

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

***BASIC FINANCIAL STATEMENTS  
(AUDITED)***

***FOR THE FISCAL YEAR ENDED  
JUNE 30, 2018***



# OHIO AUDITOR OF STATE KEITH FABER



Board of Education  
Pymatuning Valley Local School District  
5571 US Route 6W  
PO Box 1180  
Andover, OH 44003-1180

We have reviewed the *Independent Auditor's Report* of the Pymatuning Valley Local School District, Ashtabula County, prepared by Julian & Grube, Inc., for the audit period July 1, 2017 through June 30, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

February 1, 2019

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

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**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

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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 cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Pymatuning Valley Local School District, Ashtabula County, Ohio, as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Pymatuning Valley Local School 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 cash accounting basis Note 2 describes. This responsibility includes determining that the 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 Pymatuning Valley Local School 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 Pymatuning Valley Local School District's internal control. Accordingly, we express no such 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 cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Pymatuning Valley Local School District, Ashtabula County, Ohio, as of June 30, 2018, and the respective changes in cash financial position and the budgetary comparison for the General Fund, thereof for the fiscal year then ended in accordance with the accounting basis described in Note 2.

***Accounting Basis***

Ohio Administrative Code § 117-2-03 (B) requires the Pymatuning Valley Local School 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 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

***Other Matters***

***Supplementary Information***

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

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The Schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information 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 in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

***Other Information***

We applied no procedures to the Management's Discussion & Analysis as listed in the table of contents. Accordingly, 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 November 29, 2018, on our consideration of the Pymatuning Valley Local School 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 Pymatuning Valley Local School District's internal control over financial reporting and compliance.





**Pymatuning Valley Local School District**  
*Management's Discussion and Analysis*  
*For the Year Ended June 30, 2018*  
*Unaudited*

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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, 2018. The intent of this discussion and analysis is to look at the School District's financial performance as a whole, readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

### **Highlights**

Key highlights for fiscal year 2018 are as follows:

- Certificated and classified employees received step and 2.5 percent base salary increases, per negotiated agreements.
- During fiscal year 2018, the School District purchased one bus at a total cost of \$86,458 and a maintenance truck at a total cost of \$34,724.
- 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 the basic 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, 2018*  
*Unaudited*

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**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 fiscal year 2018, 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 declining. 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 bond retirement debt service fund and the bus garage capital improvement capital projects 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.

**Pymatuning Valley Local School District**  
*Management's Discussion and Analysis*  
For the Year Ended June 30, 2018  
Unaudited

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 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 2018 compared to 2017 on a cash basis:

(Table 1)  
**Net Position**

	Governmental Activities		
	2018	2017	Change
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$8,322,236	\$7,581,900	\$740,336
Cash and Cash Equivalents with Fiscal Agents	1,587,897	1,568,114	19,783
<b>Total Assets</b>	<b>\$9,910,133</b>	<b>\$9,150,014</b>	<b>\$760,119</b>
<b>Net Position</b>			
Restricted for:			
Capital Projects	\$176,008	\$176,008	\$0
Debt Service	1,580,516	1,597,057	(16,541)
Food Service	136,482	205,782	(69,300)
Classroom Facilities Maintenance	520,345	430,482	89,863
Athletics	72,516	98,282	(25,766)
Unclaimed Monies	5,020	5,020	0
Other Purposes	30,879	42,955	(12,076)
Unrestricted	7,388,367	6,594,428	793,939
<b>Total Net Position</b>	<b>\$9,910,133</b>	<b>\$9,150,014</b>	<b>\$760,119</b>

Net position of governmental activities increased during 2018. This increase can mainly be attributed to an increase in charges for services and operating grants and contributions the School District received. In addition, the School District closely monitored its spending and kept costs in line with the receipts that came in.

Table 2 shows the change in net position for fiscal year 2018 compared to fiscal year 2017 for governmental activities.

**Pymatuning Valley Local School District**  
*Management's Discussion and Analysis*  
For the Year Ended June 30, 2018  
Unaudited

(Table 2)  
**Change in Net Position**

	Governmental Activities		Change
	2018	2017	
<b>Receipts</b>			
<i>Program Receipts:</i>			
Charges for Services and Sales	\$1,019,155	\$755,355	\$263,800
Operating Grants and Contributions	2,145,582	1,870,679	274,903
<b>Total Program Revenues</b>	<b>3,164,737</b>	<b>2,626,034</b>	<b>538,703</b>
<i>General Receipts:</i>			
Property Taxes	4,589,347	4,740,147	(150,800)
Grants and Entitlements	8,776,660	8,815,003	(38,343)
Unrestricted Contributions and Donations	16,561	0	16,561
Interest	123,482	68,884	54,598
Miscellaneous	73,335	18,313	55,022
<b>Total General Revenues</b>	<b>13,579,385</b>	<b>13,642,347</b>	<b>(62,962)</b>
<b>Total Receipts</b>	<b>16,744,122</b>	<b>16,268,381</b>	<b>475,741</b>
<b>Disbursements</b>			
<i>Instruction</i>			
Regular	5,846,737	5,733,602	(113,135)
Special	2,316,272	1,692,604	(623,668)
Vocational	260,858	243,571	(17,287)
Student Intervention Services	6,746	27,001	20,255
<i>Support Services:</i>			
Pupil	605,180	611,806	6,626
Instructional Staff	138,878	30,367	(108,511)
Board of Education	75,616	31,098	(44,518)
Administration	1,270,560	1,386,507	115,947
Fiscal	398,513	444,083	45,570
Business	31,063	40,480	9,417
Operation and Maintenance of Plant	1,733,921	1,675,737	(58,184)
Pupil Transportation	1,378,423	1,579,003	200,580
Central	123,608	166,962	43,354
Operation of Non Instructional Services	645,416	613,978	(31,438)
Extracurricular Activities	515,018	505,911	(9,107)
Debt Service	637,194	644,137	6,943
<b>Total Disbursements</b>	<b>15,984,003</b>	<b>15,426,847</b>	<b>(557,156)</b>
Increase in Net Position	760,119	841,534	(81,415)
Net Position Beginning of Year	9,150,014	8,308,480	841,534
Net Position End of Year	<b>\$9,910,133</b>	<b>\$9,150,014</b>	<b>\$760,119</b>

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 fiscal year 2018, the School District saw an increase in grants and contributions due to an increase in economic disadvantage funding from the State.

Some of the significant disbursements during fiscal year 2018 were in the categories of regular and special instruction, administration, operation and maintenance of plant and pupil transportation. Regular and special instruction disbursements are primarily salary and benefit costs for the School District's teachers. The increase in regular instruction is mainly due to an increase in wages and in the amount of insurance premiums paid during the fiscal year. The increase in special instruction is mainly due to an increase in the

**Pymatuning Valley Local School District**  
*Management's Discussion and Analysis*  
For the Year Ended June 30, 2018  
Unaudited

number of special education students in need of additional high dollar specialty services. The increase in instructional staff, board of education, operation and maintenance of plant and operation of non- instructional services is mainly due to the addition of several aides for support services.

**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, support services, operation of non-instructional services, extracurricular activities, and debt service. The next two columns of the statement, entitled Program Cash 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 (Expense) Revenue 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.

(Table 3)  
**Total Cost of Services and Net Cost**

	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
	2018	2018	2017	2017
Instruction	\$8,430,613	(\$6,196,961)	\$7,696,778	(\$5,955,040)
Support Services:				
Pupil and Instructional Staff	744,058	(615,755)	642,173	(589,385)
Board of Education, Administration, Fiscal and Business	1,775,752	(1,775,752)	1,902,168	(1,902,168)
Operation and Maintenance of Plant	1,733,921	(1,687,338)	1,675,737	(1,629,473)
Pupil Transportation	1,378,423	(1,341,990)	1,579,003	(1,540,384)
Central	123,608	(118,208)	166,962	(161,562)
Operation of Non Instructional Services	645,416	(108,149)	613,978	(66,068)
Extracurricular Activities	515,018	(337,919)	505,911	(312,596)
Debt Service	637,194	(637,194)	644,137	(644,137)
Total Disbursements	<u>\$15,984,003</u>	<u>(\$12,819,266)</u>	<u>\$15,426,847</u>	<u>(\$12,800,813)</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 \$16,733,093 and disbursements of \$15,992,757. Other financing sources and uses consisted of transfers for the bus garage capital project and for 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 balances for the year was an increase of \$740,336. The general fund and bus garage capital improvement capital projects fund both had increases in fund balance. The bond retirement debt service fund had a decrease in fund balance. Other governmental funds also showed a decrease in fund balance for the year.

**Pymatuning Valley Local School District**  
*Management's Discussion and Analysis*  
*For the Year Ended June 30, 2018*  
*Unaudited*

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**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 fund is the general fund. During fiscal year 2018, 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 actual revenues were greater than final budget basis revenue estimate, which can be attributed to more intergovernmental and miscellaneous revenues. The final budget appropriations were higher than actual expenditures due to the School District closely monitoring expenditures to keep costs low.

**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, 2018, the School District's outstanding debt consisted of \$4,129,997 in general obligation bonds issued for improvements to buildings and structures. For further information regarding the School District's debt, refer to Note 12 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 2017 and fiscal year 2018 increased 6 percent 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 Thomas Brockway, 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, 2018*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$8,322,236
Cash and Cash Equivalents with Fiscal Agents	<u>1,587,897</u>
<i>Total Assets</i>	<u><u>\$9,910,133</u></u>
<b>Net Position</b>	
Restricted for:	
Capital Projects	\$176,008
Debt Service	1,580,516
Food Service	136,482
Classroom Facilities Maintenance	520,345
Athletics	72,516
Unclaimed Monies	5,020
Other Purposes	30,879
Unrestricted	<u>7,388,367</u>
<i>Total Net Position</i>	<u><u>\$9,910,133</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, 2018*

	Program Cash Receipts			Net (Disbursement) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
Current:				
Instruction:				
Regular	\$5,846,737	\$745,174	\$199,264	(\$4,902,299)
Special	2,316,272	0	1,289,214	(1,027,058)
Vocational	260,858	0	0	(260,858)
Student Intervention Services	6,746	0	0	(6,746)
Support Services:				
Pupil	605,180	0	11,303	(593,877)
Instructional Staff	138,878	0	117,000	(21,878)
Board of Education	75,616	0	0	(75,616)
Administration	1,270,560	0	0	(1,270,560)
Fiscal	398,513	0	0	(398,513)
Business	31,063	0	0	(31,063)
Operation and Maintenance of Plant	1,733,921	5,633	40,950	(1,687,338)
Pupil Transportation	1,378,423	0	36,433	(1,341,990)
Central	123,608	0	5,400	(118,208)
Operation of Non-Instructional Services	645,416	110,193	427,074	(108,149)
Extracurricular Activities	515,018	158,155	18,944	(337,919)
Debt Service	637,194	0	0	(637,194)
<b>Totals</b>	<b>\$15,984,003</b>	<b>\$1,019,155</b>	<b>\$2,145,582</b>	<b>(12,819,266)</b>
<b>General Receipts</b>				
Property Taxes Levied for:				
				4,116,396
				415,988
				56,963
Grants and Entitlements not Restricted to Specific Programs				
				8,776,660
Unrestricted Contributions and Donations				
				16,561
Interest				
				123,482
Miscellaneous				
				73,335
				<u>13,579,385</u>
				760,119
				<u>9,150,014</u>
				<u>\$9,910,133</u>

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, 2018*

	General	Bond Retirement	Bus Garage Capital Improvement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$4,723,444	\$1,580,516	\$1,000,254	\$1,013,002	\$8,317,216
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	5,020	0	0	0	5,020
<i>Total Assets</i>	<u>\$4,728,464</u>	<u>\$1,580,516</u>	<u>\$1,000,254</u>	<u>\$1,013,002</u>	<u>\$8,322,236</u>
<b>Fund Balances</b>					
Nonspendable	\$5,020	\$0	\$0	\$0	\$5,020
Restricted	0	1,580,516	0	936,230	2,516,746
Committed	77,441	0	1,000,254	76,772	1,154,467
Assigned	203,385	0	0	0	203,385
Unassigned	4,442,618	0	0	0	4,442,618
<i>Total Fund Balances</i>	<u>\$4,728,464</u>	<u>\$1,580,516</u>	<u>\$1,000,254</u>	<u>\$1,013,002</u>	<u>\$8,322,236</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, 2018*

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<b>Total Governmental Funds Balances</b>	\$8,322,236
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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 issuance to individual funds. The cash and cash equivalents of the internal service fund are included in governmental activities in the statement of net position.

	<u>1,587,897</u>
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<i>Net Position of Governmental Activities</i>	<u><u>\$9,910,133</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, 2018*

	General	Bond Retirement	Bus Garage Capital Improvement	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>					
Property Taxes	\$4,116,396	\$415,988	\$0	\$56,963	\$4,589,347
Intergovernmental	9,286,116	99,747	0	1,497,314	10,883,177
Interest	112,372	0	0	81	112,453
Tuition and Fees	745,174	0	0	0	745,174
Extracurricular Activities	21,830	0	0	126,575	148,405
Contributions and Donations	24,184	0	0	31,442	55,626
Charges for Services	9,750	0	0	110,193	119,943
Rentals	5,633	0	0	0	5,633
Miscellaneous	73,335	0	0	0	73,335
<i>Total Receipts</i>	<u>14,394,790</u>	<u>515,735</u>	<u>0</u>	<u>1,822,568</u>	<u>16,733,093</u>
<b>Disbursements</b>					
Current:					
Instruction:					
Regular	5,687,843	0	0	162,825	5,850,668
Special	1,515,226	0	0	802,142	2,317,368
Vocational	260,954	0	0	0	260,954
Student Intervention Services	6,746	0	0	0	6,746
Support Services:					
Pupil	583,768	0	0	21,507	605,275
Instructional Staff	114,454	0	0	24,424	138,878
Board of Education	75,616	0	0	0	75,616
Administration	1,271,528	0	0	0	1,271,528
Fiscal	386,946	10,307	0	1,409	398,662
Business	31,063	0	0	0	31,063
Operation and Maintenance of Plant	1,727,972	0	0	6,641	1,734,613
Pupil Transportation	1,299,531	0	0	80,000	1,379,531
Central	118,208	0	0	5,400	123,608
Operation of Non-Instructional Services	39,468	0	0	606,567	646,035
Extracurricular Activities	349,350	0	0	165,668	515,018
Debt Service:					
Principal Retirement	85,000	435,000	0	0	520,000
Interest and Fiscal Charges	30,225	86,969	0	0	117,194
<i>Total Disbursements</i>	<u>13,583,898</u>	<u>532,276</u>	<u>0</u>	<u>1,876,583</u>	<u>15,992,757</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>810,892</u>	<u>(16,541)</u>	<u>0</u>	<u>(54,015)</u>	<u>740,336</u>
<b>Other Financing Sources (Uses)</b>					
Transfers In	0	0	450,000	0	450,000
Transfers Out	(450,000)	0	0	0	(450,000)
Advances In	89,000	0	0	122,000	211,000
Advances Out	(122,000)	0	0	(89,000)	(211,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(483,000)</u>	<u>0</u>	<u>450,000</u>	<u>33,000</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	327,892	(16,541)	450,000	(21,015)	740,336
<i>Fund Balances Beginning of Year</i>	<u>4,400,572</u>	<u>1,597,057</u>	<u>550,254</u>	<u>1,034,017</u>	<u>7,581,900</u>
<i>Fund Balances End of Year</i>	<u>\$4,728,464</u>	<u>\$1,580,516</u>	<u>\$1,000,254</u>	<u>\$1,013,002</u>	<u>\$8,322,236</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, 2018*

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**Net Change in Fund Balances - Total Governmental Funds** \$740,336

*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.

19,783

*Change in Net Position of Governmental Activities*

\$760,119

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, 2018*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Receipts</b>				
Property Taxes	\$4,340,000	\$4,340,000	\$4,116,396	(\$223,604)
Intergovernmental	8,543,000	8,543,000	9,286,116	743,116
Interest	40,000	40,000	112,372	72,372
Tuition and Fees	297,000	297,000	744,510	447,510
Contributions and Donations	0	0	16,561	16,561
Charges for Services	10,000	10,000	9,750	(250)
Rentals	5,400	5,400	5,633	233
Miscellaneous	2,500	2,500	71,846	69,346
<i>Total Receipts</i>	<u>13,237,900</u>	<u>13,237,900</u>	<u>14,363,184</u>	<u>1,125,284</u>
<b>Disbursements</b>				
Current:				
Instruction:				
Regular	5,123,279	5,870,964	5,699,788	171,176
Special	1,512,917	1,512,917	1,518,470	(5,553)
Vocational	268,412	268,412	261,349	7,063
Student Intervention Services	8,125	8,125	6,746	1,379
Support Services:				
Pupil	586,377	586,377	584,418	1,959
Instructional Staff	160,776	160,776	116,111	44,665
Board of Education	88,342	88,342	76,030	12,312
Administration	1,315,394	1,317,709	1,296,771	20,938
Fiscal	420,665	420,665	388,246	32,419
Business	42,800	42,800	31,777	11,023
Operation and Maintenance of Plant	1,761,640	1,761,640	1,748,549	13,091
Pupil Transportation	1,324,352	1,324,352	1,318,021	6,331
Central	139,561	139,561	123,611	15,950
Operation of Non-Instructional Services	52,323	52,323	39,468	12,855
Extracurricular Activities	351,205	351,205	327,305	23,900
Debt Service:				
Principal Retirement	89,500	89,500	85,000	4,500
Interest and Fiscal Charges	30,860	30,860	30,225	635
<i>Total Disbursements</i>	<u>13,276,528</u>	<u>14,026,528</u>	<u>13,651,885</u>	<u>374,643</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(38,628)</u>	<u>(788,628)</u>	<u>711,299</u>	<u>1,499,927</u>
<b>Other Financing Sources (Uses)</b>				
Transfers Out	(540,000)	(540,000)	(500,000)	40,000
Advances In	89,000	89,000	89,000	0
Advances Out	(122,000)	(122,000)	(122,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(573,000)</u>	<u>(573,000)</u>	<u>(533,000)</u>	<u>40,000</u>
<i>Net Change in Fund Balance</i>	(611,628)	(1,361,628)	178,299	1,539,927
<i>Fund Balance Beginning of Year</i>	4,027,983	4,027,983	4,027,983	0
Prior Year Encumbrances Appropriated	275,528	275,528	275,528	0
<i>Fund Balance End of Year</i>	<u>\$3,691,883</u>	<u>\$2,941,883</u>	<u>\$4,481,810</u>	<u>\$1,539,927</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, 2018*

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	<u>Insurance</u>
<b>Assets</b>	
Cash and Cash Equivalents with Fiscal Agents	<u>\$1,587,897</u>
<b>Net Position</b>	
Unrestricted	<u>\$1,587,897</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, 2018*

	<u>Insurance</u>
<b>Operating Receipts</b>	
Charges for Services	\$2,310,328
<b>Operating Disbursements</b>	
Fringe Benefits	314,368
Purchased Services	480,019
Claims	1,507,187
<i>Total Operating Disbursements</i>	<i>2,301,574</i>
<i>Operating Income</i>	<i>8,754</i>
<b>Non-Operating Receipts</b>	
Interest	11,029
<i>Change in Net Position</i>	<i>19,783</i>
<i>Net Position Beginning of Year</i>	<i>1,568,114</i>
<i>Net Position End of Year</i>	<i>\$1,587,897</i>

See accompanying notes to the basic financial statements

**Pymatuning Valley Local School District**  
*Statement of Fiduciary Net Position - Cash Basis*  
*Fiduciary Funds*  
*June 30, 2018*

	Private Purpose Trust	
	Scholarship	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$22,999	\$39,274
<b>Liabilities</b>		
Due to Students	0	\$39,274
<b>Net Position</b>		
Held in Trust for Scholarships	\$22,999	

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, 2018*

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	<u>Scholarship</u>
<b>Additions</b>	
Interest	\$46
<b>Deductions</b>	
	<u>0</u>
<i>Change in Net Position</i>	46
<i>Net Position Beginning of Year</i>	<u>22,953</u>
<i>Net Position End of Year</i>	<u><u>\$22,999</u></u>

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, 2018*

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### **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 52 classified employees and 79 certificated employees who provide services to 1,211 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 pools. 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 Plan. These organizations are presented in Notes 13, 14 and 15 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, 2018*

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### **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, 2018*

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

**Bond Retirement 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.

**Bus Garage Capital Improvement Capital Projects Fund** The bus garage capital improvement fund is used to account for and report monies transferred from the general fund that are committed for capital replacements or improvements to the current bus garage.

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 college 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, 2018*

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### ***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 2018, investments were limited to nonnegotiable certificates of deposit which are reported at cost.

The School District participates in the Jefferson Health Plan 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 2018 amounted to \$112,372 which includes \$48,479 assigned from other School District funds.

## **Pymatuning Valley Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2018*

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### ***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.

### ***Pensions/Other Postemployment Benefits (OPEB)***

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

### ***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 17 and 18, 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.

## Pymatuning Valley Local School District

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2018*

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### ***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. 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.

### ***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.

**Pymatuning Valley Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018*

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

Fund Balances	General	Bond Retirement	Bus Garage Capital Improvement	Other Governmental Funds	Total
<b><i>Nonspendable</i></b>					
Unclaimed Monies	\$5,020	\$0	\$0	\$0	\$5,020
<b><i>Restricted for</i></b>					
Food Service Operations	0	0	0	136,482	136,482
Classroom Maintenance	0	0	0	520,345	520,345
Athletics and Music	0	0	0	72,516	72,516
Regular Instruction	0	0	0	30,879	30,879
Debt Service Payments	0	1,580,516	0	0	1,580,516
Capital Improvements	0	0	0	176,008	176,008
<b><i>Total Restricted</i></b>	<b>0</b>	<b>1,580,516</b>	<b>0</b>	<b>936,230</b>	<b>2,516,746</b>
<b><i>Committed to</i></b>					
Memorial Scholarships	0	0	0	76,772	76,772
Capital Improvements	0	0	1,000,254	0	1,000,254
Severance Payments	77,441	0	0	0	77,441
<b><i>Total Committed</i></b>	<b>77,441</b>	<b>0</b>	<b>1,000,254</b>	<b>76,772</b>	<b>1,154,467</b>
<b><i>Assigned to</i></b>					
Underground Storage Tank	11,000	0	0	0	11,000
Football Field Lighting	49,999	0	0	0	49,999
Purchases on Order:					
Support Services	128,486	0	0	0	128,486
Extracurricular	13,900	0	0	0	13,900
<b><i>Total Assigned</i></b>	<b>203,385</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>203,385</b>
<b><i>Unassigned</i></b>	<b>4,442,618</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,442,618</b>
<b><i>Total Fund Balances</i></b>	<b>\$4,728,464</b>	<b>\$1,580,516</b>	<b>\$1,000,254</b>	<b>\$1,013,002</b>	<b>\$8,322,236</b>



## Pymatuning Valley Local School District

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2018*

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### Note 4 - 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 fund 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.

	<u>General</u>
Cash Basis	\$327,892
Perspective Differences:	
Uniform School Support	(664)
Public School Support	7,032
E-rate	(1,489)
Capital Maintenance Lighting	(12,086)
Adjustment for Encumbrances	<u>(142,386)</u>
Budget Basis	<u>\$178,299</u>

### Note 5 – 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.

## **Pymatuning Valley Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2018*

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### **Note 6 – Deposits and Investments**

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above 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;
4. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).
8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met

## **Pymatuning Valley Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2018*

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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. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

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

At June 30, 2018, the School District's self-insurance internal service fund had a balance of \$1,587,897 with the Jefferson Health Self-Insurance Plan, a claims servicing pool (See Note 15). 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, 2023 Sunset Boulevard, Steubenville, Ohio 43952.

***Custodial credit risk*** for deposits is the risk that in the event of a bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At June 30, 2018, \$149,798 of the School District's total bank balance of \$10,484,052 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by:

Eligible securities pledged to the School District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

### **Note 7 - Property Taxes**

#### ***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 2018 represents collections of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed value listed as of January 1, 2017, the lien date. Assessed values for real

**Pymatuning Valley Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018*

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 2018 represents collections of calendar year 2017 taxes. Public utility real and tangible personal property taxes received in calendar year 2018 became a lien December 31, 2016, were levied after April 1, 2017 and are collected 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, 2018, are available to finance fiscal year 2018 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The amount available as an advance at June 30, 2018, was \$617,888 in the general fund, \$8,389 in the classroom facilities maintenance special revenue and \$50,252 in the bond retirement debt service fund. The amount available as an advance at June 30, 2017, was \$656,000 in the general fund, \$8,785 in the classroom facilities maintenance special revenue and \$91,805 in the bond retirement debt service fund.

The assessed values upon which the fiscal year 2018 taxes were collected are:

	2017 Second Half Collections		2018 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$166,733,750	92.50%	\$158,575,660	91.77%
Public Utility Personal	13,518,230	7.50	14,225,640	8.23
Total	<u>\$180,251,980</u>	<u>100.00%</u>	<u>\$172,801,300</u>	<u>100.00%</u>

Full Tax Rate per \$1,000 of assessed valuation	\$34.54	\$34.54
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**Note 8 - Interfund Transactions**

***Interfund Transfers***

The general fund made transfers to other governmental funds in the amount of \$450,000 for capital improvement projects.

***Interfund Advances***

The general fund made advances to other governmental funds in the amount of \$122,000. These advances were made to support programs and projects in various special revenue funds pending the receipt of grant money. Other governmental funds made advances to the general fund in the amount of \$89,000. These advances were made to return prior year advances from the general fund.

## Pymatuning Valley Local School District

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2018*

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### Note 9 - 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 2018, 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	\$56,511,267
Flood - Per Occurrence and Annual Aggregate	1,000,000
Errors and Omissions	100,000
Employee Theft - Per Loss Coverage	100,000
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 2018, the School District participated in the Ohio Schools Council Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 15). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley Unicomp 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 School District through the Jefferson Health Plan.

### Note 10 - Contingencies

#### *Litigation*

As of June 30, 2018, 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.

**Pymatuning Valley Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018*

**School Foundation**

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for fiscal year 2015, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2018 Foundation funding for the school district; therefore, the financial statement impact is not determinable at this time. ODE and management believe this may result in either a receivable to or a liability of the School District.

**Note 11 – 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	\$142,386
Other Governmental Funds	<u>4,680</u>
	<u><u>\$147,066</u></u>

**Note 12 – Debt**

Changes in long-term obligations of the School District during fiscal year 2018 were as follows:

	Principal Outstanding 6/30/2017	Additions	Reductions	Principal Outstanding 6/30/2018	Amounts Due in One Year
<b>Governmental Activities</b>					
<b>General Obligation Bonds</b>					
2011 Refunding Bonds					
Serial Bonds	\$3,275,000	\$0	(\$435,000)	\$2,840,000	\$0
Capital Appreciation Bonds	114,984	0	0	114,984	114,984
Accretion on Capital Appreciation Bonds	220,642	69,506	0	290,148	290,148
Premium	<u>191,243</u>	<u>0</u>	<u>(26,378)</u>	<u>164,865</u>	<u>0</u>
Total School Improvement Bonds	3,801,869	69,506	(461,378)	3,409,997	405,132
2010 Energy Conservation Improvement Bonds					
Term Bonds	445,000	0	(45,000)	400,000	50,000
2009 School Construction Bonds					
Term Bonds	<u>360,000</u>	<u>0</u>	<u>(40,000)</u>	<u>320,000</u>	<u>45,000</u>
<b>Total Governmental Activities</b>					
<b>Long-Term Obligations</b>	<u><u>\$4,606,869</u></u>	<u><u>\$69,506</u></u>	<u><u>(\$546,378)</u></u>	<u><u>\$4,129,997</u></u>	<u><u>\$500,132</u></u>

## Pymatuning Valley Local School District

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2018*

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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, \$3,015,000 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.

The maturity amount of outstanding capital appreciation bonds at June 30, 2018 is \$445,000. The accretion recorded for 2018 was \$69,506 for a total outstanding bond liability of \$405,132 at June 30, 2018.

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 as follows.

The principal (sinking fund deposits) requirements to maturity are as follows:

Fiscal Year	
<u>Ending June 30,</u>	<u>Principal</u>
2019	\$50,000
2020	50,000
2021	50,000
2022	50,000
2023	50,000
2024-2026	<u>150,000</u>
Totals	<u><u>\$400,000</u></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

**Pymatuning Valley Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2018*

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 the future 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 \$13,167,500 with an unvoted debt margin of \$172,801 at June 30, 2018. Principal and interest requirements to retire the 2011 school improvement refunding bonds and the 2009 school construction bonds outstanding at June 30, 2018 are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds					
	Serial		Term		Capital Appreciation	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$0	\$82,619	\$45,000	\$5,742	\$114,984	\$330,016
2020	445,000	77,056	45,000	4,873	0	0
2021	455,000	65,522	45,000	4,005	0	0
2022	460,000	53,225	45,000	3,136	0	0
2023	480,000	39,700	45,000	2,268	0	0
2024-2025	1,000,000	32,825	95,000	1,883	0	0
Totals	<u>\$2,840,000</u>	<u>\$350,947</u>	<u>\$320,000</u>	<u>\$21,907</u>	<u>\$114,984</u>	<u>\$330,016</u>

**Note 13 - 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 \$34,310 to NEOMIN during fiscal year 2018.

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 2018. To obtain a copy of NEOMIN's financial statements, write to the Trumbull County Educational Service Center, 6000 Youngstown-Warren Road, Niles, Ohio 44446.



## **Pymatuning Valley Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2018*

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***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 \$26,313 in contributions for fiscal year 2018. Financial information can be obtained from Lindsey Elly, 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 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 2018.

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, Suite 220, Youngstown, Ohio 44512.

### **Note 14 – 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, Fiscal Officer, at 142 West Main Street, P.O. Box 1210, Andover, Ohio 44003.

## **Pymatuning Valley Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2018*

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### **Note 15 – Insurance Purchasing Pools**

***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 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 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 16 - 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.

## Pymatuning Valley Local School District

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018

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.

	<u>Capital Improvements</u>
Set-aside Balances as of June 30, 2017	\$0
Current Year Set-aside Requirement	223,702
Current Year Offsets	<u>643,876</u>
Total	<u>(\$420,174)</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$0</u>
Set-aside Balance as of June 30, 2018	<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 17 - Defined Benefit Pension Plans

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Pensions and OPEB are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

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

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative

## Pymatuning Valley Local School District

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018

change to benefits or funding could significantly affect the net pension/OPEB liability. Resulting adjustments to the net pension/OPEB liability would be effective when the changes are legally enforceable. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The remainder of this note includes the pension disclosures. See Note 18 for the OPEB disclosures.

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

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining .5 percent was allocated to the Health Care Fund.

The School District’s contractually required contribution to SERS was \$228,931 for fiscal year 2018.

## **Pymatuning Valley Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2018*

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

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple employer public employee system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent goes to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

## Pymatuning Valley Local School District

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2018, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$728,557 for fiscal year 2018.

### **Net Pension Liability**

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability Prior Measurement Date	0.04787740%	0.04503413%	
Proportion of the Net Pension Liability Current Measurement Date	<u>0.04902890%</u>	<u>0.04552006%</u>	
Change in Proportionate Share	<u>0.00115150%</u>	<u>0.00048593%</u>	
Proportionate Share of the Net Pension Liability	\$2,929,368	\$10,813,388	\$13,742,756

### **Actuarial Assumptions - SERS**

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

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

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

**Pymatuning Valley Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018*

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2017, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

Prior to 2017, an assumption of 3 percent was used for COLA or Ad Hoc COLA.

For 2017, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disable members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	<u>10.00</u>	3.00
Total	<u>100.00 %</u>	

**Discount Rate** The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Pymatuning Valley Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2018*

***Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$4,065,202	\$2,929,368	\$1,977,876

***Actuarial Assumptions - STRS***

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2017, actuarial valuation, compared with July 1, 2016 are presented below:

	July 1, 2017	July 1, 2016
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

For the July 1, 2017, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For the July 1, 2016 actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

Actuarial assumptions used in the July 1 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016. Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.



**Pymatuning Valley Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2018*

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Rate of Return *
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	<u>100.00 %</u>	

\* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**Discount Rate** The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

**Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the County's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	\$15,500,623	\$10,813,388	\$6,865,094

## **Pymatuning Valley Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2018*

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### **Note 18 - Defined Benefit OPEB Plans**

#### ***Net OPEB Liability***

For fiscal year 2018, Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" was effective. This GASB pronouncement had no effect on beginning net position as reported June 30, 2017, as the net OPEB liability is not reported in the accompanying financial statements. See below for a description of the net OPEB liability.

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

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was \$23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the School District's surcharge obligation was \$27,491.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$28,312 for fiscal year 2018.

## Pymatuning Valley Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

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

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to post-employment health care.

### **Net OPEB Liability**

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability Prior Measurement Date	0.04763270%	0.04503413%	
Proportion of the Net OPEB Liability Current Measurement Date	<u>0.04979780%</u>	<u>0.04552006%</u>	
Change in Proportionate Share	<u>0.00216510%</u>	<u>0.00048593%</u>	
Proportionate Share of the Net OPEB Liability	\$1,336,442	\$1,776,025	\$3,112,467

### **Actuarial Assumptions - SERS**

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

## Pymatuning Valley Local School District

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2017, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.56 percent
Prior Measurement Date	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	3.63 percent
Prior Measurement Date	2.98 percent
Medical Trend Assumption	
Medicare	5.50 to 5.00 percent
Pre-Medicare	7.50 to 5.00 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The SERS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 17.

**Discount Rate** The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2017 was 2.98 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the

**Pymatuning Valley Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2018*

basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.56 percent, as of June 30, 2017 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

***Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates*** The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63%) and higher (4.63%) than the current discount rate (3.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5% decreasing to 4.0%) and higher (8.5% decreasing to 6.0%) than the current rate.

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
School District's proportionate share of the net OPEB liability	\$1,613,924	\$1,336,442	\$1,116,606

	1% Decrease (6.5 % decreasing to 4.0 %)	Current Trend Rate (7.5 % decreasing to 5.0 %)	1% Increase (8.5 % decreasing to 6.0 %)
School District's proportionate share of the net OPEB liability	\$1,084,423	\$1,336,442	\$1,669,994

***Actuarial Assumptions – STRS***

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2017, actuarial valuation are presented below:

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017
Blended Discount Rate of Return	4.13 percent
Health Care Cost Trends	6 to 11 percent initial, 4.5 percent ultimate

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

## Pymatuning Valley Local School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018*

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For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the prior measurement date, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under *GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

The STRS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 17.

**Discount Rate** The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036 and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

**Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate** The following table represents the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13 percent, as well as what the net

**Pymatuning Valley Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2018*

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OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13 percent) or one percentage point higher (5.13 percent) than the current assumption. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
School District's proportionate share of the net OPEB liability	\$2,384,285	\$1,776,025	\$1,295,301

	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB liability	\$1,233,906	\$1,776,025	\$2,489,517

**Note 19 – Subsequent Event**

Effective July 1, 2018, the School District has switched their insurance over to the Ashtabula County Schools Council of Governments, risk sharing pool. Rates are set through an annual calculation process. The School District will pay a monthly contribution which is placed in a common fund from which the claim payments are made for all participating districts.

## **SUPPLEMENTARY INFORMATION**



**PYMATUNING VALLEY LOCAL SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL DISBURSEMENTS
<b>U.S. ENVIRONMENTAL PROTECTION AGENCY</b>			
<i>Direct</i>			
State Clean Diesel Grant Program	66.040	N/A	\$ 80,000
<b>Total U.S. Environmental Protection Agency</b>			<b>80,000</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>Passed Through the Ohio Department of Education</i>			
(C) School Breakfast Program	10.553	2018	117,848
(C) National School Lunch Program	10.555	2018	301,416
(E) National School Lunch Program - Food Donation	10.555	2018	50,998
<b>Total National School Lunch Program</b>			<b>352,414</b>
<b>Total U.S. Department of Agriculture and Child Nutrition Cluster</b>			<b>470,262</b>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>Passed Through the Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010	2017	53,585
Title I Grants to Local Educational Agencies	84.010	2018	701,467
(F) Title I Grants to Local Educational Agencies	84.010	2018	69,532
<b>Total Title I Grants to Local Educational Agencies</b>			<b>824,584</b>
Title V-B Rural and Low-Income	84.358	2018	27,239
Title II-A Supporting Effective Instruction	84.367	2017	10,403
(F) Title II-A Supporting Effective Instruction	84.367	2018	1,500
<b>Total Title II-A Supporting Effective Instruction</b>			<b>11,903</b>
Title IV-A Student Support and Academic Enrichment	84.424A	2018	7,315
<b>Total U.S. Department of Education</b>			<b>871,041</b>
<b>Total Federal Financial Assistance</b>			<b>\$ 1,421,303</b>

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:**

- (A) OAKS did not assign pass-through numbers for fiscal year 2018.
- (B) This schedule includes the federal award activity of the Pymatuning Valley Local School District under programs of the federal government for the fiscal year ended June 30, 2018 and is prepared in accordance with the cash basis of accounting. The information on this schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Pymatuning Valley Local School District, it is not intended to and does not present the financial position or changes in net position, of the Pymatuning Valley Local School District.
- (C) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
- (D) The Food Donation program is a non-cash, in kind, federal grant. Commodities are reported at the entitlement value.
- (E) CFR Section 200.414 of the Uniform Guidance allows a non-federal entity that has never received a negotiated indirect cost rate to charge a de minimis rate of 10% of modified total direct costs to indirect costs. The District has not elected to use the 10% de minimis indirect cost rate.
- (F) Federal regulations require schools to obligate certain federal awards by June 30. However, with the Ohio Department of Education's consent, School District's can transfer certain, unobligated, amounts to the subsequent fiscal year or a similar program. During fiscal year 2018, the Pymatuning Valley Local School District, with the Ohio Department of Education's consent, transferred \$69,532 from Title II-A Supporting Effective Instruction (CFDA#84.367) to Title I Grants to Local Educational Agencies (CFDA#84.010).



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**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 of America and the Comptroller General of the United States' *Government Auditing Standards*, the cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Pymatuning Valley Local School District, Ashtabula County, Ohio, as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Pymatuning Valley Local School District's basic financial statements and have issued our report thereon dated November 29, 2018, wherein we noted the Pymatuning Valley Local School 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 Pymatuning Valley Local School 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 Pymatuning Valley Local School District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Pymatuning Valley Local School 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 Pymatuning Valley Local School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2018-001.

***Pymatuning Valley Local School District's Response to Finding***

The Pymatuning Valley Local School District's response to the finding identified in our audit is described in the accompanying corrective action plan. We did not audit the Pymatuning Valley Local School 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 Pymatuning Valley Local School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Pymatuning Valley Local School District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Julian & Grube, Inc.  
November 29, 2018



## **Julian & Grube, Inc.**

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333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

### **Independent Auditor's Report on Compliance With Requirements Applicable to the Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance**

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

#### ***Report on Compliance for the Major Federal Program***

We have audited the Pymatuning Valley Local School District's compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Pymatuning Valley Local School District's major federal program for the fiscal year ended June 30, 2018. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Pymatuning Valley Local School District's major federal program.

#### ***Management's Responsibility***

The Pymatuning Valley Local School District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

#### ***Auditor's Responsibility***

Our responsibility is to opine on the Pymatuning Valley Local School District's compliance for the Pymatuning Valley Local School 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance 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 Pymatuning Valley Local School 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 Pymatuning Valley Local School District's major program. However, our audit does not provide a legal determination of the Pymatuning Valley Local School District's compliance.

#### ***Opinion on the 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 fiscal year ended June 30, 2018.

***Report on Internal Control Over Compliance***

The Pymatuning Valley Local School 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 Pymatuning Valley Local School 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 the Uniform Guidance, 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 Pymatuning Valley Local School District's internal control over compliance.

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

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

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Julian & Grube, Inc.  
November 29, 2018

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

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2018**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unmodified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	Yes
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Program's Compliance Opinion</i>	Unmodified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under 2 CFR §200.516(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Program (listed):</i>	Title I Grants to Local Educational Agencies (CFDA #84.010)
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: > \$750,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee under 2 CFR § 200.520?</i>	No

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

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2018**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>	
Finding Number	2018-001

Noncompliance

Ohio Rev. Code Section 117.38 provides 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 Admin. Code Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38.

Ohio Admin. Code Section 117-2-03(B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America (GAAP). The School District prepares its financial statements in accordance with the cash basis of accounting in a report format similar to the requirements of Governmental Accounting Standards Board Statement 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. This presentation differs from (GAAP). There would be variances on the financial statements between this accounting practice and GAAP that, while presumably material, cannot be reasonably determined at this time.

Failure to prepare proper GAAP financial statements may result in the School District being fined or other administrative remedies.

The School District should prepare its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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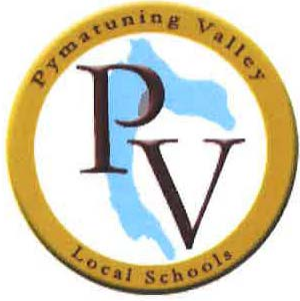
None

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

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
2 CFR SECTION 200.511(b)  
JUNE 30, 2018**

<b>Finding Number</b>	<b>Year Initially Occurred</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2017-001	2011	<u>Noncompliance</u> : Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(B) required the District to prepare its annual financial report in accordance with GAAP, however, the District prepared its annual financial report with the cash basis of accounting in a report format similar to the requirements in GASB Statement No. 34.	Not Corrected	Repeated as finding 2018-001





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

**CORRECTIVE ACTION PLAN  
2 CFR SECTION 200.511(c)  
JUNE 30, 2018**

<b>FINDING NUMBER</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
2018-001	GAAP statements have not been filed since the cost of preparing GAAP statements outweighs the benefit. It is not anticipated that GAAP statements will be filed in the future.	N/A	Thomas Brockway, Treasurer

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# OHIO AUDITOR OF STATE KEITH FABER



**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  
FEBRUARY 14, 2019**