



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



**PYMATUNING VALLEY LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY**

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## REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Pymatuning Valley Local School District, Ashtabula County, (the District) as of and for the year ended June 30, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Pymatuning Valley Local School District, Ashtabula County, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2001 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the District, taken as a whole. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

**Jim Petro**  
Auditor of State

December 21, 2001

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**Pymatuning Valley Local School District  
 Combined Balance Sheet  
 All Fund Types and Account Groups  
 June 30, 2001**

	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals 2001
	General	Special Revenue	Capital Project	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long Term Debt	(Memorandum Only)
Assets and Other Debits:									
Equity in Pooled Cash and Investments	\$ 1,421,725	157,848	2,940,913	39,412	0	72,393	0	0	\$ 4,632,291
Cash with Fiscal Agent	0	0	0	0	1,212,178	0	0	0	1,212,178
Restricted Assets	188,741	0	0	0	0	0	0	0	188,741
Taxes Receivable	2,885,616	0	135,807	0	0	0	0	0	3,021,423
Interfund Receivable	15,821	0	0	0	0	0	0	0	15,821
Due from Other Funds	0	0	0	0	226,950	0	0	0	226,950
Accounts Receivable	8,202	956	7,618	1,071	0	328	0	0	18,175
Supplies Inventory	0	0	0	2,605	0	0	0	0	2,605
Inventory for Resale	0	0	0	15,289	0	0	0	0	15,289
Property, Plant & Equipment	0	0	0	313,953	0	0	9,321,631	0	9,635,584
Accumulated Depreciation, where applicable	0	0	0	(202,630)	0	0	0	0	(202,630)
Amount to be Provided for Notes	0	0	2,600,000	0	0	0	0	0	2,600,000
Amount to be Provided for Retirement of General Long Term Debt	0	0	0	0	0	0	0	895,898	895,898
<b>Total Assets and Other Debits</b>	<b>\$ 4,520,105</b>	<b>158,804</b>	<b>5,684,338</b>	<b>169,700</b>	<b>1,439,128</b>	<b>72,721</b>	<b>9,321,631</b>	<b>895,898</b>	<b>\$ 22,262,325</b>

(Continued)

**Pymatuning Valley Local School District  
Combined Balance Sheet  
All Fund Types and Account Groups, Continued  
June 30, 2001**

	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals 2001
	General	Special Revenue	Capital Project	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long Term Debt	(Memorandum Only)
<b>Liabilities:</b>									
Interfund Payable	\$ 0	13,713	0	2,108	0	0	0	0	\$ 15,821
Due to Other Funds	207,549	11,682	0	7,719	0	0	0	0	226,950
Intergovernmental Payable	140,990	8,819	0	19,711	0	0	0	48,377	217,897
Accounts Payable	68,489	5,029	56,049	0	226,950	422	0	0	356,939
Claims Payable	0	0	0	0	173,066	0	0	0	173,066
Accrued Salaries and Benefits	740,117	49,976	0	22,111	0	0	0	0	812,204
Deferred Revenue	1,918,583	0	63,978	12,026	0	0	0	0	1,994,587
Due to Others	0	0	0	0	0	36,000	0	0	36,000
Notes Payable	0	0	2,600,000	0	0	0	0	66,600	2,666,600
Capital Leases Payable	0	0	0	0	0	0	0	7,158	7,158
Compensated Absences Payable	14,498	0	0	8,851	0	0	0	773,763	797,112
<b>Total Liabilities</b>	<b>3,090,226</b>	<b>89,219</b>	<b>2,720,027</b>	<b>72,526</b>	<b>400,016</b>	<b>36,422</b>	<b>0</b>	<b>895,898</b>	<b>7,304,334</b>
<b>Fund Equity and Other Credits:</b>									
Contributed Capital	0	0	0	34,311	0	0	0	0	34,311
Investment in General Fixed Assets	0	0	0	0	0	0	9,321,631	0	9,321,631
Retained Earnings	0	0	0	62,863	1,039,112	2,140	0	0	1,104,115
Retained Earnings Restricted	0	0	0	0	0	24,103	0	0	24,103
<b>Fund Balances:</b>									
Reserved for Encumbrances	65,326	14,566	17,174	0	0	389	0	0	97,455
Reserved for Textbooks	23,431	0	0	0	0	0	0	0	23,431
Reserved for Capital Maintenance	16,555	0	0	0	0	0	0	0	16,555
Reserved for Budget Stabilization	148,755	0	0	0	0	0	0	0	148,755
Reserved for Future Appropriation	967,033	0	71,829	0	0	0	0	0	1,038,862
Unreserved Fund Balance	208,779	55,019	2,875,308	0	0	9,667	0	0	3,148,773
<b>Total Fund Equity</b>	<b>1,429,879</b>	<b>69,585</b>	<b>2,964,311</b>	<b>0</b>	<b>0</b>	<b>10,056</b>	<b>0</b>	<b>0</b>	<b>4,473,831</b>
<b>Total Fund Balances/Retained Earnings and Other Credits</b>	<b>1,429,879</b>	<b>69,585</b>	<b>2,964,311</b>	<b>97,174</b>	<b>1,039,112</b>	<b>36,299</b>	<b>9,321,631</b>	<b>0</b>	<b>14,957,991</b>
<b>Total Liabilities, Fund Equity, and Other Credits</b>	<b>\$ 4,520,105</b>	<b>158,804</b>	<b>5,684,338</b>	<b>169,700</b>	<b>1,439,128</b>	<b>72,721</b>	<b>9,321,631</b>	<b>895,898</b>	<b>\$ 22,262,325</b>

See Accompanying Notes to the General Purpose Financial Statements.

**Pymatuning Valley Local School District**  
**Combined Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**All Governmental Fund Types and Expendable Trust Funds**  
**Year Ended June 30, 2001**

	Governmental Fund Types				Fiduciary Fund Type Expendable Trust	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Project		
<b>REVENUES:</b>						
Taxes	\$ 2,746,343	0	50,734	207,206	0	\$ 3,004,283
Earnings on Investments	135,960	0	0	7,618	1,584	145,162
Extracurricular Activities	0	75,321	0	0	0	75,321
Miscellaneous	1,184	34,000	0	0	0	35,184
Revenue from State Sources						
Unrestricted Grants-in-Aid	5,647,029	49,056	0	74,372	0	5,770,457
Restricted Grants-in-Aid	0	96,339	0	87,059	0	183,398
Revenue from Federal Sources						
Restricted Grants-in-Aid	0	412,623	0	0	0	412,623
<b>Total Revenue</b>	<b>8,530,516</b>	<b>667,339</b>	<b>50,734</b>	<b>376,255</b>	<b>1,584</b>	<b>9,626,428</b>
<b>EXPENDITURES:</b>						
<b>Current:</b>						
<b>Instruction</b>						
Regular	3,823,279	173,324	0	54,373	0	4,050,976
Special	502,505	352,365	0	0	0	854,870
Vocational	336,077	0	0	0	0	336,077
Adult/Continuing Instruction	0	5,878	0	0	0	5,878
Other	49,882	0	0	0	0	49,882
<b>Supporting Services</b>						
Pupils	242,511	1,387	0	0	0	243,898
Instructional Staff	160,294	28,324	0	0	571	189,189
Board of Education	21,593	0	0	0	0	21,593
Administration	1,088,537	1,020	0	0	0	1,089,557
Fiscal Services	244,601	0	0	13,187	0	257,788
Business Services	29,147	26,672	0	0	0	55,819
Operation & Maintenance-Plant	775,560	1,467	0	0	0	777,027
Pupil Transportation	658,280	476	0	105,734	0	764,490
Support Services-Central	0	20,591	0	0	0	20,591
<b>Extracurricular Activities</b>						
Sports Oriented	183,263	60,667	0	0	0	243,930
Co-Curricular Activities	65,528	25,374	0	0	0	90,902
<b>Capital Outlay</b>						
Building Construction and Improvement	0	0	0	257,938	0	257,938
<b>Debt Service</b>						
Repayment of Debt	0	0	50,734	0	0	50,734
<b>Total Expenditures</b>	<b>8,181,057</b>	<b>697,545</b>	<b>50,734</b>	<b>431,232</b>	<b>571</b>	<b>9,361,139</b>
<b>Excess (Deficiency) of Revenues</b>						
Over (Under) Expenditures	349,459	(30,206)	0	(54,977)	1,013	265,289
<b>Other Financing Sources and Uses:</b>						
<b>Other Financing Sources</b>						
Sale of Notes	0	0	0	2,600,000	0	2,600,000
Transfer-In	265,060	25,759	0	0	0	290,819
Refund of Prior Year Expense	29,036	0	0	0	0	29,036
<b>Other Financing Uses</b>						
Transfer-Out	(290,819)	0	0	0	0	(290,819)
<b>Net Other Financing Sources and Uses</b>	<b>3,277</b>	<b>25,759</b>	<b>0</b>	<b>2,600,000</b>	<b>0</b>	<b>2,629,036</b>
<b>Excess (Deficiency) of Revenues</b> <b>and Other Sources Over Expenditure</b>						
Disbursement and Other Uses	352,736	(4,447)	0	2,545,023	1,013	2,894,325
Beginning Fund Balance, as restated Note 21	1,077,143	74,032	0	419,288	9,043	1,579,506
<b>Ending Fund Balance</b>	<b>\$ 1,429,879</b>	<b>69,585</b>	<b>0</b>	<b>2,964,311</b>	<b>10,056</b>	<b>\$ 4,473,831</b>

See Accompanying Notes to the General Purpose Financial Statements.

**Pymatuning Valley Local School District**  
**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual (Non-GAAP Basis)**  
**All Governmental Fund Types and Expendable Trust Funds**  
**Year Ended June 30, 2001**

	General Fund			Special Revenue Funds		
	Revised		Variance	Revised		Variance
	Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)
<b>Revenues:</b>						
Taxes	\$ 2,641,043	2,641,043	0	0	0	\$ 0
Earnings on Investment	135,510	135,510	0	0	0	0
Extracurricular Activities	0	0	0	75,232	75,232	0
Miscellaneous	773	773	0	34,000	34,000	0
State Unrestricted Grants-in-Aid	5,623,917	5,623,917	0	76,056	76,056	0
State Restricted Grants-in-aid	0	0	0	110,282	110,282	0
Federal Restricted Grants-in-Aid	0	0	0	372,274	372,274	0
<b>Total Revenue</b>	<b>8,401,243</b>	<b>8,401,243</b>	<b>0</b>	<b>667,844</b>	<b>667,844</b>	<b>0</b>
<b>Expenditures:</b>						
Regular Instruction	3,790,730	3,790,730	0	173,919	173,919	0
Special Instruction	495,574	495,574	0	353,732	353,732	0
Vocational Instruction	333,501	333,501	0	0	0	0
Adult/Continuing Instruction	0	0	0	5,878	5,878	0
Other Instruction	49,882	49,882	0	0	0	0
Support Services-Pupils	237,792	237,792	0	1,225	1,225	0
Support Services-Instructional Staff	158,067	158,067	0	28,324	28,324	0
Support Services-Board of Education	22,299	22,299	0	0	0	0
Support Services-Administration	1,068,710	1,068,710	0	0	0	0
Fiscal Services	243,920	243,920	0	0	0	0
Support Services-Business	40,491	40,491	0	26,673	26,673	0
Operation & Maintenance-Plant	787,728	787,728	0	1,467	1,467	0
Support Services-Transportation	676,833	676,833	0	0	0	0
Support Services-Central	0	0	0	20,571	20,571	0
Sports Oriented	183,136	183,136	0	60,068	60,068	0
Co-Curricular Activities	65,452	65,452	0	28,212	28,212	0
Facilities Acquisition & Construction	3,000	3,000	0	0	0	0
Repayment of Debt	0	0	0	0	0	0
<b>Total Expenditures</b>	<b>8,157,115</b>	<b>8,157,115</b>	<b>0</b>	<b>700,069</b>	<b>700,069</b>	<b>0</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>244,128</b>	<b>244,128</b>	<b>0</b>	<b>(32,225)</b>	<b>(32,225)</b>	<b>0</b>
<b>Other Financing Sources (Uses):</b>						
Sale of Bonds	0	0	0	0	0	0
Transfers-In	265,060	265,060	0	25,759	25,759	0
Advances-In	2,549	2,549	0	13,714	13,714	0
Refund of Prior Years Expense	22,262	22,262	0	0	0	0
Transfers-Out	(290,819)	(290,819)	0	0	0	0
Advances-Out	(15,822)	(15,822)	0	(862)	(862)	0
<b>Total Other Sources (Uses)</b>	<b>(16,770)</b>	<b>(16,770)</b>	<b>0</b>	<b>38,611</b>	<b>38,611</b>	<b>0</b>
<b>Excess of Revenues &amp; Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<b>227,358</b>	<b>227,358</b>	<b>0</b>	<b>6,386</b>	<b>6,386</b>	<b>0</b>
Beginning Fund Balance	1,259,446	1,259,446	--	114,127	114,127	--
Prior Year Carry Over Encumbrances	29,719	29,719	--	21,372	21,372	--
<b>Ending Fund Balance</b>	<b>\$ 1,516,523</b>	<b>1,516,523</b>	<b>0</b>	<b>141,885</b>	<b>141,885</b>	<b>\$ 0</b>

(Continued)

**Pymatuning Valley Local School District**  
**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual (Non-GAAP Basis)**  
**All Governmental Fund Types and Expendable Trust Funds- Continued**  
**Year Ended June 30, 2001**

	Debt Service Funds			Capital Project Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>						
Tax	\$ 50,734	50,734	0	210,974	210,974	\$ 0
Earnings on Investment	0	0	0	0	0	0
Extracurricular Activities	0	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0
State Unrestricted Grants-in-Aid	0	0	0	62,564	62,564	0
State Restricted Grants-in-Aid	0	0	0	87,059	87,059	0
Federal Restricted Grants-in-Aid	0	0	0	0	0	0
<b>Total Revenue</b>	<b>50,734</b>	<b>50,734</b>	<b>0</b>	<b>360,597</b>	<b>360,597</b>	<b>0</b>
<b>Expenditures:</b>						
Regular Instruction	0	0	0	55,683	55,683	0
Special Instruction	0	0	0	0	0	0
Vocational Instruction	0	0	0	0	0	0
Adult/Continuing Instruction	0	0	0	0	0	0
Other Instruction	0	0	0	0	0	0
Support Services-Pupils	0	0	0	0	0	0
Support Services-Instructional Staff	0	0	0	0	0	0
Support Services-Board of Education	0	0	0	0	0	0
Support Services-Administration	0	0	0	0	0	0
Fiscal Services	0	0	0	13,187	13,187	0
Support Services-Business	0	0	0	0	0	0
Operation & Maintenance-Plant	0	0	0	0	0	0
Support Services-Transportation	0	0	0	105,735	105,735	0
Support Services-Central	0	0	0	0	0	0
Sports Oriented	0	0	0	0	0	0
Co-Curricular Activities	0	0	0	0	0	0
Facilities Acquisition & Construction	0	0	0	273,782	273,782	0
Repayment of Debt	50,734	50,734	0	0	0	0
<b>Total Expenditures</b>	<b>50,734</b>	<b>50,734</b>	<b>0</b>	<b>448,387</b>	<b>448,387</b>	<b>0</b>
Excess of Revenue Over (Under) Expenditures	0	0	0	(87,790)	(87,790)	0
<b>Other Financing Sources (Uses):</b>						
Sale of Bonds	0	0	0	2,600,000	2,600,000	0
Transfers-In	0	0	0	0	0	0
Advances-In	0	0	0	0	0	0
Refund of Prior Years Expense	0	0	0	0	0	0
Transfers-Out	0	0	0	0	0	0
Advances-Out	0	0	0	(1,686)	(1,686)	0
<b>Total Other Sources (Uses)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,598,314</b>	<b>2,598,314</b>	<b>0</b>
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	0	0	0	2,510,524	2,510,524	0
Beginning Fund Balance	0	0	--	353,687	353,687	--
Prior Year Carry Over Encumbrances	0	0	--	3,500	3,500	--
<b>Ending Fund Balance</b>	<b>\$ 0</b>	<b>0</b>	<b>0</b>	<b>2,867,711</b>	<b>2,867,711</b>	<b>\$ 0</b>

(Continued)

**Pymatuning Valley Local School District**  
**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual (Non-GAAP Basis)**  
**All Governmental Fund Types and Expendable Trust Funds - Continued**  
**Year Ended June 30, 2001**

	Expendable Trust Funds			Totals (Memorandum Only)		
	Revised	Actual	Variance	Revised	Actual	Variance
	Budget		Favorable (Unfavorable)	Budget		Favorable (Unfavorable)
<b>Revenues:</b>						
Taxes	\$ 0	0	0	2,902,751	2,902,751	\$ 0
Earnings on Investment	1,584	1,584	0	137,094	137,094	0
Extracurricular Activities	0	0	0	75,232	75,232	0
Miscellaneous	0	0	0	34,773	34,773	0
State Unrestricted Grants-in-Aid	0	0	0	5,762,537	5,762,537	0
State Restricted Grants-in-Aid	0	0	0	197,341	197,341	0
Federal Restricted Grants-in-Aid	0	0	0	372,274	372,274	0
<b>Total Revenue</b>	<b>1,584</b>	<b>1,584</b>	<b>0</b>	<b>9,482,002</b>	<b>9,482,002</b>	<b>0</b>
<b>Expenditures:</b>						
Regular Instruction	0	0	0	4,020,332	4,020,332	0
Special Instruction	0	0	0	849,306	849,306	0
Vocational Instruction	0	0	0	333,501	333,501	0
Adult/Continuing Instruction	0	0	0	5,878	5,878	0
Other Instruction	0	0	0	49,882	49,882	0
Support Services-Pupils	0	0	0	239,017	239,017	0
Support Services-Instructional Staff	959	959	0	187,350	187,350	0
Support Services-Board of Education	0	0	0	22,299	22,299	0
Support Services-Administration	0	0	0	1,068,710	1,068,710	0
Fiscal Services	0	0	0	257,107	257,107	0
Support Services-Business	0	0	0	67,164	67,164	0
Operation & Maintenance-Plant	0	0	0	789,195	789,195	0
Support Services-Transportation	0	0	0	782,568	782,568	0
Support Services-Central	0	0	0	20,571	20,571	0
Sports Oriented	0	0	0	243,204	243,204	0
Co-Curricular Activities	0	0	0	93,664	93,664	0
Facilities Acquisition & Construction	0	0	0	276,782	276,782	0
Repayment of Debt	0	0	0	50,734	50,734	0
<b>Total Expenditures</b>	<b>959</b>	<b>959</b>	<b>0</b>	<b>9,357,264</b>	<b>9,357,264</b>	<b>0</b>
Excess of Revenue Over (Under) Expenditures	625	625	0	124,738	124,738	0
<b>Other Financing Sources (Uses):</b>						
Sale & Loss of Assets	0	0	0	2,600,000	2,600,000	0
Transfers-In	0	0	0	290,819	290,819	0
Advances-In	0	0	0	16,263	16,263	0
Refund of Prior Years Expense	0	0	0	22,262	22,262	0
Transfers-Out	0	0	0	(290,819)	(290,819)	0
Advances-Out	0	0	0	(18,370)	(18,370)	0
<b>Total Other Sources (Uses)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,620,155</b>	<b>2,620,155</b>	<b>0</b>
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	625	625	0	2,744,893	2,744,893	0
Beginning Fund Balance	9,042	9,042	--	1,736,302	1,736,302	--
Prior Year Carry Over Encumbrances	0	0	--	54,591	54,591	--
<b>Ending Fund Balance</b>	<b>\$ 9,667</b>	<b>\$ 9,667</b>	<b>0</b>	<b>4,535,786</b>	<b>4,535,786</b>	<b>\$ 0</b>

See Accompanying Notes to the General Purpose Financial Statements.

**Pymatuning Valley Local School District**  
**Combined Statement of Revenues, Expenses, and Changes in Retained Earnings**  
**All Proprietary Fund Types and Non-Expendable Trust Funds**  
**Year Ended June 30, 2001**

	Proprietary Fund Type		Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise Funds	Internal Service Funds	Non-Expendable Trust Funds	
<b>Operating Revenues:</b>				
Food Service	\$ 157,647	0	0	\$ 157,647
Classroom Materials & Fees	15,780	0	0	15,780
Miscellaneous	0	1,520,386	0	1,520,386
<b>Total Operating Revenue</b>	<b>173,427</b>	<b>1,520,386</b>	<b>0</b>	<b>1,693,813</b>
<b>Operating Expenses:</b>				
Personal Services - Salary	131,297	0	0	131,297
Employee Benefits	76,424	0	0	76,424
Supplies and Materials	179,966	0	0	179,966
Other Objects	0	1,339,418	0	1,339,418
Depreciation	13,155	0	0	13,155
<b>Total Operating Expenses</b>	<b>400,842</b>	<b>1,339,418</b>	<b>0</b>	<b>1,740,260</b>
<b>Operating Loss/Gain</b>	<b>(227,415)</b>	<b>180,968</b>	<b>0</b>	<b>(46,447)</b>
<b>Non-Operating Revenues:</b>				
State Unrestricted Grants-In-Aid	11,151	0	0	11,151
Federal Unrestricted Grants-in-Aid	172,398	0	0	172,398
Federal Restricted Grants-in-aid	23,325	0	0	23,325
<b>Total Non-Operating Revenues</b>	<b>206,874</b>	<b>0</b>	<b>0</b>	<b>206,874</b>
<b>Net Income Before Operating Transfers</b>	<b>(20,541)</b>	<b>180,968</b>	<b>0</b>	<b>160,427</b>
<b>Net Income(Loss)</b>	<b>(20,541)</b>	<b>180,968</b>	<b>0</b>	<b>160,427</b>
Beginning Retained Earnings, as restated Note 21	83,404	858,144	26,243	967,791
<b>Retained Earnings at End of Year</b>	<b>\$ 62,863</b>	<b>1,039,112</b>	<b>26,243</b>	<b>\$ 1,128,218</b>

See Accompanying Notes to the General Purpose Financial Statements.

**Pymatuning Valley Local School District  
 Combined Statement of Changes in Cash Flows  
 All Proprietary Fund Types and Non-Expendable Trust Funds  
 Year Ended June 30, 2001**

	Proprietary Fund Type		Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise Funds	Internal Service Fund	Non-Expendable Trust Funds	
Cash Flows from Operating Activities				
Operating Gain (Loss)	\$ (227,415)	180,968	0	\$ (46,447)
Adjustment to Reconcile Operating Gain (Loss)				
To Net Cash used in Operating Activities:				
Depreciation	13,155	0	0	13,155
Net (Increase) Decrease in Assets:				
Intergovernmental Receivable	22,087	0	0	22,087
Accounts Receivable	(624)	0	0	(624)
Inventory	1,940	0	0	1,940
Due from Other Funds	0	(226,950)	0	(226,950)
Net Increases (Decreases) in Liabilities:				
Interfund Payable	2,108	0	0	2,108
Intergovernmental Payable	4,701	0	0	4,701
Due to Other Funds	7,719	0	0	7,719
Deferred Revenue	(432)	0	0	(432)
Accounts Payable	0	226,950	0	226,950
Accrued Wages and Benefits	(5,081)	0	0	(5,081)
Claims Payable	0	173,066	0	173,066
Compensated Absences	(360)	0	0	(360)
Total Adjustments	45,213	173,066	0	218,279
Net Cash Used in Operating Activities	(182,202)	354,034	0	171,832
Cash Flows from Noncapital Activities:				
Operating Grants from State Sources	11,151	0	0	11,151
Federal Commodities	23,325	0	0	23,325
Operating Grants from Federal Sources	172,398	0	0	172,398
Net Cash Provided by Noncapital Financing Sources	206,874	0	0	206,874
Net Increase in Cash & Cash Equivalents	24,672	354,034	0	378,706
Cash and Cash Equivalents at Beginning of Year	14,740	858,144	26,243	899,127
Cash and Cash Equivalents at End of Year	\$ 39,412	1,212,178	26,243	\$ 1,277,833

See Accompanying Notes to General Purpose Financial Statements.

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**PYMATUNING VALLEY LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Pymatuning Valley Local School District (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

**A. Reporting Entity**

The District is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local District as defined by Section 3311.0 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District.

Average daily membership (ADM) as of October 1, 2000, was 1,497. The District employed 95 certified employees and 52 non-certificated employees.

The District provides regular, vocational and special instruction. The District also provides support services for the pupils, instructional staff, general and school administration, business and fiscal services, facilities acquisition and construction services, operation and maintenance of plant, student transportation, food services, extracurricular activities and non-programmed services. The District is supervised by the Ashtabula County Educational Service Center, a separate entity.

The accompanying general purpose financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, in that the financial statements include all organizations, activities and functions for which the District is financially accountable. This report includes all activities considered by management to be part of the District by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

Section 2100 indicates that the reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity.

It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's

**PYMATUNING VALLEY LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

Management believes the financial statements included in this report represent all of the funds of the District over which the District is financially accountable.

**B. Fund Accounting**

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types."

Governmental Fund Types

Governmental funds are those through which most governmental functions typically are financed. Governmental Fund Types are accounted for on a flow of current financial resources measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their operating statements present sources (revenues and other financing sources) and uses (expenditures and other financing uses) of "available spendable resources" during the period.

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

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources (other than amounts relating to expendable trusts or for major capital projects) that are legally restricted to expenditures for specific purposes.

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

Capital Project Funds - These funds are used to account for financial resources to be used for the acquisition or construction of major capital assets or facilities (other than those financed by proprietary and trust funds).

**PYMATUNING VALLEY LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Proprietary Fund Types

Proprietary funds are used to account for the District's ongoing activities which are similar to those found in the private sector. The following are the proprietary fund types:

Enterprise Funds - These funds are used to account for the operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Internal Service Funds - These funds account for the financing of services provided by one department or agency to other departments or agencies of the District on a cost reimbursement basis.

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments, or other funds. The following are the fiduciary fund types:

Expendable Trust Funds - These funds account for resources, including both principal and earnings, which must be expended according to the provision of a trust agreement. Expendable trust funds are accounted for in essentially the same manner as governmental funds.

Nonexpendable Trust Funds - These funds account for trust principal which may not be expended. Only interest earned on the principal may be used for trust operations. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds.

Agency Funds - These funds are purely custodial and thus do not involve measurement of results of operations.

Account Groups

Account Groups are financial reporting devices to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not affect expendable available financial resources. The following are the account groups:

General Fixed Assets Account Group - This account group is used to account for all of the District's fixed assets other than those accounted for in the Proprietary funds.

General Long-Term Debt Account Group - This account group is used to account for all of the District's long-term obligations other than those accounted for in the Proprietary Funds.

**PYMATUNING VALLEY LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus/Basis of Accounting**

The modified accrual basis of accounting is followed for Governmental and Expendable Trust Funds. The measurement focus is upon determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income determination. Under the basis of accounting:

- 1) Only current assets and current liabilities are generally included on their balance sheets.
- 2) Operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.
- 3) Revenues are recognized when they become both measurable and available to finance expenditures for the current period.
  - a) Revenue accrued at the end of the year may include book fines, fees, interest and tuition.
  - b) Property taxes measurable as of June 30, 2001 and delinquent property taxes, whose availability is indeterminate, and are intended to finance fiscal year 2002 operations, have been recorded as deferred revenues.
- 4) Expenditures are recognized in the period in which the fund liability is incurred with the following exceptions: general long term obligation principal and interest are reported only when due; the current costs of accumulated unpaid vacation and sick leave are reported in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

The Proprietary Funds are accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred. Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the District follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements.

Agency fund assets and liabilities are recognized on the modified accrual basis of accounting.

**D. Budget and Budgetary Accounting**

All governmental and proprietary fund types are subject to annual expenditures budgets. The Board follows the procedures outlined below in establishing the expenditure budget data reported in the general purpose financial statements:

- 1) A Tax Budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by January 20th of each year, for the fiscal year commencing the following July 1st. The Board of Education normally adopts the Tax Budget at its regular board meeting in January.

**PYMATUNING VALLEY LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- 2) The County Budget Commission certifies its actions to the District by March 1st. As part of this certification, the District receives the Official Certificate of Estimated Resources which states the projected receipts of each fund. During the month of July, this certificate is amended to include any unencumbered balances from the preceding fiscal year.
- 3) An annual appropriation measure must be passed by the Board of Education by October 1st of each year for the period July 1st to June 30th. Unencumbered appropriations lapse at year-end and the encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated. The Board of Education usually adopts temporary appropriations at its regular board meeting in June. The Annual Appropriation Resolution is usually adopted at the September regular board meeting. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources and expenditures may not exceed appropriations in any fund at the object level.
- 4) The District prepares its budget on a basis of accounting that differs from generally accepted accounting principles (GAAP). The actual results of operations are presented in the "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual--All Governmental Fund Types" in accordance with the budget basis of accounting.

The major differences between the budgetary basis of accounting and GAAP are that:

- a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- b) Expenditures are recorded when encumbered (budget basis) as opposed to when the liability is incurred (GAAP basis);
- c) Encumbrances are recorded as the equivalent of expenditures (budget basis) as opposed to a reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund types (GAAP basis); and
- d) For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP).

Encumbrances - As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of funds are recorded as the equivalent of expenditures on the budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds.

**PYMATUNING VALLEY LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Cash and Investments**

Cash received by the District is pooled in a central bank account with individual fund balance integrity maintained throughout. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Investments." During the fiscal year all investments were limited to certificates of deposit.

Investments are reported at cost. Fair value is based on quoted market prices.

Under existing Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. For the District, interest revenue is credited to the General Fund, Capital Projects Fund and Expendable Trust Funds. Interest revenue credited to the General Fund during the fiscal year was \$135,960; Capital Projects Fund, \$7,618; Expendable Trust Fund, \$1,584.

**F. Taxes Receivable**

The financial statements reflect taxes receivable as of June 30, 2001. GAAP permits the recognition of revenue from any property tax assessment in the fiscal period levied, provided the funds are "available." "Available" means then due, or past due and receivable within the current period or expected to be collected soon thereafter. While these taxes have been assessed, the majority are not due at June 30, 2001 and accordingly have been recorded as deferred revenue in the accompanying financial statements. Taxes that become delinquent remain recorded in deferred revenue until they are determined to be uncollectible.

**G. Inventories**

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventories are determined by physical count. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of the governmental fund type inventories are recorded as expenditures when purchased (purchase method) rather than when consumed. Reported inventories in these funds are equally offset by a fund balance reserve which indicates they are unavailable for appropriation. Inventories of proprietary funds consist of donated food, purchased food, and general supplies, and are expended when used.

**H. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2001, are recognized under the nonallocation method. The nonallocation method of prepayments and deferrals is consistent with the basic governmental concept that only expendable financial resources are reported by a specific governmental fund. Payments for the prepaid items or deferrals are fully recognized as an expenditure in the year of payment. Under the nonallocation method no asset for the prepayment or deferral is created, and no expenditure allocation to future accounting periods is required.

**PYMATUNING VALLEY LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**I. Fixed Assets**

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. The original cost of equipment was estimated using standard industry assumptions as determined by an outside consultant. All purchased fixed assets since the initial valuation are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs, that do not add to the value of the asset or materially extend asset lives, are not capitalized. Improvements are capitalized (\$500 threshold) and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Assets in the general fixed assets account group are not depreciated. Depreciation of buildings, equipment and vehicles in the proprietary fund types is computed using the straight-line method over an estimated useful life of the assets (five to twenty years).

**J. Intergovernmental Revenues**

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis and entitlements, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The District currently participates in several State and Federal programs, categorized as follows:

Entitlements:

General Fund

State Foundation Program  
School Bus Funding

Special Revenue Funds

Educational Management Information Systems

Capital Projects Funds

School Net Plus  
Technology Equity Funds

**PYMATUNING VALLEY LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Non-Reimbursable Grants:

Special Revenue Funds

Title I  
Title VI  
Title VI-R  
Ohio Reads  
DPIA  
Miscellaneous State and Federal Grants

Reimbursable Grants:

General Fund

Driver Education Reimbursement

Proprietary Funds

National School Lunch Program  
Government Donated Commodities

Grants and entitlements amounted to approximately 66% of the District's operating revenue during the 2001 fiscal year.

**K. Short-Term Interfund Receivables/Payables**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds." Short-term interfund loans are classified as "interfund receivables/payables." At June 30, 2001, the District had \$226,950 in "Due to/from Other Funds" and \$15,821 in "Interfund Receivables/Payables."

**L. Advances to Other Funds**

Non-current portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account which indicated that they do not constitute expendable available financial resources and therefore are not available for appropriation. At June 30, 2001 the District had no long-term interfund loans.

**M. Compensated Absences**

The District accounts for compensated absences in accordance with GASB Statement No. 16. Sick leave and other compensated absences with similar characteristics are accrued as a liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments, as well as other employees who are expected to become eligible in the future to receive such payments. To calculate the liability, these accumulations are reduced to the maximum amount allowed as a termination payment. Accruals for those employees who are expected to become eligible in the future are based on assumptions concerning the probability that individual employees or class or group of employees will become eligible to receive termination payments. All employees with ten or more years of service were included in the calculation of the long-term compensated absences accrual amount.

**PYMATUNING VALLEY LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Vacation leave and other compensated absences with similar characteristics are accrued as a liability as the benefits are earned by the employees if both of the following conditions are met: 1.) The employees' rights to receive compensation are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee; and 2.) It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

For governmental funds, the District records a liability for accumulated unused vacation and sick leave when earned. The current portion of these unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term debt account group. In proprietary funds, compensated absences are expensed when earned with the amount reported as a fund liability.

**N. Contributed Capital**

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. The assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expended and closed to unreserved retained earnings at year end. Reserves represent those portions of fund equity not appropriate for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources. At June 30, 2001, the District had \$34,311 in contributed capital.

**O. Long-Term Obligations**

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

**P. Interfund Transactions**

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**PYMATUNING VALLEY LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Q. Fund Balance Reserves**

Reserved Fund Balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund Balances are reserved for supplies inventory, encumbrances and future appropriations. The reserve for future appropriation represents the amount of the property taxes available for advance and recognized as revenue. The District is prohibited by law from appropriating the advance, since it was not received, for the current fiscal year. The unreserved portions of fund equity reflected for the Governmental Funds are available for use within the specific purposes of those funds.

**R. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents (an intergovernmental receivable) set aside to establish a budget stabilization reserve. A fund balance reserve has also been established.

**S. Estimates**

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

**T. Memorandum Only - Total Columns**

Total columns on the general purpose financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**PYMATUNING VALLEY LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**2. BUDGETARY BASIS OF ACCOUNTING**

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type:

	Governmental Fund Type and Expendable Trust Funds			
	Governmental Fund Type			
	General Fund	Special Revenue	Capital Project	Expendable Trust
GAAP Basis	\$ 352,736	(4,447)	2,545,023	\$ 1,013
Increase (Decrease):				
Due to Revenues:				
Net Adjustments to Revenue Accruals	(129,273)	505	(15,658)	0
Due to Expenditures:				
Net Adjustments to Expenditure Accruals	23,942	(2,524)	(17,155)	(388)
Due to Other Sources/Uses	(20,047)	12,852	(1,686)	0
Budget Basis	\$ 227,358	6,386	2,510,524	\$ 625

**3. CASH AND INVESTMENTS**

State statutes classify monies held by the District into three categories. Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current 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 pass book accounts.

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

**PYMATUNING VALLEY LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**3. CASH AND INVESTMENTS (Continued)**

Monies held by the District which are not considered active are classified as inactive. Inactive monies may be deposited or invested in the following securities:

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

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 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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**PYMATUNING VALLEY LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**3. CASH AND INVESTMENTS (Continued)**

**Deposits** At fiscal year end, the carrying amount of the District's deposits was \$4,820,924 the bank balance was \$4,825,249, of which \$4,626,244 was in Certificates of Deposit. Of the bank balance, \$200,000 was covered by federal depository insurance and the remaining \$4,625,249 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

**Petty Cash on Hand** At fiscal year end, the District had \$108 in petty cash on hand which is included on the balance sheet of the District as part of the "equity in pooled cash and cash equivalents."

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9 entitled *Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

**Funds Held by Fiscal Agent** The District participates in OMERESA for employee benefits which is administered by Self-Funded Plans, Inc. The bank balance at fiscal year end for the Employee Benefit Self- Insurance Fund was \$1,212,178. All benefit deposits are made to the District's account set up by Self Funded Plans, Inc. Collateral is held by a qualified third-party trustee in the name of the administrator.

**4. PROPERTY TAX**

Property taxes are levied, assessed and collected on a calendar year basis. They include amounts levied against all real, public utility, and tangible personal property located in the District. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the Ashtabula County Auditor at 35% of appraised market value. All property is required to be revalued every six years. The last revaluation for the District was completed in 1996, an update was done in 1999. The next revaluation is scheduled for 2002.

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 usually due February 14, with the remainder payable June 20. Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before December 31 of that calendar year. Tangible personal property used in business (except for public utilities) is currently assessed for taxation purposes at 25% of its true value.

Amounts paid by multi-county taxpayers may be paid annually or semi-annually, the first payment due April 30, with the remainder payable by September 28.

Public utility real and public utility personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value. Public utility property taxes are payable on the same dates as real property taxes described previously.

**PYMATUNING VALLEY LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**4. PROPERTY TAX (Continued)**

The Ashtabula County Treasurer collects property tax on behalf of the District. The Ashtabula County Auditor remits the collected taxes to the District. Tax settlements are made each March and August for real property taxes and each June and October for personal property.

Taxes available for advance and recognized as revenue, but not received by the District prior to June 30, are reflected as a reservation of fund balance. The District is prohibited by law from appropriating the property taxes recognized as revenue in accordance with Ohio Revised Code Section 5705.35 since an advance of tax revenue was not received by the end of the fiscal year.

The full tax rate at the fiscal year ended June 30, 2001 for operations was \$35.73 per \$1,000 of assessed valuation and \$2.60 per \$1,000 of assessed valuation for permanent improvements. The assessed values of real and tangible personal property on which the fiscal year 2001 taxes were collected were as follows:

Real Property-Commercial/Industrial	\$	10,753,070
Real Property-Residential/Agricultural		70,232,050
Real Property-Public Utilities		82,420
Personal Property-General		13,352,000
Personal Property-Public Utilities		8,489,140
Total Assessed Value	<b>\$</b>	<b>102,908,680</b>

**5. RECEIVABLES**

Receivables at June 30, 2001 consisted of taxes, accounts (miscellaneous), and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current guarantee of Federal funds.

There were no intergovernmental receivables due at June 30, 2001.

**6. FIXED ASSETS**

The following is a summary of the proprietary funds property, plant and equipment at June 30, 2001:

Furniture and Equipment	\$	313,953
Less Accumulated Depreciation		(202,630)
Net Fixed Assets	<b>\$</b>	<b>111,323</b>

**PYMATUNING VALLEY LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**6. FIXED ASSETS (Continued)**

The following is a summary of changes in the General Fixed Assets Account Group during the fiscal year 2001:

	General Fixed Assets June 30, 2000	Additions	Deletions	General Fixed Assets June 30, 2001
Land and Improvements	\$ 575,996	0	0	\$ 575,996
Buildings	5,497,052	228,461	0	5,725,513
Furniture and Equipment	2,090,761	122,684	0	2,213,445
Vehicles	755,375	51,302	0	806,677
Total General Fixed Assets	<u>\$ 8,919,184</u>	<u>402,447</u>	<u>0</u>	<u>\$ 9,321,631</u>

There was no significant construction in progress at June 30, 2001 for District owned property.

**7. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2001, 4.2 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2000, 5.5 percent was used to fund the pension obligations.

The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amount, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$155,088, \$150,468 and \$147,924 respectively; 47.31 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$86,374 representing the unpaid contribution for fiscal year 2001, including the surcharge, is recorded as a liability within the respective funds and the general long-term obligations account group.

**PYMATUNING VALLEY LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**7. DEFINED BENEFIT PENSION PLANS (Continued)**

**B. State Teachers Retirement System**

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

For the fiscal year ended June 30, 2001, plan members are required to contribute 9.3 percent of their annual covered salaries. The District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year 2000, 6 percent was used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$637,104, \$587,112 and \$507,192, respectively; 83.33 percent has been contributed for fiscal year 2001, and 100 percent for fiscal years 2000 and 1999. \$106,183 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.

**8. POSTEMPLOYMENT BENEFITS**

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2001, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund, a decrease of 3.5 percent for fiscal year 2001. For the District, this amount equaled 204,783 for fiscal year 2001.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2000, (the latest information available) the balance in the Fund was \$3,419 million. For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

**PYMATUNING VALLEY LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**8. POSTEMPLOYMENT BENEFITS (Continued)**

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase of 1.3 percent for fiscal year 2001. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay has been established at \$12,400. For the District, the amount to fund health care benefits, including surcharge, during the 2001 fiscal year equaled \$117,390.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2000, (the latest information available), were \$140,696,340 and the target level was \$211.0 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants receiving health care benefits.

**9. COMPENSATED ABSENCES**

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Only administrative and support personnel who are under a full year contract (11 and 12 month) are eligible for vacation time. The superintendent and treasurer are granted twenty days of vacation per year.

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

The classified personnel accumulate vacation based on the following schedule:

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

Each employee earns sick leave at the rate of one and one-fourth days per month. Sick leave shall accumulate during active employment on a continuous year-to-year basis. Maximum sick leave accumulation is 275 days for classified employees and 290 days for certified employees.

For all employees, retirement severance is paid to each employee retiring from the District at a per diem rate of the annual salary at the time of retirement if the employee has been employed by the District for a minimum of ten consecutive years at the time of retirement. Any employee receiving retirement severance pay shall be entitled to a dollar amount equivalent to one-fourth of all accumulated sick leave credited to that employee up to 62 days for certified employees and 60 days for classified employees.

**PYMATUNING VALLEY LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**10. RISK MANAGEMENT**

A. General Risk

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The District has addressed these various types of risk by purchasing a comprehensive insurance policy through commercial carriers.

General liability insurance is maintained in the amount of \$1,000,000 for each occurrence and \$5,000,000 in the aggregate.

The District maintains fleet insurance in the amount of \$1,000,000 for any one accident or loss.

The District maintains replacement cost insurance on buildings and contents in the amount of \$21,792,131.

B. Workers' Compensation

The District participates in the Ohio School Boards Association 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 Past President of the Ohio School Boards Association (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 costs of administering the program.

The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

C. Health Insurance

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

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

**PYMATUNING VALLEY LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**11. NOTES AND LONG-TERM DEBT**

Long-Term Debt:

A summary of changes in long-term obligations for the year ended June 30, 2001, are as follows:

	Balance			Balance
	July 1, 2000	Additions	Deletions	June 30,2001
Intergovernmental Payable	\$ 50,345	48,377	50,345	\$ 48,377
Notes Payable	111,000	0	44,400	66,600
Capital Lease Payable	10,737	0	3,579	7,158
Compensated Absences Payable	755,141	18,622	0	773,763
	<u>\$ 927,223</u>	<u>66,999</u>	<u>98,324</u>	<u>\$ 895,898</u>

Additions and deletions of compensated absences are shown net since it is impracticable for the District to determine these amounts separately.

Energy Conservation Notes: The annual maturities of the Energy Conservation Notes as of June 30, 2001, and related interest payments are as follows:

	Principal	Interest	Payment
FY 2002	\$ 44,400	3,524	\$ 47,924
FY 2003	22,200	705	22,905
	<u>\$ 66,600</u>	<u>4,229</u>	<u>\$ 70,829</u>

Capital Lease: The District is making installment payments on Bond instruments. The equipment has been capitalized in the general fixed asset account group. This obligation has an outstanding balance of \$7,158 at June 30, 2001.

The payment schedule for the installment purchase obligation as of June 30, 2001, is as follows:

	Principal	Interest	Payment
FY 2002	\$ 3,579	1,321	\$ 4,900
FY 2003	3,579	1,321	4,900
	<u>\$ 7,158</u>	<u>2,642</u>	<u>\$ 9,800</u>

**PYMATUNING VALLEY LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**11. NOTES AND LONG-TERM DEBT (Continued)**

School Improvement Notes: Following the passage of a School Improvements Bond Issue in May, 2001, the District issued Bond Anticipation Notes on June 8, 2001, in the amount of \$2,600,000 at the rate of 3.85 percent. The notes, issued under the authority of Section 133.18 of the Ohio Revised Code, will mature on June 3, 2002. The notes are recorded as a liability in the Capital Projects Fund.

Debt Limitations:

The Ohio Revised Code (ORC) provides that the net debt of a school district, whether or not approved by the people, shall not exceed 9.0% of the total value of all property in the District as listed and assessed for taxation. In addition, the unvoted net debt of a school district cannot exceed .1% of the total assessed value of property. The District has no unvoted debt; the District's unvoted debt limit is \$102,909. The voted debt limit at June 30, 2001 is \$9,261,781.

**12. INTERFUND TRANSACTIONS**

At June 30, 2001, the District had short-term interfund loans which are classified as "interfund receivables/payables." Receivables and payables resulting from goods provided or services rendered are classified as "due from/to other funds." An analysis of interfund balances is as follows:

Interfund Receivables/Interfund Payables:

	Receivables	Payables
General Fund	\$ 15,821	\$ 0
Special Revenue Fund	0	13,713
Enterprise Fund	0	2,108
	<u>\$ 15,821</u>	<u>\$ 15,821</u>

Due to/from Other Funds:

	Due To Other Funds	Due From Other Funds
General Fund	\$ 207,549	\$ 0
Special Revenue Fund	11,682	0
Enterprise Fund	7,719	0
Internal Service	0	226,950
	<u>\$ 226,950</u>	<u>\$ 226,950</u>

**PYMATUNING VALLEY LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**13. SEGMENTS OF ENTERPRISE ACTIVITIES**

Key financial data for the District's Enterprise Funds for the year ended June 30, 2001, are as follows:

	Lunchroom Fund	Uniform School Supply Fund	Total
Operating Revenues	\$ 157,647	15,780	\$ 173,427
Operating Expenses:			
Depreciation	(13,155)	0	(13,155)
Other Expenses	(365,480)	(22,207)	(387,687)
Total Operating Expenses	<u>(378,635)</u>	<u>(22,207)</u>	<u>(400,842)</u>
Operating Loss	(220,988)	(6,427)	(227,415)
Non Operating Revenues and Expenses:			
Operating Grants	206,874	0	206,874
Net Loss/Gain	<u>\$ (14,114)</u>	<u>(6,427)</u>	<u>\$ (20,541)</u>
Net Working Capital	<u>\$ (13,207)</u>	<u>(943)</u>	<u>\$ (14,150)</u>
Total Assets	<u>\$ 168,536</u>	<u>1,164</u>	<u>\$ 169,700</u>
Total Fund Equity	<u>\$ 98,117</u>	<u>(943)</u>	<u>\$ 97,174</u>

**14. JOINTLY GOVERNED ORGANIZATIONS**

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

Superintendents of the participating school districts are eligible to be voting members of the Governing Board which consists of ten members: the Trumbull and Ashtabula County superintendents (permanent members), three superintendents from Ashtabula County school districts, three superintendents from Trumbull County districts, and a treasurer from each county. The District was not represented on the Governing Board during fiscal year 2001. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. A complete set of separate financial statements may be obtained from the Trumbull County Educational Service Center, 347 North Park Avenue, Warren, Ohio, 44481.

**PYMATUNING VALLEY LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**14. JOINTLY GOVERNED ORGANIZATIONS (Continued)**

Ashtabula County Joint Vocational School District The District is a member of the Ashtabula County Joint Vocational School District. The Ashtabula County Joint Vocational School District has a nine-member board of education and is funded by levying millage and state and federal support.

The District has no ongoing financial interest or financial responsibility to the Ashtabula County Joint Vocational School District.

Northeast Ohio Special Education Regional Resource Center (NEO/SERRC) NEO/SERRC is a special education service center which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents.

NEO/SERRC is governed by a governing board of 39 members made up of representatives from 35 superintendents of the participating districts, one non-public school, one county board of mental retardation and two parents whose terms rotate each year. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting the Treasurer at the Mahoning County Educational Service Center, 2801 Market Street, Youngstown, Ohio, 44507.

Andover Public Library The Andover Public Library (the Library) is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the District for operational subsidies. Although the District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Andover Public Library, Sonia Orahoad, Clerk/Treasurer, at 142 Main Street, Andover, Ohio 44003.

**15. CONTINGENCIES**

**A. Grants**

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2001.

**B. Litigation**

The District is not a party to any legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending at June 30, 2001.

**PYMATUNING VALLEY LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**16. SCHOOL FUNDING DECISION**

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- ▶ A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- ▶ Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of the date of this report, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

As of the date of these financial statements, the District is unable to determine what effect, if any, this decision and the reconsideration will have on its future State funding and on its financial operations.

**17. OHIO SCHOOLS COUNCIL**

The District participates in the Council's electricity purchase program which was implemented during fiscal year 1999. This program allows school districts to purchase electricity at reduced rates, if the school districts will commit to participating for an eight year period. The participants make monthly payments based on estimated usage. Each June these estimated payments are compared to their actual usage for the year and any necessary adjustments are made.

Energy Acquisition Corp., a non-profit corporation with a self-appointing board, issued \$119,140,000 in debt to purchase eight years of electricity from Cleveland Electric Illuminating (CEI) for the participants. The participating school districts are not obligated in any manner for this debt. If a participating school district terminates its agreement, the district is required to repay the savings to CEI and CEI will refund the remaining prepayment related to that participant to Energy Acquisition Corp.

**PYMATUNING VALLEY LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**18. STATUTORY RESERVES**

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

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

During the fiscal year ended June 30, 2001, the reserve activity was as follows:

	Textbook Reserve	Capital Maintenance Reserve	Budget Stabilization Reserve	Total
Balance, 7/1/2000	\$ 114,038	\$ 0	\$ 148,755	\$ 262,793
Base Reserve	241,271	241,271	0	482,542
Offset Credits	(5,378)	(210,974)	0	(216,352)
Qualifying Expenditures	(326,500)	(13,742)	0	(340,242)
Balance, 6/30/01	<u>\$ 23,431</u>	<u>\$ 16,555</u>	<u>\$ 148,755</u>	<u>\$ 188,741</u>
June 30, 2001 Cash Balance Carried Forward to FY2002	<u>\$ 23,431</u>	<u>\$ 16,555</u>	<u>\$ 148,755</u>	<u>\$ 188,741</u>

**19. CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE**

For fiscal year 2001, the District has implemented GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. At June 30, 2001 there was no effect on fund balances as a result of implementing GASB 33.

**PYMATUNING VALLEY LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**20. FUND DEFICITS**

Fund Deficits:

Fund balances at June 30, 2001, included the following individual fund/retained earnings deficits:

<u>Special Revenue Funds</u>	
Title I	\$ (32,141)
Title VI-R	\$ (17,115)
<u>Proprietary Funds</u>	
Uniform School Supplies	\$ (943)

This fund deficits resulted from adjustments for accrued liabilities. The general fund is liable for any deficits in the fund and provides operating transfers when cash is required, not when accruals occur.

**21. RESTATEMENT OF FUND BALANCES**

In prior years, the District reported employee insurance activities with its fiscal agent within the governmental and enterprise funds rather than establishing an Internal Service Fund for this purpose. Effective with fiscal year 2001, all employee insurance activity with the fiscal agent is recorded in the Internal Service Fund. The effect of this change in reporting is a restatement of fund balances at June 30, 2000 for the governmental and enterprise funds as follows:

<u>Fund</u>	<u>Prior Year Ending Fund Balance</u>	<u>Adjustment</u>	<u>Current Year Beginning Fund Balance</u>
General	\$1,851,616	(\$774,473)	\$1,077,143
Special Revenue	122,862	( 48,830)	74,032
Enterprise	118,862	(34,841)	83,404
Internal Service	0	858,144	858,144

**PYMATUING VALLEY LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2001**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
<i>Passed Through The Ohio Department of Education:</i>						
<b><i>Nutrition Cluster:</i></b>						
Food Distribution Program	N/A	10.550	-	\$22,892	-	\$23,325
School Breakfast Program	05-PU 00 05-PU 01	10.553	\$6,863 27,704	- -	\$6,863 27,704	- -
<b>Subtotal -- School Breakfast Program</b>			<b>34,567</b>	<b>-</b>	<b>34,567</b>	<b>-</b>
National School Lunch Program	LL-P1 2000 LL-P4 2000 LL-P1 2001 LL-P4 2001	10.555	28,643 6,136 104,132 21,594	- - - -	28,643 6,136 104,132 21,594	- - - -
<b>Subtotal -- School National School Lunch Program</b>			<b>160,505</b>	<b>-</b>	<b>160,505</b>	<b>-</b>
<b>Total U.S. Department of Agriculture – Nutrition Cluster</b>			<b>\$195,072</b>	<b>\$22,892</b>	<b>\$195,072</b>	<b>\$23,325</b>
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>						
<i>Passed Through The Ohio Department of Mental Retardation and Disabilities</i>						
<b><i>Medicaid Cluster:</i></b>						
Medical Assistance Program	FY2001	93.778	<b>22,357</b>	-	<b>22,357</b>	-
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
<i>Passed Through The Ohio Department of Education:</i>						
Grants to Local Educational Agencies Title I School Subsidy	C1-S1-2000 C1-S1-2001	84.010	\$61,501 262,282	- -	\$87,494 238,416	- -
<b>Total – Title I School Subsidy</b>			<b>323,783</b>	<b>-</b>	<b>325,910</b>	<b>-</b>
Drug Free Education – Subsidy	DR-S1-2001	84.186	<b>5,878</b>	-	<b>5,878</b>	-
Goals 2000 State and Local Education Systemic Improvement	G2-S2-2000 G2-S2-2001	83.276	14,000 13,000	- -	14,694 -	- -
<b>Total – Goals 2000</b>			<b>27,000</b>	<b>-</b>	<b>14,694</b>	<b>-</b>
Eisenhower Professional Development State Grant	MS-S1-2001	84.281	<b>7,471</b>	-	<b>7,471</b>	-
Chapter 2 Innovative Education Program Strategies Chapter 2 – Subsidy	CS-S1-2000 CS-S1-2001	84.298	5,130 7,015	- -	7,329 7,015	- -
<b>Total – Chapter 2 Subsidy</b>			<b>12,145</b>	<b>-</b>	<b>14,344</b>	<b>-</b>
Title VI - R Class Size Reduction Subsidy	CS-S1-2000 CS-S1-2001	84.340	- 26,829	- -	5,402 36,442	- -
<b>Total – Class Size Reduction Subsidy</b>			<b>26,829</b>	<b>-</b>	<b>41,844</b>	<b>-</b>
<b>Total – U.S. Department of Education</b>			<b>\$403,106</b>	<b>-</b>	<b>\$410,141</b>	<b>-</b>
<b>Totals</b>			<b>\$620,535</b>	<b>\$22,892</b>	<b>\$627,570</b>	<b>\$23,325</b>

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

**PYMATUNING VALLEY LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR FISCAL YEAR ENDED JUNE 30, 2001**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying schedule of federal awards expenditures is a summary of activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

**NOTE B- FOOD DISTRIBUTION**

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2001, had no significant food commodities in inventory.

**NOTE C - MATCHING REQUIREMENTS**

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

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STATE OF OHIO  
OFFICE OF THE AUDITOR

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON  
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To The Board of Education:

We have audited the financial statements of Pymatuning Valley Local School District as of and for the year ended June 30, 2001, and have issued our report thereon dated December 21, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether Pymatuning Valley Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 21, 2001

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Pymatuning Valley Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 21, 2001.

This report is intended for the information and use of management, the Board, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

**Jim Petro**  
Auditor of State

December 21, 2001



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

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

To The Board of Education:

**Compliance**

We have audited the compliance of Pymatuning Valley Local School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2001. Pymatuning Valley Local School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Pymatuning Valley Local School District's management. Our responsibility is to express an opinion on Pymatuning Valley Local School District's compliance based on our audit.

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

In our opinion, Pymatuning Valley Local School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2001. We noted one instance of noncompliance that does not require inclusion in this report that we have reported to the management of Pymatuning Valley Local School District in a separate letter dated December 21, 2001.

**Internal Control Over Compliance**

The management of Pymatuning Valley Local School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs.

In planning and performing our audit, we considered Pymatuning Valley Local School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of management, the Board, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

**Jim Petro**  
Auditor of State

December 21, 2001

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505**

**PYMATUNING VALLEY LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY  
JUNE 30, 2001**

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

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

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None

PYMATUNING VALLEY LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY  
JUNE 30, 2001

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

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2000-11104-001	Failure to reconcile inventory records for the food commodities program.	Yes	



STATE OF OHIO  
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**PYMATUNING VALLEY LOCAL SCHOOL DISTRICT**

**ASHTABULA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 15, 2002**