basis of Presentation

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

Government-Wide Financial Statements The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the School District that are governmental in nature and those that are considered business-type activities. The School District, however, has no business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

The statement of net position presents the cash balance of the governmental activities of the School District at fiscal year end. The statement of activities compares disbursements with program receipts for each function or program of the School District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the School District's general receipts.

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

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the fund's principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

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 funds of the School District are divided into three categories, governmental, proprietary and fiduciary.

Pymatuning Valley Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

Governmental Funds The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The School District's major governmental funds are:

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

Classroom Facilities Maintenance Special Revenue Fund The classroom facilities maintenance special revenue fund accounts for and reports restricted property tax revenues for the maintenance of upkeep of School District classroom facilities.

Bond Retirement Debt Service Fund The bond retirement fund is used to account for and report property taxes and intergovernmental revenues restricted for the payment of general long-term debt principal, interest and related costs.

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

Proprietary Funds Proprietary funds reporting focuses on the determination of operating income, changes in net position, 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 is a self insurance fund that accounts for medical, surgical, prescription drug, dental and vision claims of the School District's employees.

Fiduciary Funds 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 not available to support the School District's own programs. The School District's only trust fund is a private purpose trust which accounts for scholarships granted to students as specified in trust agreements. Agency funds are custodial in nature. The School District's agency fund accounts for various student-managed activities.

Basis of Accounting

The School District's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the School District are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Pymatuning Valley Local School District

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

Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level for all funds. The Treasurer has been given the authority to allocate Board appropriations to the function and object level within all funds without resolution by the Board of Education.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in receipts are identified by the Treasurer. The amounts reported as the original and final budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original and final appropriations were passed by the Board.

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

Cash and Investments

To improve cash management, cash received by the School District is pooled and invested. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Investments of the School District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During fiscal year 2014, investments were limited to nonnegotiable certificates of deposit which are reported at cost.

The School District participates in the OME-RESA insurance consortium for self-insurance. These monies are reflected on the statement of net position as "cash and cash equivalents with fiscal agents." The Jefferson County Educational Service Center serves as the fiscal agent for the insurance consortium.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2014 amounted to \$36,546 which includes \$20,876 assigned from other School District funds.

Pymatuning Valley Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions. Restricted assets in the general fund represent money set aside for unclaimed monies.

Inventory and Prepaid Items

The School District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

Interfund Receivables/Payables

The School District reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the School District's cash basis of accounting.

Employer Contributions to Cost-Sharing Pension Plans

The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 10 and 11, the employer contributions include portions for pension benefits and for postretirement health care benefits.

Long-Term Obligations

The School District's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid.

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for operations of instructional services, food service operations and extracurricular activities. The School District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position are available.

Pymatuning Valley Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

Fund Balance

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

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

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

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

Assigned Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by the School District Board of Education. In the general fund, assigned amounts represent intended uses established by the School District Board of Education delegated that authority by State statute. State statute authorizes the Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. The School District Board of Education assigned fund balance for the underground storage tank and football field lighting.

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

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

Interfund Transactions

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

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as

Pymatuning Valley Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/cash disbursements in the internal service fund. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented in the financial statements.

Note 3 – Fund Balance

Fund balance is classified as nonspendable, restricted, committed, and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Classroom Facilities Maintenance	Bond Retirement	Other Governmental Funds	Total
<i>Nonspendable</i>					
Unclaimed Monies	\$17,628	\$0	\$0	\$0	\$17,628
<i>Restricted for</i>					
Food Service Operations	0	0	0	137,525	137,525
Classroom Maintenance	0	449,731	0	0	449,731
Athletics and Music	0	0	0	108,946	108,946
Regular Instruction	0	0	0	21,463	21,463
Debt Service Payments	0	0	1,219,171	0	1,219,171
Capital Improvements	0	0	0	253,858	253,858
<i>Total Restricted</i>	0	449,731	1,219,171	521,792	2,190,694
<i>Committed to</i>					
Memorial Scholarships	0	0	0	105,403	105,403
<i>Assigned to</i>					
Underground Storage Tank	11,000	0	0	0	11,000
Football Field Lighting	56,528	0	0	0	56,528
Purchases on Order	40,169	0	0	0	40,169
<i>Total Assigned</i>	107,697	0	0	0	107,697
<i>Unassigned</i>	1,595,573	0	0	0	1,595,573
<i>Total Fund Balances</i>	\$1,720,898	\$449,731	\$1,219,171	\$627,195	\$4,016,995

Note 4 – Change in Accounting Principle

For fiscal year 2014, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 67, “Financial Reporting for Pension Plans”. This statement establishes accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions. These changes were incorporated in the School District’s financial statements; however, there was no effect on beginning net position/fund balance.

Pymatuning Valley Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

Note 5 - Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general and major special revenue funds is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budgetary basis and the cash basis are that:

1. Encumbrances are treated as cash disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (cash basis).
2. Budgetary revenues and expenditures of the uniform school support, the public school support, E-Rate and Capital Maintenance Lighting funds are reclassified to the general fund for cash basis.

The following table summarizes the adjustments necessary to reconcile the cash basis statements to the budgetary basis statements on a fund type basis for the general fund and the classroom facilities maintenance special revenue fund.

	Net Change in Fund Balance	
	General	Classroom Facilities Maintenance
Cash Basis	\$520,008	\$38,405
Perspective Differences:		
Uniform School Support	(496)	0
Public School Support	(3,783)	0
E-rate	(3,556)	0
Capital Maintenance Lighting	(43,028)	0
Adjustment for Encumbrances	<u>(40,169)</u>	<u>(3,665)</u>
Budget Basis	<u>\$428,976</u>	<u>\$34,740</u>

Note 6 – Compliance

Ohio Administrative Code, Section 117-2-03 (B), requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net position/fund balances, and disclosures that, while material, cannot be determined at this time. The School District can be fined.

Note 7 – Deposits and Investments

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

Pymatuning Valley Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

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

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

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

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

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

Pymatuning Valley Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

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

At June 30, 2014, the School District's self-insurance internal service fund had a balance of \$1,308,416 with the Jefferson Health Self-Insurance Plan, a claims servicing pool (See Note 17). The money is held by the claims servicer in a pooled account which is representative of numerous entities and therefore cannot be classified by risk under GASB Statement 3. The classification of cash and cash equivalents and investments for the Jefferson Health Self-Insurance Plan as a whole may be obtained from the Plan's fiscal agent, the Jefferson County Educational Service Center. To obtain financial information, write to the Jefferson Health Self-Insurance Plan, Steubenville, Ohio 43952.

Deposits Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in possession of an outside party. At fiscal year end, \$2,081,710 of the School District's bank balance of \$5,185,852 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Note 8 - Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2014 represents collections of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed value listed as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2014 represents collections of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien December 31, 2012, were levied after April 1, 2013 and are collected in 2012 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Ashtabula County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2014, are available to finance fiscal year 2014 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Pymatuning Valley Local School District

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

The amount available as an advance at June 30, 2014, was \$1,156,894 in the general fund, \$16,900 in the classroom facilities maintenance special revenue and \$150,899 in the bond retirement debt service fund. The amount available as an advance at June 30, 2013, was \$284,601 in the general fund, \$3,984 in the classroom facilities maintenance special revenue and \$40,377 in the bond retirement debt service fund.

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second Half Collections		2014 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$145,366,720	93.28%	\$146,273,410	92.80%
Public Utility Personal	10,473,030	6.72	11,344,830	7.20
Total	<u>\$155,839,750</u>	<u>100.00%</u>	<u>\$157,618,240</u>	<u>100.00%</u>

Full Tax Rate per \$1,000 of assessed valuation	\$35.93	\$35.03
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Note 9 - Interfund Advances

The general fund made advances to nonmajor governmental funds in the amount of \$89,546. These advances were made to support programs and projects in various special revenue funds pending the receipt of grant money. Nonmajor governmental funds made advances to the general fund in the amount of \$24,334. These advances were made to return prior year advances from the general fund.

Note 10 - Defined Benefit Pension Plans

School Employee Retirement System

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund and Health Care Fund). For the fiscal year ended June 30, 2014, the allocation to pension and death benefits was 13.10 percent. The remaining .90 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$196,912, \$181,892 and \$179,719, respectively; 79.24 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

Pymatuning Valley Local School District

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

State Teachers Retirement System

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

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

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

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2014, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$606,520 and \$40,302 for the fiscal year ended June 30, 2014, \$606,963 and \$39,880 for the fiscal year ended June 30, 2013, and \$603,161 and \$33,735 for the fiscal year ended June 30, 2012. For fiscal year 2014, 83.77 percent has been contributed for the DB plan and 83.77 percent has been contributed for the Combined Plan. The full amount has been contributed for fiscal years 2013 and 2012.

Contributions made to STRS Ohio for the DC Plan and for fiscal year 2014 were \$7,144 made by the School District and \$5,613 made by the plan members. In addition, member contributions of \$31,666 were made for fiscal year 2014 for the defined portion of the Combined Plan.

Pymatuning Valley Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

Note 11 – Postemployment Benefits

School Employee Retirement System

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2014, 14 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2014, this amount was \$35,800. During fiscal year 2014, the School District paid \$30,063 in surcharge.

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

The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013 and 2012 were \$32,167, \$32,734 and \$36,085, respectively; 79.24 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2014, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013 and 2012 were \$11,424, \$10,742 and \$10,613, respectively; 79.24 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

State Teachers Retirement System

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The

Pymatuning Valley Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

School District's contributions for health care for the fiscal years ended June 30, 2014, 2013 and 2012 were \$46,655, \$46,689 and \$48,186, respectively; 83.77 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

Note 12 - Risk Management

Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2014, the School District contracted with Love Insurance Agency for buildings and contents, liability and fleet insurance.

Type of Coverage	Coverage Amount
Property Damage Per Occurrence	\$52,211,427
Flood - Per Occurrence and Annual Aggregate	1,000,000
Errors and Omissions	100,000
Employee Theft - Per Loss Coverage	25,000
Auto Liability	1,000,000
Violence	1,000,000

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

Workers' Compensation

For fiscal year 2014, the School District participated in the Ohio Schools Council Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

Self-Insurance

The School District offers medical, vision, dental and life insurance to all employees through a self-insurance internal service fund. The School District's plan utilizes United Health Plan, VSP, Self-Fund Plans and Metlife, respectively as the third party administrators for the District through the Jefferson Health Plan.

Pymatuning Valley Local School District

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

Note 13 - Contingencies

Litigation

As of June 30, 2014, the School District was not party to any legal proceedings

Grants

The School District receives 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds.

Note 14 – Debt

Changes in long-term obligations of the School District during fiscal year 2014 were as follows:

	Principal Outstanding 6/30/2013	Additions	Reductions	Principal Outstanding 6/30/2014	Amounts Due in One Year
Governmental Activities					
<i>General Obligation Bonds</i>					
2011 Refunding Bonds					
Serial Bonds	\$4,930,000	\$0	(\$400,000)	\$4,530,000	\$405,000
Capital Appreciation Bonds	114,984	0	0	114,984	0
Accretion on Capital Appreciation Bonds	42,907	32,769	0	75,676	0
Premium	296,755	0	(26,378)	270,377	0
Total School Improvement Bonds	5,384,646	32,769	(426,378)	4,991,037	405,000
2010 Energy Conservation Improvement Bonds					
Term Bonds	625,000	0	(45,000)	580,000	45,000
2009 School Construction Bonds					
Term Bonds	520,000	0	(40,000)	480,000	40,000
<i>Total Governmental Activities</i>					
<i>Long-Term Liabilities</i>	\$6,529,646	\$32,769	(\$511,378)	\$6,051,037	\$490,000

On October 13, 2011, the School District issued \$5,104,984 in refunding general obligation bonds which included serial and capital appreciation (deep discount) bonds in the amounts of \$4,990,000 and \$114,984, respectively. The general obligation bonds were issued for the purpose of refunding the 2002 School Improvement Bonds in order to take advantage of lower interest rates.

The bonds were sold at a premium of \$342,917. Proceeds of \$5,351,514 were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded portion of the bonds. As a result, \$5,105,000 of these bonds are considered defeased and the liability for the refunded portion of these bonds has been removed from the School District's financial statements.

Pymatuning Valley Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

The maturity amount of outstanding capital appreciation bonds at June 30, 2014 is \$445,000. The accretion recorded for 2014 was \$32,769 for a total outstanding bond liability of \$190,660 at June 30, 2014.

On November 15, 2010, the School District issued \$718,250 in Qualified School Construction Bonds (QSCBs) in accordance with the American Recovery and Reinvestment Act of 2009 (ARRA). These bonds were issued for the purpose of investing in Thin Client computer equipment. These bonds will be paid from the general fund. In accordance with bond covenants, the School District shall deposit in the Sinking Fund for the accumulation of funds necessary to pay the bond at maturity. The School District shall deposit monies annually on December 1 each year as needed so that the balance in the Sinking Fund (taking into account the interest earned on such fund) shall be equal to and not exceed the amount set forth below. The principal (sinking fund deposits) requirements to maturity are as follows:

Fiscal Year Ending June 30,	Principal
2015	\$45,000
2016	45,000
2017	45,000
2018	45,000
2019	50,000
2020-2024	200,000
2025-2026	150,000
Totals	<u>\$580,000</u>

The bonds are subject to extraordinary mandatory redemption, in whole or in part, on November 15, 2013, or, in the event of an extension negotiated with the IRS, on a credit allowance date that occurs on or before November 15, 2015, in authorized denominations, at a redemption price equal to the principal amount of the bonds called for redemption plus accrued interest thereon to the redemption, in an amount equal to the unexpended proceeds of the sale of the bonds held by the School District, but only to the extent all of the proceeds of the bonds within three years of issuance thereof and no extension of the period for expenditure had been granted by the IRS.

On December 11, 2009, the School District issued \$639,240 in school construction bonds for the purpose of making energy efficiency lighting improvements within the School District. The bonds were issued at a 1.93 percent interest rate for a fifteen year period with a maturity date of September 15, 2024.

As part of the ARRA act of 2009, issuers of QSCBs are eligible to receive direct payments from the federal government which offset interest payments on the bonds. As an alternate, QSCBs may be issued as tax credit bonds under which bond holders receive federal tax credits in lieu of interest as a means to significantly reduce the issuer's interest costs. The School District, under agreement with the federal government, has chosen to receive a thirty-five percent semi-annual direct payment from the federal government to help offset interest expense on the QSCBs. The amount the School District expects to receive for future the direct payments is not available. Therefore this bond will not be included in the following principal and interest requirements.

The School District's overall debt margin was \$9,624,153 with an unvoted debt margin of \$157,618 at June 30, 2014. Principal and interest requirements to retire the 2011 school improvement refunding bonds and the 2009 school construction bonds outstanding at June 30, 2014 are as follows:

Pymatuning Valley Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

Fiscal Year Ending June 30,	General Obligation Bonds			
	Serial and Term		Capital Appreciation	
	Principal	Interest	Principal	Interest
2015	\$445,000	\$121,247	\$0	\$0
2016	460,000	112,225	0	0
2017	470,000	102,952	0	0
2018	475,000	93,530	0	0
2019	45,000	88,361	114,984	330,016
2020-2024	2,555,000	275,742	0	0
2025	560,000	8,770	0	0
Totals	<u>\$5,010,000</u>	<u>\$802,827</u>	<u>\$114,984</u>	<u>\$330,016</u>

Note 15 - Jointly Governed Organizations

North Eastern 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 supports NEOMIN based upon a per pupil charge. Pymatuning Valley Local School District paid \$26,234 to NEOMIN during fiscal year 2014.

The Governing board consists of ten members: The Trumbull and Ashtabula County superintendents (permanent members), three superintendents from Ashtabula County participating school districts, three superintendents from Trumbull County participating school districts, and a principal and treasurer (non-voting members who must be employed by a participating school district, the fiscal agent or NEOMIN). The Board exercises total control over the operations of NEOMIN including budgeting, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Governing Board. The Pymatuning Valley Local School District was not represented on the Governing Board during fiscal year 2014. To obtain a copy of NEOMIN's financial statements, write to the Trumbull County Educational Service Center, 347 North Park Avenue, Warren, Ohio 44481.

Ashtabula County Technical & Career Center The Ashtabula County Technical & Career Center is a distinct political subdivision of the State of Ohio which provides vocational education to students. The TCC is operated under the direction of a Board consisting of representatives from some of the participating School Districts' elected boards. Each School District's degree of control is limited to its representation on the Governing Board. The Board is its own budgeting and taxing authority. The School District made no contributions for fiscal year 2014. Financial information can be obtained from MaryAnn Wayman, Treasurer at Ashtabula County Technical & Career Center, 1565 State Route 167, Jefferson, Ohio 44047.

State Support Team (SST) – Region 5 The SST is an Educational Regional Service System whose mission is to provide regional districts with leadership, technical assistance and high quality professional development in the service areas of school improvement, literacy, early learning and school readiness and special education compliance. The 16 State Support Teams are responsible for the regional delivery of school improvement, literacy, special education compliance, and early learning and school readiness services to districts using a differentiated technical assistance structure of support based upon need. The teams work through the Office of Exceptional Children, Office of Literacy, Office of Early Learning and School

Pymatuning Valley Local School District

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

Readiness and the Office of Field Relations by providing technical assistance and professional development. The SSTs include staff and services formerly provided by the Special Education Regional Resources Centers (SERRCs) and the Regional School Improvement Teams (RSITs). Each School District's degree of control is limited to its representation on the Governing Board. The SST is its own budgeting and taxing authority. The School District made no contributions for fiscal year 2014.

House Bill 115 (HB 115) establishes the Educational Regional Service System (ERSS) and requires the creation of a coordinated, integrated and aligned system to support state and school districts efforts to improve school effectiveness and student achievement. It is the intent of the general assembly that the educational regional service system would reduce the unnecessary duplication of programs and services and provide for a more streamlined and efficient delivery of education services without reducing the availability of the services needed by school districts and school. Financial information can be obtained by contacting the Treasurer at the Mahoning County Educational Service Center, 100 DeBartolo Place, Youngstown, Ohio 44512.

Note 16 – 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 School District for operational subsidies. Although the School 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.

Note 17 – Insurance Purchasing Pool

Ohio Schools Council Workers' Compensation Group Rating Program The School District participates in the Ohio Schools Council Workers' Compensation Group Rating Program (GRP), an 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 Post President of the OSBA. The Executive Director of the 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 cost of administering the program.

Jefferson Health Self-Insurance Plan The School District participates in the Jefferson Health Plan (formerly known as Ohio Mid-Eastern Educational Service Agency OME-RESA) Self Insurance Plan, a risk-sharing, claims servicing, and insurance purchasing pool comprised of ninety-one members, including two insurance consortiums. Each participant appoints a member of the insurance plans' assembly. The Plans' business and affairs are conducted by a nine member Board of Directors elected from the assembly. The plan offers medical, dental and prescription drug coverage to the members on a self-insured basis, as well as the opportunity to participate in the group purchasing of life insurance coverage. The medical coverage plan provides each plan participant the opportunity to choose a self-insurance deductible limit which can range from \$35,000 to \$100,000 under which the individual member is responsible for all claims through the claims servicing pool. Plan participants also participate in a shared risk internal pool for individual claims between the self-insurance deductible limit and \$500,000, and all claims between the deductible and the \$500,000 are paid from the internal shared risk pool. The internal pool is not owned by the participants. All participants pay a premium rate that is actuarially calculated based on the participants' actual claims

Pymatuning Valley Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

experience which are utilized for the payment of claims within the claims servicing pool up to the self-insurance deductible limit; and for this portion of the plan, all plan participants retain their own risk. All participants pay an additional fee for participation in the internal pool that is based on the claims of the internal pool in aggregate and is not based on individual claims experience. In the event of a deficiency in the internal pool, participants would be charged a higher rate for participation, and in the event of a surplus, the internal pool pays dividends to the participants. For all individual claims exceeding \$500,000, stop loss coverage is purchased, as well as for an annual total plan aggregate claims amount. All plan participants also pay a monthly administration fee for fiscal services and third party administrative services. The plan also purchases fully insured life insurance for plan participants provided by Metlife.

Note 18 - Set Aside Requirements

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

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

	Capital Improvements
Set-aside Balances as of June 30, 2013	\$0
Current Year Set-aside Requirement	221,727
Current Year Offsets	710,258
Total	<u>(\$488,531)</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$0</u>
Set-aside Balance as of June 30, 2014	<u>\$0</u>

Although the School District had qualifying disbursements and offsets during the fiscal year that reduced the set-aside amount to below zero, this amount may not be used to reduce the set-aside requirement for future fiscal years. This negative balance is therefore not presented as being carried forward to future fiscal years.

Note 19 – Encumbrances

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

General	\$40,169
Classroom Facilities Maintenance	3,665
Other Governmental Funds	<u>50,980</u>
	<u>\$94,814</u>

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

Federal Grantor/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through The Ohio Department of Education:</i>						
<i>Nutrition Cluster:</i>						
School Breakfast Program		10.553	\$82,259		\$82,259	
National School Lunch Program		10.555	274,515	\$69,360	274,515	\$69,360
Total -- Nutrition Cluster			356,774		356,774	
Total U.S. Department of Agriculture			356,774	69,360	356,774	69,360
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through The Ohio Department of Education:</i>						
<i>Title One Cluster:</i>						
<i>Grants to Local Educational Agencies</i>						
Title I School Subsidy	2013	84.010	49,059		40,922	
	2014		302,218		389,286	
Total -- Title I School Subsidy			351,277		430,207	
Title VI-B Rural and Low Income	2014	84.358	35,894		31,870	
Title II, Part A -- Improving Teacher Quality	2013	84.367	11,101		13,072	
	2014		62,391		59,008	
Total - Title II Part A			73,492		72,081	
Race to the Top	2013	84.395	29,966		30,166	
	2014		99,398		99,398	
F.A.M.S. Grant	2013		18,372		5,814	
	2014		16,889		18,592	
Total - Race to the Top			164,625		153,970	
Total -- U.S. Department of Education			625,288		688,128	
Totals			\$982,062	\$69,360	\$1,044,902	\$69,360

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

**PYMATUNING VALLEY LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2014**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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

NOTE D – NATIONAL SCHOOL LUNCH AND BREAKFAST PROGRAMS

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



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INDEPENDENT AUDITOR'S 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 U.S. Route 6 West
Andover, Ohio 44003

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Pymatuning Valley Local School District, Ashtabula County, (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 31, 2014 wherein we noted the District uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2014-001.

Entity's Response to Findings

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

October 31, 2014



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

Pymatuning Valley Local School District
Ashtabula County
6671 U.S. Route 6 West
Andover, Ohio 44003

To the Board of Education:

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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



Dave Yost
Auditor of State
Columbus, Ohio

October 31, 2014

**PYMATUNING VALLEY LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

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

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

FINDING NUMBER 2014-001

**Noncompliance
GAAP Reporting**

Ohio Rev. Code §117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Rev. Code §117.38.

**PYMATUNING VALLEY LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY**

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

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

FINDING NUMBER 2014-001 (Continued)

Ohio Adm. Code Section 117-2-03(B) requires all schools to file annual financial reports in accordance with generally accepted accounting principles (GAAP).

The District prepared its financial statements in accordance with the cash accounting basis. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

Officials' Response

The Board, Superintendent and Treasurer do not feel it is cost effective and efficient to prepare the Generally Accepted Account Principals (GAAP) basis financial statements to meet the District's reporting needs. Therefore, we chose to report using the Other Comprehensive Basis of Accounting (OCBOA) method as permitted by the Auditor of State.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**PYMATUNING VALLEY LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	Ohio Rev. Code Section 117.38 & Ohio Admin. Code Section 117-2-03(B) – Failed to file financial statements in accordance with GAAP	No	Not Corrected Repeated as Finding Number 2014-001

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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
NOVEMBER 18, 2014**