



**Auditor of State
Betty Montgomery**

**PYMATUNING VALLEY LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY**

For the Year Ended June 30, 2004

Table of Contents

Independent Accountant's Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets.....	13
Statement of Activities.....	14
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	16
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	17
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund.....	20
Statement of Fund Assets – Proprietary Fund.....	21
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Fund	22
Statement of Cash Flows – Proprietary Fund	23
Statement of Fiduciary Net Assets – Fiduciary Funds.....	24
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds.....	25
Notes to the Basic Financial Statements.....	27
Schedule of Federal Awards Expenditures.....	57
Notes to Schedule of Federal Awards Expenditures	58
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	59
Independent Accountants' Report on Compliance with Requirements Applicable To Its Major Federal Program and on Internal Control Over Compliance In Accordance with OMB Circular A-133	61
Schedule of Findings	63

This page intentionally left blank.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANT'S REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pymatuning Valley Local School District, Ashtabula County, Ohio (the District), as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Pymatuning Valley Local School District, Ashtabula County, Ohio, as of June 30, 2004, and the respective changes in financial position and cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 19, during the year ended June 30, 2004, the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Managements Discussion and Analysis for State and Local Governments* and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial*.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 25, 2005 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to form opinions on the financial statements that collectively comprise the School District's basic financial statements. The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Betty Montgomery
Auditor of State

July 25, 2005

Pymatuning Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

The discussion and analysis of Pymatuning Valley Local School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the transmittal letter, notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2004 are as follows:

Overall:

- For governmental activities, net assets increased \$7.5 million, which represents a 60 percent increase from 2003.
- General revenues accounted for \$11.6 million in revenue or 58 percent of all governmental revenues. Program specific revenues in the form of charges for services and sales, grants and contributions and capital grants and contributions accounted for \$8.36 million or 42 percent of total governmental revenues of \$19.95 million.
- The District had \$12.45 million in expenses related to governmental activities; with \$8.36 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$11.6 million were adequate to provide for the remainder of these programs.
- Among major funds, the general fund had \$10.18 million in revenues and \$10.20 million in expenditures. The general fund's fund balance decreased to \$1.83 million from \$1.86 million.

Pymatuning Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

Using this Report

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

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term and what remains for future spending. The fund financial statements also look at the District's most significant funds with all other non-major funds presented in total in one column. In the case of Pymatuning Valley Local School District, the general fund and Classroom Facilities fund are by far the most significant funds. The District has also included the Building Fund and Debt Service fund as major funds to show the full financial impact of its new School Building Construction program.

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains a large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2004?" The Statement of Net Assets and the Statement of Activities answers this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

Pymatuning Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

In the Statement of Net Assets and the Statement of Activities, the District has one distinct kind of activity:

- **Governmental Activities** - The District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major funds begins on page 16. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions, however, these financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund, debt service fund, building fund and classroom facilities fund.

Governmental Funds Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual*, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the District's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or difference) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the financial statements.

Proprietary Funds Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match the information provided in statements for the District as a whole.

Pymatuning Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

The District as a Whole

Governmental Activities

Table 1 shows net assets for fiscal year 2004. Since this is the first year the District has prepared financial statements following GASB Statement 34, net asset comparisons to prior fiscal years are not available.

Table 1
Net Assets

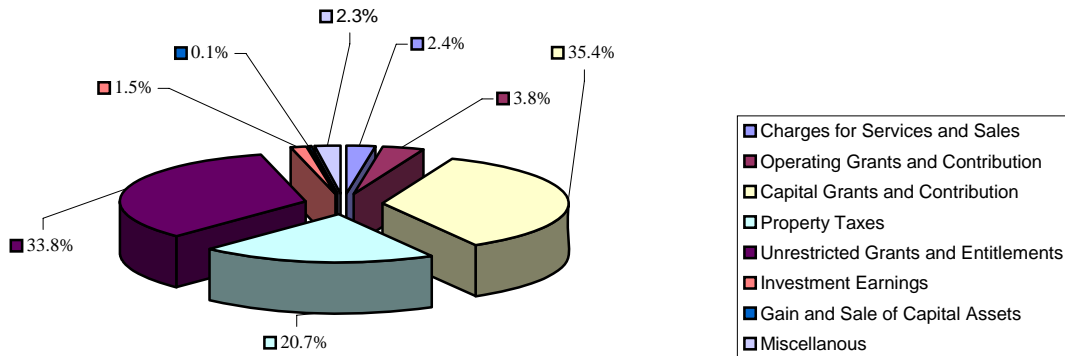
	<u>Governmental Activities -2004</u>
<u>Assets</u>	
Current and Other Assets	\$36,399,309
Capital Assets	<u>5,345,278</u>
 Total Assets	 <u><u>41,744,587</u></u>
 <u>Liabilities</u>	
Long-Term Liabilities	8,077,017
Other Liabilities	<u>14,960,016</u>
 Total Liabilities	 <u><u>23,037,033</u></u>
 <u>Net Assets</u>	
Invested in Capital Assets Net of Debt	2,841,233
Restricted	13,750,078
Unrestricted (Deficit)	<u>2,116,243</u>
Total Net Assets	<u><u>\$18,707,554</u></u>

What are the District's Revenue Sources?

The following pie graph provides a summary of the District's Governmental Activities revenue sources for 2004.

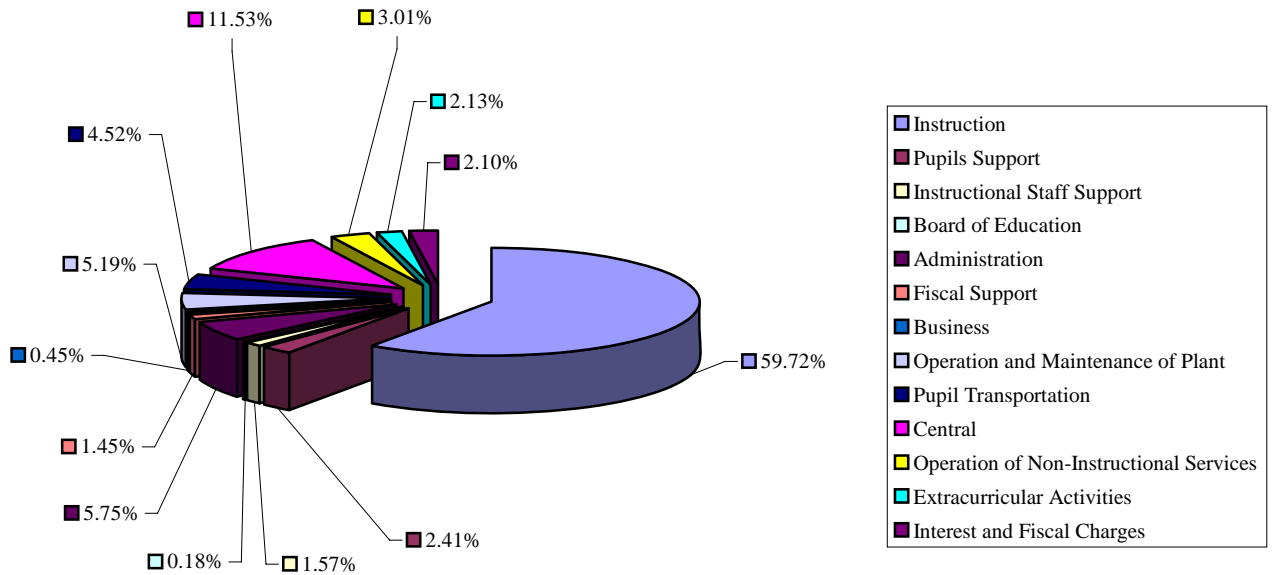
Pymatuning Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

Revenues - Percentage View



Where does the District spend its revenues?

Expenditures - Percentage View



Pymatuning Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a voted levy does not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Thus, districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to voters to maintain a constant level of service. Property taxes made up 20.7 percent of revenue for governmental activities for Pymatuning Valley Local School District in fiscal year 2004, due to a large amount of revenue from grants and entitlements.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 2 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted state entitlements.

Table 2
Total and Cost of Program Services-
Governmental Activities

	Total Cost of Service	Net Cost of Service
Instruction	\$ 5,998,700	\$ (2,071,027)
Support Services		
Pupil and Instruction Staff	638,970	638,970
Board of Education, Administration, Fiscal and Business	1,254,449	1,254,449
Operation and Maintenance of Plant	832,126	832,126
Pupil Transportation	724,895	724,895
Central	1,848,618	1,848,618
Operation of Non-Instructional Services	482,120	301,610
Extracurricular Activities	342,174	236,558
Interest and Fiscal Charges	336,207	336,207
Total Expenses	\$ 12,458,259	\$ 4,102,406

Pymatuning Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

The dependence upon general tax revenues for governmental activities is apparent when the 7.1million School Construction grant is removed from the analysis of instructional expenses. Over 43.42 percent of instruction activities are supported through taxes and other general revenues; for all governmental activities (including the 7.1million) general revenue support is 35.36 percent as shown in the above table. The community, as a whole, is by far the primary support for Pymatuning Valley Local School District students.

The District's Funds

Information about the District's major funds starts on page 16. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$19.24 million and expenditures of \$14.56 million. The net change in fund balance for the year was increased by \$4.68 million for fiscal year 2004.

General Fund Budgeting Highlights

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

During the course of fiscal year 2004 the District amended its General Fund budget numerous times. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

During the course of fiscal year 2004 the General Fund, budget revenue was inline with the original budget estimate. Total actual expenditures on the budget basis (cash outlays plus encumbrances) were also in line with projections.

Capital Assets and Debt Administration

At the end of fiscal year 2004, the District had \$5.34 million (net) invested in land, buildings, equipment and vehicles in governmental activities.

Table 3 shows fiscal 2004 net fixed asset balances for governmental type activities compared to the prior fiscal year.

Pymatuning Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

Table 3

Capital Assets
(Net of Accumulated Depreciation)

	Governmental Type Activities	
	<u>2004</u>	<u>2003</u>
Land and Improvements	\$2,981,232	\$478,147
Buildings and Improvements	1,492,110	1,608,255
Furniture, Equipment and Fixtures	53,324	38,437
Vehicles	224,347	273,859
Library and Textbooks	594,265	594,265
Construction in Progress	2,503,085	0
Totals	\$7,848,363	\$2,992,963

The increase in capital assets is due to the District's on going building construction project.

Set-Aside Requirements

For fiscal year 1999, a change in Ohio law required school districts to set aside two percent of certain revenues for capital improvements and an additional two-percent for textbooks; this amount was increased to three percent beginning in fiscal year 2000. For fiscal year 2004, this amounted to \$199,793 for each set aside.

The District maintained a \$148,755 budgetary stabilization reserve.

Debt

Currently, the District has \$7,215,000 of Notes/Bonds Payable at June 30, 2004. For additional detail, see Note 13.

Pymatuning Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

Current Financial Related Activities

Pymatuning Valley Local School District is strong financially. As the preceding information shows, the District heavily depends on its property taxpayers. With the passage of a 3.89 mill operating levy and collection beginning in January 2004, the District has been able to continue its education programs. However, financially the future is not without challenges.

While the District was successful in increasing its tax revenue base in 2004, this increase is a one-time increase. State law fixes the amount of this increase, forcing it to remain nearly constant. Thus management must diligently plan expenses, staying carefully within the District's five-year forecast.

Declining state foundation payments due to charge-offs by the state provide no significant increase in future revenues. Increases in property tax revenues that do occur are offset by decreases in state foundation payments. With its major source of revenue not keeping pace with expenditure increases, the District must seek additional tax revenue to continue current operations. However, the District cannot look to the State of Ohio for increased revenue and must be on the look out for unexpected additional budget reductions initiated by the Governor.

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that it thorough and efficient..." The District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations. Virtually, no additional state revenue will be available to Pymatuning Valley Local School District. Thus, both taxes and state revenue are fixed or declining. The scenario requires management to plan carefully and prudently to provide the resources to meet student needs over the next several years.

Contacting the District's Financial Management

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

This page intentionally left blank.

Pymatuning Valley Local School District
Statement of Net Assets
June 30, 2004

		<u>Governmental Activities</u>
Assets		
Equity in Pooled Cash and Investments	\$	20,752,296
Receivables:		
Taxes		4,261,171
Accounts Intergovernmental		1,544
Inventory Held for Resale		9,528,001
Restricted Assets:		
Cash and Cash Equivalents		10,268
Cash and Cash Equivalents in Segregated Accounts		
With Fiscal Agents		204,410
Materials and Supplies Inventory		1,639,968
Nondepreciable Capital Assets		1,651
Depreciable Capital Assets, Net		2,981,232
		<u>2,364,046</u>
<i>Total Assets</i>	\$	<u>41,744,587</u>
Liabilities		
Accounts Payable	\$	393,306
Contracts Payable		815,083
Accrued Wages and Benefits		1,257,163
Intergovernmental Payable		95,887
Pension Obligation Payable		107,719
Deferred Revenue		12,059,082
Claims Payable		231,776
Long-Term Liabilities:		
Due Within One Year		355,200
Due Within More Than One Year		7,721,817
		<u>7,721,817</u>
<i>Total Liabilities</i>	\$	<u>23,037,033</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	\$	2,841,233
Restricted for:		
Capital Projects		13,645,341
Other Purposes		104,737
Unrestricted (Deficit)		2,116,243
		<u>2,116,243</u>
<i>Total Net Assets</i>	\$	<u><u>18,707,554</u></u>

See accompanying notes to the basic financial statements

Pymatuning Valley Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2004

	Program Revenues		
	Expenses	Charges for Services and Sales	Operating Grants and Contributions
Governmental Activities			
Instruction:			
Regular	\$ 4,375,691	\$ 193,312	\$ 467,438
Special	1,043,026	-	300,261
Vocational	284,243	-	-
Adult/Continuing	9,789	-	-
Other	285,951	-	-
Support Services:			
Pupils	386,419	-	-
Instructional Staff	252,551	-	-
Board of Education	29,122	-	-
Administration	921,656	-	-
Fiscal	232,044	-	-
Business	71,627	-	-
Operation and Maintenance of Plant	832,126	-	-
Pupil Transportation	724,895	-	-
Central	1,848,618	-	-
Operation of Non-Instructional Services	482,120	180,510	-
Extracurricular Activities	342,174	105,616	-
Interest and Fiscal Charges	336,207	-	-
<i>Total Governmental Activities</i>	<u>12,458,259</u>	<u>479,438</u>	<u>767,699</u>

General Revenues

- Property Taxes Levied for:
 - General Purposes
 - Debt Service
 - Capital Purposes
 - Other Purposes
- Grants and Entitlements not Restricted to Specific Programs
- Investment Earnings
- Gain on Sale of Capital Assets
- Refund of Prior Year Expenditures
- Other Non-operating Revenues
- Miscellaneous

Total General Revenues

Changes in Net Assets

Net Assets Beginning of Year - As Restated, See Note 19

Net Assets End of Year

See accompany notes to the basic financial statements

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets	Governmental Activities
7,108,716	\$	3,393,775
-		(742,765)
-		(284,243)
-		(9,789)
-		(285,951)
-		(386,419)
-		(252,551)
-		(29,122)
-		(921,656)
-		(232,044)
-		(71,627)
-		(832,126)
-		(724,895)
-		(1,848,618)
-		(301,610)
-		(236,558)
-		(336,207)
7,108,716		(4,102,406)

\$	3,435,712
	657,795
	12,130
	52,350
	6,785,162
	184,617
	21,907
	22,240
	344,144
	87,267
	11,603,324
	7,500,918
	11,206,636
\$	18,707,554

Pymatuning Valley Local School District
Balance Sheet
Governmental Funds
June 30, 2004

	General	Debt Service Fund	Building Fund	Classroom Facilities Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Investments	\$ 1,919,596	\$ 211,224	\$ 2,769,302	\$ 15,272,805	\$ 579,369	\$ 20,752,296
Receivables:						
Taxes	3,487,657	668,327	-	-	105,187	4,261,171
Accounts	307	-	-	-	1,237	1,544
Intergovernmental	-	-	-	9,501,006	26,995	9,528,001
Inventory Held for Resale	-	-	-	-	10,268	10,268
Restricted Assets:						
Cash and Cash Equivalents	204,410	-	-	-	-	204,410
Materials and Supplies Inventory	-	-	-	-	1,651	1,651
Interfund Receivables	43,881	-	-	-	-	43,881
Total Assets	5,655,851	879,551	2,769,302	24,773,811	724,707	34,803,222
Liabilities						
Accounts Payable	49,957	-	2,489	16,889	10,110	79,445
Contracts Payable	-	-	-	723,003	89,591	812,594
Accrued Wages and Benefits	1,007,183	-	-	-	74,881	1,082,064
Compensated Absences Payable	36,178	-	-	-	-	36,178
Pension Obligation Payable	61,207	-	-	-	4,597	65,804
Interfund Payable	-	22,957	-	-	20,924	43,881
Due to Other Funds	284,698	-	-	-	31,652	316,350
Intergovernmental Payable	40,001	-	-	-	2,042	42,043
Deferred Revenue	2,344,247	447,330	-	9,501,006	87,806	12,380,389
Total Liabilities	3,823,471	470,287	2,489	10,240,898	321,603	14,858,748
Fund Balances						
Reserved for:						
Encumbrances	41,831	-	60,039	2,362,687	23,713	2,488,270
Textbooks	21,706	-	-	-	-	21,706
Capital Maintenance	25,473	-	-	-	-	25,473
Property Taxes	1,143,410	220,997	-	-	17,381	1,381,788
Budget Stabilization	148,755	-	-	-	-	148,755
Undesignated, Reported in:						
General Fund	451,205	-	-	-	-	451,205
Special Revenue Funds	-	-	-	-	129,485	129,485
Debt Service Funds	-	188,267	-	-	-	188,267
Capital Projects Funds	-	-	2,706,774	12,170,226	232,525	15,109,525
Total Fund Balances	1,832,380	409,264	2,766,813	14,532,913	403,104	19,944,474
Total Liabilities and Fund Balances	\$ 5,655,851	\$ 879,551	\$ 2,769,302	\$ 24,773,811	\$ 724,707	\$ 34,803,222

See accompany notes to the basic financial statements

Pymatuning Valley Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2004*

Total Governmental Fund Balances \$ 19,944,474

***Amounts reported for governmental activities in the
 statement of net assets are different because***

Capital assets used in governmental activities are not financial
 resources and therefore are not reported in the funds. 5,345,278

An internal service fund is used by management to charge the
 cost of insurance to individual funds. The assets and liabilities
 of the internal service fund are included in governmental
 activities in the statement of net assets. 1,233,093

Long-term liabilities, including bonds, notes payable, are not due and
 payable in the current period and therefore are not reported in
 the funds.

Pension Obligation	(41,915)
Compensated Absences	(824,879)
Deferred Revenue	321,307
General Obligation Bonds Payable	(7,215,000)
Intergovernmental Payable	(53,844)
Capital Lease Payable	(960)
	(7,815,291)

Total (7,815,291)

Net Assets of Governmental Activities \$ 18,707,554

See accompany notes to the basic financial statements

Pymatuning Valley Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2004

	General	Debt Service Fund	Building Fund	Classroom Facilities Fund	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes	\$ 3,168,255	\$ 608,029	\$ -	\$ -	\$ 60,396	\$ 3,836,680
Intergovernmental	6,714,099	71,063	-	7,044,101	832,314	14,661,577
Interest	32,890	-	49,246	88,853	75	171,064
Tuition and Fees	191,791	-	-	-	-	191,791
Extracurricular Activities	-	-	-	-	105,616	105,616
Food Service	-	-	-	-	180,510	180,510
Classroom Materials and Fees	-	-	-	-	1,521	1,521
Miscellaneous	23,140	-	-	-	3,343	26,483
Total Revenues	10,130,175	679,092	49,246	7,132,954	1,183,775	19,175,242
Expenditures						
Current:						
Instruction:						
Regular	4,869,115	-	-	-	181,399	5,050,514
Special	707,904	-	-	-	361,016	1,068,920
Vocational	292,914	-	-	-	-	292,914
Other	285,951	-	-	-	9,789	295,740
Support Services:						
Pupils	424,144	-	-	-	11,124	435,268
Instructional Staff	232,892	-	-	-	17,905	250,797
Board of Education	29,122	-	-	-	-	29,122
Administration	1,056,760	-	-	-	722	1,057,482
Fiscal	241,201	-	-	-	2,659	243,860
Business	35,297	-	-	-	1,100	36,397
Operation and Maintenance of Plant	890,151	-	-	-	-	890,151
Pupil Transportation	772,205	-	-	-	63,262	835,467
Central	23,885	-	-	-	9,000	32,885
Operation of Non-Instructional Services	25,941	-	-	-	431,594	457,535
Extracurricular Activities	295,120	-	-	-	104,308	399,428
Capital Outlay	-	-	100,698	2,402,387	89,591	2,592,676
Debt Service:						
Principal Retirement	-	233,065	-	-	-	233,065
Interest and Fiscal Charges	-	336,207	-	-	-	336,207
Total Expenditures	10,182,602	569,272	100,698	2,402,387	1,283,469	14,538,428
<i>Excess of Revenue Over/(Under) Expenditures</i>	(52,427)	109,820	(51,452)	4,730,567	(99,694)	4,636,814
Other Financing Sources (Uses)						
Proceeds from Sale of Fixed Assets	25,064	-	-	-	-	25,064
Proceeds of Notes	-	-	-	-	-	-
Refund of Prior Year Expenditures	22,240	-	-	-	-	22,240
Transfer In	-	-	-	-	21,167	21,167
Transfer Out	(21,167)	-	-	-	-	(21,167)
Total Other Financing Sources (Uses)	26,137	-	-	-	21,167	47,304
Net Change in Fund Balances	(26,290)	109,820	(51,452)	4,730,567	(78,527)	4,684,118
<i>Fund Balances Beginning of Year As Restated, See Note 19</i>	1,858,670	299,444	2,818,265	9,802,346	481,631	15,260,356
Fund Balances End of Year	\$ 1,832,380	\$ 409,264	\$ 2,766,813	\$ 14,532,913	\$ 403,104	\$ 19,944,474

See accompany notes to the basic financial statements

Pymatuning Valley Local School District
*Reconciliation of the Statement of Revenues, Expenditures
and Changes in the Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended June 30, 2004*

Net Change in Fund Balances - Total Governmental Funds \$ 4,684,118

***Amounts reported for governmental activities in the
statement of activities are different because***

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Fixed Assets Additions	2,612,306	
Current Year Depreciation	<u>(256,834)</u>	

Total		2,355,472
-------	--	-----------

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

Taxes		321,307
-------	--	---------

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

230,000

Some expenses reported in the statement of activities, such as compensated absences and intergovernmental payable which represents contractually required pension contributions, do not required the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Pension Obligation Payable	(71,541)	
Compensated Absences Payable	<u>(149,767)</u>	

Total		(221,308)
-------	--	-----------

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

131,329

<i>Change in Net Assets of Governmental Activities</i>		<u><u>\$ 7,500,918</u></u>
--	--	----------------------------

See accompany notes to the basic financial statements

Pymatuning Valley Local School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
General Fund
For the Fiscal Year Ended June 30, 2004

	Budgeted Amount			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Taxes	\$ 3,173,529	\$ 3,041,895	\$ 3,041,895	\$ -
Intergovernmental	6,194,949	6,573,980	6,725,719	151,739
Interest	30,553	32,423	33,171	748
Classroom Materials and Fees	176,656	187,464	191,791	4,327
Miscellaneous	21,045	22,333	22,848	515
Total Revenues	9,596,732	9,858,095	10,015,424	157,329
Expenditures:				
Current:				
Instruction:				
Regular	4,963,845	4,646,092	4,646,398	(306)
Special	758,284	709,790	709,790	-
Vocational	310,568	290,707	290,707	-
Other	305,487	285,951	285,951	-
Total Instruction	6,338,184	5,932,540	5,932,846	(306)
Support Services:				
Pupils	454,851	425,762	425,762	-
Instructional Staff	261,966	245,213	245,213	-
Board of Education	31,073	29,086	29,086	-
Administration	1,118,923	1,047,366	1,047,366	-
Fiscal	250,494	234,474	234,474	-
Business	39,498	36,972	36,972	-
Operation and Maintenance of Plant	928,762	869,366	869,366	-
Pupils Transportation	812,953	760,963	760,963	-
Central	54,470	50,987	50,987	-
Total Support Services	3,952,990	3,700,189	3,700,189	-
Operation of Non-Instructional Services	27,753	25,978	25,978	-
Extracurricular Activities	309,275	289,496	289,496	-
Total Expenditures	\$ 10,628,202	\$ 9,948,203	\$ 9,948,509	\$ (306)
<i>Excess of Revenues Over/(Under) Expenditures</i>	(1,031,470)	(90,108)	66,915	157,023
Other Financing Sources (Uses):				
Proceeds from Sale of Fixed Assets	-	25,064	25,064	-
Refund of Prior Year Expenditures	-	29,134	29,134	-
Advances In	-	4,019	4,019	-
Advances Out	-	(43,881)	(43,881)	-
Transfers Out	-	(21,167)	(21,167)	-
Total Other Financing Sources (Uses)	-	(6,831)	(6,831)	-
Net Change in Fund Balance	(1,031,470)	(96,939)	60,084	157,023
Fund Balance at The Beginning of Year	2,032,925	2,032,925	2,032,925	-
Prior Year Encumbrances Appropriated	25,973	25,973	25,973	-
Fund Balance at The End of Year	\$ 1,027,428	\$ 1,961,959	\$ 2,118,982	\$ 157,023

See accompanying notes to the financial statements

Pymatuning Valley Local School District
Statement of Fund Assets
Proprietary Funds
June 30, 2004

	<u>Governmental Activities - Internal Service Fund</u>
Assets	
Cash and Cash Equivalents:	
With Fiscal Agents	\$ 1,639,968
Due from Other Funds	<u>316,350</u>
<i>Total Assets</i>	<u><u>1,956,318</u></u>
Liabilities	
Accounts Payable	316,350
Claims Payable	<u>231,776</u>
<i>Total Liabilities</i>	548,126
Net Assets	
Unrestricted	<u>1,408,192</u>
<i>Total Net Assets (Deficit)</i>	<u><u>\$ 1,408,192</u></u>

See accompanying notes to the basic financial statements

Pymatuning Valley Local School District
*Statement of Revenues,
Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2004*

	<u>Governmental Activities - Internal Service Fund</u>
Operating Revenues	
Charges for Services	<u>\$ 1,414,266</u>
<i>Total Operating Revenues</i>	1,414,266
Operating Expenses	
Claims	<u>1,640,634</u>
<i>Total Operating Expenses</i>	<u>1,640,634</u>
<i>Operating Income (Loss)</i>	(226,368)
Non-Operating Revenues (Expenses)	
Interest	13,553
Other Non-operating Revenues	<u>344,144</u>
<i>Total Non-Operating Revenues</i>	<u>357,697</u>
<i>Change in Net Assets</i>	131,329
<i>Net Assets (Deficit) Beginning of Year</i>	<u>1,276,863</u>
<i>Net Assets (Deficit) End of Year</i>	<u><u>\$ 1,408,192</u></u>

See accompanying notes to the basic financial statements

Pymatuning Valley Local School District
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2004

	<u>Governmental Activities - Internal Service Fund</u>
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Customers	\$ 1,575,849
Cash Received from Other Funds	
Cash Payments for Claims	<u>(1,482,168)</u>
<i>Net Cash Provided by (Used in) Operating Activities</i>	93,681
Cash Flows from Investing Activities	
Interest on Investments	<u>13,553</u>
<i>Net Cash Provided by (Used by) Investing Activities</i>	<u>13,553</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	107,234
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>1,532,734</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$ 1,639,968</u></u>
 Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities	
<i>Operating Income (Loss)</i>	\$ (226,368)
Adjustments:	
Other Non-Operating Revenues	344,144
(Increase) Decrease in Assets:	
Accounts Receivable	1,586
Due from Other Funds	(60,784)
Increase (Decrease) in Liabilities:	
Accounts Payable	60,784
Claims Payable	<u>(25,681)</u>
<i>Total Adjustments</i>	<u>320,049</u>
<i>Net Cash Provided by (Used in) Operating Activities</i>	<u><u>\$ 93,681</u></u>

See accompanying notes to the basic financial statements

Pymatuning Valley Local School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2004

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 26,689	\$ 42,672
<i>Total Assets</i>	26,689	42,672
Liabilities		
Accounts Payable	-	819
Due to Students	-	41,853
<i>Total Liabilities</i>	-	\$ 42,672
Net Assets		
Held in Trust for Scholarships	26,689	
<i>Total Net Assets</i>	\$ 26,689	

See accompanying notes to the basic financial statements

Pymatuning Valley Local School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2004

	Private Purpose Trust
	Scholarship
Addition	
Interest	\$ 326
Other Revenues	100
	426
<i>Change in Net Assets</i>	426
<i>Net Assets Beginning of Year, as restated see Note 19</i>	26,263
<i>Net Assets End of Year</i>	\$ 26,689

See accompanying notes to the basic financial statements

This page intentionally left blank.

Pymatuning Valley Local School
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2004

Note 1 – Description of the School District and 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 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, 2003, was 1,433. The District employed 95 certified employees and 51 non-certificated employees. The District is supervised by the Ashtabula County Educational Service Center, a separate entity.

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 accompanying basic 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.

Pymatuning Valley Local School
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2004

Note 1 – Description of the School District and Reporting Entity (Continued)

A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's 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.

Note 2 – Summary of Significant Accounting Policies

The financial statements of the Pymatuning Valley Local School (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 District also applies Financial Accounting Standard Board (FASB) statements and interpretations issued after November 30, 1989, to its governmental and business activities, and its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the District's accounting policies are described below.

A. Fund Accounting

The District uses funds 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 defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group 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.

For financial statement presentation purposes, the various funds of the District are group into the following generic fund type under the board fund categories: governmental, proprietary and fiduciary.

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

Pymatuning Valley Local School
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2004

Note 2 – Summary of Significant Accounting Policies (Continued)

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.

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

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

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

Proprietary Fund Type The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District, or to other governments, on a cost reimbursement basis. The only internal service fund of the School District accounts for a self-insurance program which provides medical, dental and vision benefits to employees.

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

B. Basis Of Presentation

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the School District that are governmental (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges).

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

Pymatuning Valley Local School
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2004

Note 2 – Summary of Significant Accounting Policies (Continued)

earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self financing or draws from the general revenues of the School District.

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

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

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary fund also use the accrual basis of accounting.

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

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 5). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest, tuition, grants, student fees and rentals. Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Pymatuning Valley Local School
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2004

Note 2 – Summary of Significant Accounting Policies (Continued)

Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On the modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

D. Budget and Budgetary Accounting

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

Tax Budget 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. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

Estimated Resources 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.

Appropriations 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 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.

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
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2004

Note 2 – Summary of Significant Accounting Policies (Continued)

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

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 Federal agency bonds and notes, certificates of deposit, the State Treasury Asset Reserve of Ohio (STAR Ohio) and repurchase agreements.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2004.

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, all investment earnings accrue to the General Fund, School Construction Fund, Private-Purposes Trust Fund and Internal Service Fund, as authorized by board resolution. Interest income earned in fiscal year 2004 totaled \$184,617

F. Taxes Receivable

The financial statements reflect taxes receivable as of June 30, 2004. 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 is not due at June 30, 2004 and accordingly has 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, donated food, purchased food, and general supplies.

Pymatuning Valley Local School
 Ashtabula County
 Notes to the Basic Financial Statements
 For the Year Ended June 30, 2004

Note 2 – Summary of Significant Accounting Policies (Continued)

The cost of the governmental fund type inventories are recorded as expenditures when purchased (purchased 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.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2004, 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.

I. Capital Assets

Capital 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 governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements.

All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Interest incurred during the construction of capital assets is also capitalized. 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.

All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful live of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives
Building and Improvements	30 - 50 years
Furniture	20 years
Equipment	10 -20 years
Fixtures	15 years
Vehicles	10 years

J. Interfund Balances

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

Pymatuning Valley Local School
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2004

Note 2 – Summary of Significant Accounting Policies (Continued)

K. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid from them are not presented on the financial statements.

L. 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 should be reduced to the maximum amount allowed as a termination payment. Accruals for those employees who are expected to become eligible in the future should be based on assumptions concerning the probability that individual employees or class or group of employees will become eligible to receive termination payments. This method is known as the vesting method. All employees with ten or more years of service were included in the calculation of the long-term compensated absences accrual amount.

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.

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

The current portion of unpaid compensated absence, which expected to be paid using the available expendable resources, is reported on the governmental funds financial statements. The amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The non-current portion of the liability is not reported.

M. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

Pymatuning Valley Local School
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2004

Note 2 – Summary of Significant Accounting Policies (Continued)

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. In general, liabilities that mature or come due for payment during the fiscal year are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements when due.

N. Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriations or expenditures. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, and property taxes.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The net assets held in trust for scholarships signify the legal restrictions on the use of principal.

O. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2004.

Pymatuning Valley Local School
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2004

Note 2 – Summary of Significant Accounting Policies (Continued)

Q. Estimates

The preparation of the 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.

Note 3 – Budgetary Basis of Accounting

While the District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances –Budget (Non-GAAP Budget Basis) and Actual presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for (GAAP basis).
4. Proceeds from and principal payments on bond and revenue anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund:

Net Change in Fund Balance

Budget Basis	\$	60,084
Net Adjustment for Revenue Accruals		158,632
Net Adjustment for Expenditure Accruals		(270,979)
Adjustment for Encumbrances		25,973
		25,973
GAAP Basis	\$	(26,290)

Pymatuning Valley Local School
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2004

Note 4 – 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 District 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.

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

Pymatuning Valley Local School
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2004

Note 4 – Cash and Investments (Continued)

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;
8. Under limited circumstances, corporate debt interest rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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.

Protection of school 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.

The following information classifies deposits and investments by categories of risk as defined by GASB Statement No. 3, *Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements*.

Deposits At fiscal year end, the carrying amount of the District's deposits was \$5,071,009 and the bank balance was \$5,110,145 of which \$2,423,785 was in certificate of deposit.

Of bank balance, \$200,000 was covered by federal depository insurance and the remaining \$4,910,145 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirement would potentially subject the District to a successful claim by the FDIC.

Investments GASB Statement No. 3, entitled *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*, requires the District's investments to be categorized to give an indication of the level of risk assumed by the District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which are held by the counter party's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter party, or by its trust department or agent but not in the District's name. Investments in STAR Ohio are unclassified investment since they are not evidenced by securities that exist in physical or book entry form. In accordance with GASB 31

Pymatuning Valley Local School
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2004

Note 4 – Cash and Investments (Continued)

the District has recorded an unrealized investment loss of \$123,174 which reduced its total investment earnings of \$307,787 to \$184,617 as of June 30, 2004.

	Category 3	Cost	Fair Value
Categorized Investments:			
Federal Treasury Obligations	\$ 3,508,241	\$ 3,508,241	\$ 3,508,241
Federal Home Loan Mortgage Bank Bonds	3,426,838	3,426,838	3,426,838
Federal Home Loan Bank Bonds	5,259,438	5,259,438	5,259,438
Federal Farm Credit Bank Cons. Bonds	893,250	893,250	893,250
Federal National Mortgage Assoc. Bonds	2,867,291	2,867,291	2,867,291
Total Categorized Investments	<u>\$ 15,955,058</u>	<u>\$ 15,955,058</u>	<u>\$ 15,955,058</u>

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*. A reconciliation between the classifications of cash and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents	Investments
GASB Statement 9	\$ 21,026,067	\$ -
Investments which are part of the Cash Management Pool		
Federal Treasury Obligations	(3,508,241)	\$ 3,508,241
Federal Home Loan Mortgage Bank Bonds	(3,426,838)	3,426,838
Federal Home Loan Bank Bonds	(5,259,438)	5,259,438
Federal Farm Credit Bank Cons. Bonds	(893,250)	893,250
Federal National Mortgage Assoc. Bonds	(2,867,291)	2,867,291
GASB Statement 3	<u>\$ 5,071,009</u>	<u>\$ 15,955,058</u>

Funds Held by Fiscal Agent: The District participates in the OME-RESA Health Insurance Consortium for employee health benefits which is administered by Self-Funded Plans, Inc., also see note 12 B. The District's account balance at fiscal year end for the Employee Benefit Self-Insurance Fund was \$1,639,968. All deposits made to the District's Health Insurance account are managed by Self-Funded Plans, Inc. Collateral is held by a qualified third party trustee in the name of the administrator.

Pymatuning Valley Local School
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2004

Note 5 – 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 2002; an update will be done in 2005. The next revaluation is scheduled for 2008.

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 pay annually or semi-annually, the first payment is 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 proceeding 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.

The Ashtabula County Treasurer collects property taxes 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, 2004 for operations was \$33.63 per \$1,000 of assessed valuation and for permanent improvements, \$5.40 per \$1,000 of assessed valuation. The assessed values of real and tangible personal property on which the fiscal year 2004 taxes were collected were as follows:

Pymatuning Valley Local School
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2004

Note 5 – Property Tax (Continued)

	<u>2004</u>	<u>2003</u>
Real Property		
Commercial/Industrial	\$ 14,080,000	\$ 14,082,890
Residential/Agricultural	88,898,970	87,089,140
Public Utilities	70,510	64,330
 Tangible Personal Property		
Personal	8,968,110	10,619,960
Public Utilities	<u>8,032,720</u>	<u>7,401,520</u>
 Total Valuation	<u>\$ 120,050,310</u>	<u>\$ 119,257,840</u>

Note 6 – Receivables

Receivables at June 30, 2004 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.

A summary of the principal items of Intergovernmental Receivables follows:

Major Governmental Funds	
Classroom Facilities	9,501,006
Non-major Governmental Funds:	
Federal Lunch Reimbursement	<u>\$ 26,995</u>
 Total Intergovernmental Receivable	<u>\$ 9,528,001</u>

Note 7 – Interfund Balances

A. Interfund Transfers

Interfund transfers for the year ended June 30, 2004, consisted of the following, as reported on the fund financial statements:

<u>Fund</u>	<u>Transfer Out</u>	<u>Transfer In</u>
General	\$ 21,167	
Title I		\$ 21,167

Pymatuning Valley Local School
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2004

Note 7 – Interfund Balances (Continued)

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorization. Transfers are also used to close out the funds that are no longer required.

Note 8 – Capital Assets

In fiscal year 2004, the District discovered an understatement on the capital assets and reclassification of capital assets. The District also began to depreciate the capital assets in the governmental activities.

	Balance 6/30/2003	Adjustments	GASB 34 Adjustments	Balance 7/1/2003
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 478,147	\$ -	\$ -	\$ 478,147
<i>Total Capital Assets, not being depreciated:</i>	<u>478,147</u>	<u>-</u>	<u>-</u>	<u>478,147</u>
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	6,581,331	-	-	6,581,331
Improvements other than Buildings	40,316	-	-	40,316
Furniture, Equipment and Fixtures	1,406,994	172,109	-	1,579,103
Vehicles	1,232,717	-	-	1,232,717
<i>Total Capital Assets, being depreciated:</i>	<u>9,261,358</u>	<u>172,109</u>	<u>-</u>	<u>9,433,467</u>
Less Accumulated Depreciation:				
Building and Improvements	-	-	(4,973,076)	(4,973,076)
Furniture, Equipment, and Fixtures	-	-	(1,879)	(1,879)
Vehicles	-	-	(1,305,244)	(1,305,244)
Library and Textbooks	-	-	(638,452)	(638,452)
<i>Total Accumulated Depreciation</i>	<u>-</u>	<u>-</u>	<u>(6,918,651)</u>	<u>(6,918,651)</u>
<i>Total Capital Assets being depreciated, net</i>	<u>9,261,358</u>	<u>172,109</u>	<u>(6,918,651)</u>	<u>2,514,816</u>
Governmental Activities Capital Assets, Net	<u>\$ 9,739,505</u>	<u>\$ 172,109</u>	<u>\$(6,918,651)</u>	<u>\$ 2,992,963</u>

Pymatuning Valley Local School
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2004

Note 8 – Capital Assets (Continued)

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	Balance 7/1/2003	Addition	Deletion	Balance 6/30/2004
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 478,147	\$ -	\$ -	\$ 478,147
Construction-in-progress	-	2,503,085	-	2,503,085
<i>Total Capital Assets, not being depreciated:</i>	<u>478,147</u>	<u>2,503,085</u>	<u>-</u>	<u>2,981,232</u>
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	6,581,331	-	-	6,581,331
Furniture, Equipment and Fixtures	40,316	52,838	(79,323)	13,831
Vehicles	1,579,103	56,383	(161,106)	1,474,380
Library and Textbooks	1,232,717	-	-	1,232,717
<i>Total Capital Assets, being depreciated:</i>	<u>9,433,467</u>	<u>109,221</u>	<u>(240,429)</u>	<u>9,302,259</u>
Less Accumulated Depreciation:				
Building and Improvements	(4,973,076)	(116,145)	-	(5,089,221)
Furniture, Equipment, and Fixtures	(1,879)	(34,794)	76,166	39,493
Vehicles	(1,305,244)	(105,895)	161,106	(1,250,033)
Library and Textbooks	(638,452)	-	-	(638,452)
<i>Total Accumulated Depreciation</i>	<u>(6,918,651)</u>	<u>(256,834)</u>	<u>237,272</u>	<u>(6,938,213)</u>
<i>Total Capital Assets being depreciated, net</i>	<u>2,514,816</u>	<u>(147,613)</u>	<u>(3,157)</u>	<u>2,364,046</u>
Governmental Activities Capital Assets, Net	<u>\$ 2,992,963</u>	<u>\$ 2,355,472</u>	<u>\$ (3,157)</u>	<u>\$ 5,345,278</u>

Pymatuning Valley Local School
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2004

Note 8 – Capital Assets (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 124,230
Vocational	814
Support Services:	
Pupil	1,840
Instructional Staff	9,235
Administration	2,456
Fiscal	308
Business	5,897
Operation and Maintenance of Plant	2,179
Pupil Transportation	90,593
Operation of Non-instructional Services	3,492
Extracurricular Activities	15,790
Total Depreciation Expense	\$ 256,834

B. Interfund Receivable/Payable

The interfund receivable/payable consisted of the following at June 30, 2004, as reported on the fund financial statements:

Fund	Interfund Receivable	Interfund Payable
General	\$ 43,881	
Bond Retirement Fund		\$ 22,957
Reading Intervention		3,255
Title I		17,669

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

Note 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 number of days granted is determined upon length of service. For fiscal year 2004, the superintendent and treasurer were granted twenty days of vacation.

Pymatuning Valley Local School
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2004

Note 9 – Compensated Absences (Continued)

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; certified employees, 295 days and classified employees, 275 days.

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

Note 10 – Defined Benefit Pension Plans

A. School Employees Retirement System

The School 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 State Statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Pymatuning Valley Local School
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2004

Note 10 – Defined Benefit Pension Plans (Continued)

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$173,061, \$159,768, and \$178,776, respectively; 46 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002.

B. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Pymatuning Valley Local School
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2004

Note 10 – Defined Benefit Pension Plans (Continued)

For the fiscal year ended June 30, 2004, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2004, 2003, and 2002 were \$673,761, \$712,440, and \$568,344, respectively; 83.3 percent has been contributed for fiscal year 2004, and 100 percent for fiscal years 2003 and 2002. Contributions to the DC and Combined Plans for fiscal year 2004 were \$8,744 made by the School District and \$15,558 made by the Plan members

Note 11 – Postemployment Benefits

The School 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 costs 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, 2004, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2004 the balance in the Fund was \$3.1 billion. For the year ended June 30, 2004, net health care costs paid by STRS were \$368,739,000 and STRS had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. 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
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2004

Note 11 – 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, 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll, a decrease of .92 percent from fiscal year 2003. 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 2004, the minimum pay has been established as \$25,400.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2004 were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

Note 12 – Risk Management

A. General Risk

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

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

The District maintains fleet insurance in the amount of \$1,000,000 for any one accident or loss. The District maintains replacement cost insurance on buildings and contents in the amount of \$25,665,400 and \$125,000 for equipment breakdown coverage. In addition, the District maintains coverage on musical instruments, computers, band uniforms, audio-visual equipment and electronics.

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

B. Health Insurance

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

Pymatuning Valley Local School
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2004

Note 12 – Risk Management (Continued)

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.

C. Workers' Compensation

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), and insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Boards Association (OSBA). The Executive Director of OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

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

Note 13 – Notes and Long-Term Debt

A summary of changes in long-term obligations for the year ended June 30, 2004, are as follows:

	Principal Outstanding 6/30/2003	Additions	Reductions	Principal Outstanding 6/30/2004	Amounts Due in One Year
Governmental Activities					
2002 Serial Obligation Bonds	\$ 6,050,000	\$ -	\$ (230,000)	\$ 5,820,000	\$ 245,000
2002 Term Obligation Bonds	1,070,000	-	-	1,070,000	-
2002 Capital Appreciation Bonds	325,000	-	-	325,000	-
Capital Lease Payable	4,025	-	(3,065)	960	960
Compensated Absences	820,677	40,380	-	861,057	109,240
Total Governmental Activities Long-Term Liabilities	<u>\$ 8,269,702</u>	<u>40,380</u>	<u>(233,065)</u>	<u>\$ 8,077,017</u>	<u>\$ 355,200</u>

Pymatuning Valley Local School
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2004

Note 13 – Notes and Long-Term Debt (Continued)

Capital Leases The District is making installment payments on Bond instruments capitalized on the Statement of Net Assets. The obligation has an outstanding balance of \$960 as of June 30, 2004. The payment schedule follows:

	Principal	Interest	Payment
FY 2005	960	96	1,056
Total	\$960	\$96	\$1,056

2002 General Obligation Bonds The District issued School Improvement and Classroom Facilities Bonds on April 4, 2002, in the amount of \$7,774,998 at an average rate of 5.04 percent. The purpose of these bonds which included serial bonds, term bonds and capital appreciation bonds, is to pay the local share of school construction under the State of Ohio Classroom Facilities Assistance Program for constructing, furnishing and equipping a new high school auditorium and for the repayment of bond anticipation notes issued for this project. The bonds were issued at a premium of \$258,919. The final maturity amount of the capital appreciation bonds will be \$325,000. The bonds were issued for a twenty-two year period with a maturity date of December 1, 2024.

The annual maturities and related interest of the Serial bonds as of June 30, is as follows:

	Principal	Interest	Payment
FY 2005	\$ 245,000	\$ 263,513	\$ 508,513
FY 2006	260,000	256,045	516,045
FY 2007	185,000	266,148	451,148
FY 2008	90,000	279,700	369,700
FY 2009	95,000	276,090	371,090
FY 2010 - 2014	1,230,000	1,134,955	2,364,955
FY 2014 - 2019	1,865,000	702,370	2,567,370
FY 2020 - 2024	1,850,000	190,750	2,040,750
Total	\$ 5,820,000	\$ 3,369,571	\$ 9,189,571

Pymatuning Valley Local School
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2004

Note 13 – Notes and Long-Term Debt (Continued)

The annual maturities and related interest of the Term bonds as of June 30, is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Payment</u>
FY 2005	\$ -	\$ 53,500	\$ 53,500
FY 2006	-	53,500	53,500
FY 2007	-	36,000	36,000
FY 2008	-	17,500	17,500
FY 2009	-	17,500	17,500
FY 2010 - 2014	-	214,000	214,000
FY 2015 - 2019	-	267,500	267,500
FY 2020 - 2024	520,000	254,500	774,500
FY 2025	<u>550,000</u>	<u>13,750</u>	<u>563,750</u>
Total	<u>\$ 1,070,000</u>	<u>\$ 927,750</u>	<u>\$ 1,997,750</u>

The annual maturities and related interest of the Capital Appreciation bonds as of June 30, is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Payment</u>
FY 2005	\$ -	\$ -	\$ -
FY 2006	-	-	-
FY 2007	48,414	41,586	90,000
FY 2008	92,026	102,974	195,000
FY 2009	80,590	114,410	195,000
FY 2010 - 2014	<u>103,970</u>	<u>196,030</u>	<u>300,000</u>
Total	<u>\$ 325,000</u>	<u>\$ 455,000</u>	<u>\$ 780,000</u>

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 \$120,050. The voted debt limit at June 30, 2004 is \$10,804,528.

Pymatuning Valley Local School
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2004

Note 14 – Jointly Governed Organizations and Public Entity Risk Pools

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 2004. 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.

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

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

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

NEO/SERRC is governed by a governing board of 39 members made up of representatives from 35 superintendents of the participating districts, one non-public school, one county board of mental retardation and two parents whose terms rotate each year. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting the Treasurer at the Mahoning County Educational Service Center, 100 DeBartolo Place, Youngstown, Ohio 44512.

Pymatuning Valley Local School
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2004

Note 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, 2004.

B. Litigation

The District is not party to any legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending at June 30, 2004.

Note 16 – School Funding Decision

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding decision is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...".

The District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

Note 17 – 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.

Effective April 10, 2001, Am. Sub. Senate Bill 345 amended ORC Section 5705.29 (h), effectively eliminating the requirement for the District to establish and maintain a budget stabilization reserve. As of June 30, 2004, the District has not taken action to eliminate this reserve in accordance with Am. Sub. Senate Bill 345.

Pymatuning Valley Local School
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2004

Note 17 – Statutory Reserves (Continued)

The following cash basis information describes the change in the year-end set aside amounts for textbooks and capital acquisition. Disclosure of this information is required by State statute. The District had offsets and qualifying disbursements during the year that reduced the set-aside amounts to below zero. These extra amounts may be used to reduce the set-aside requirements of future years. Negative amounts, however, are not presented as being carried forward to the next fiscal year.

	<u>Textbooks</u>	<u>Capital Acquisition Reserve</u>	<u>Budget Stabilization Reserve</u>	<u>Total</u>
Set-aside cash balance as of June 30, 2003	\$ 21,706	\$ 25,473	\$ 148,755	\$ 195,934
Current year set-aside requirement	199,793	199,793	-	399,586
Offset credit	-	(7,827,042)	-	(7,827,042)
Qualifying expenditures	<u>(292,219)</u>	<u>-</u>	<u>-</u>	
Totals	\$ (70,720)	\$(7,601,776)	\$ 148,755	\$(7,231,522)
Set-aside cash balance carried forward to FY 2005	<u>\$21,706</u>	<u>\$25,473</u>	<u>\$ 148,755</u>	
Amount available to offset future set-aside requirements	<u>\$(70,720)</u>	<u>\$(7,601,776)</u>	<u>\$ -</u>	

Pymatuning Valley Local School
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2004

Note 18 – Fund Deficits

A. Fund Deficits

Fund balances at June 30, 2004 include the following individual fund deficit:

Funds	Deficit Fund Balance
Nonmajor Special Revenue Funds	
Reading Intervention	\$3,255
Title I	65,659
Title VI-R	2,742

The fund deficit in all funds is the result of the recognition of liabilities in accordance with general accepted accounting principles. Management is analyzing the operations of these funds to determine appropriate steps to eliminate the deficits.

Note 19 – Changes in Accounting Principals and Restatement of Fund Balance

Changes in Accounting Principles For the fiscal year 2004, the School District has implemented GASB No. 34, “Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments”, GASB No. 37, “Basic Financial Statements for State and Local Governments: Omnibus”, GASB No. 38, “Certain Financial Statement Note Disclosures”, GASB No. 41, “Budgetary Comparison Schedules – Perspective Differences – an amendment of GASB Statement No. 34”, and GASB Interpretation No. 6, “Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.” At June 30, 2003, there was no effect on fund balances as a result of implementing GASB Statements No. 37, 38, and 41.

Restatement of Fund Balances The restatements of fund equity for correction of prior year accrual balances and assets and fund reclassification had the following effect on the fund balances of the major and non-major funds of the School District as they were previously reported.

	General Fund	Debt Service Fund	Building Fund	Classroom Facilities Fund	Other Governmental Funds	Total Governmental Funds
Fund Balances at June 30, 2003	\$ 1,858,670	\$ 299,444	\$ 2,818,265	\$ 9,802,346	\$ 474,747	\$ 15,253,472
Fund Reclassification	-	-	-	-	39,152	39,152
Restated Assets	-	-	-	-	(172,109)	(172,109)
Restated Liabilities	-	-	-	-	139,841	139,841
Fund Balances at July 1, 2003	<u>\$ 1,858,670</u>	<u>\$ 299,444</u>	<u>\$ 2,818,265</u>	<u>\$ 9,802,346</u>	<u>\$ 481,631</u>	<u>\$ 15,260,356</u>

Pymatuning Valley Local School
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2004

Note 19 – Changes in Accounting Principals and Restatement of Fund Balance (Continued)

In fiscal year 2004, the Lunchroom Fund and Uniform School Supplies Fund which previously reported under the Enterprise Funds; and the Special Trust Funds which previously reported under Fiduciary Funds were reclassified to Special Revenue Funds.

GASB 34 creates new basic financial statements for reporting on the School District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The transition from governmental fund balance to net assets of the governmental activities is presented as follow:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Building Fund</u>	<u>Classroom Facilities Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balances at June 30, 2003	<u>\$ 1,858,670</u>	<u>\$ 299,444</u>	<u>\$ 2,818,265</u>	<u>\$ 9,802,346</u>	<u>\$ 481,629</u>	<u>\$ 15,260,354</u>
Adjustments:						
Capital Asset						2,992,963
Internal Service Fund						1,276,863
GASB Interpretation No. 6						(820,677)
GASB 34						
Intergovernmental Payable						(53,844)
Long-term Liabilities						<u>(7,449,023)</u>
Governmental Activities Net Assets at June 30, 2003						<u><u>\$ 11,206,636</u></u>

The transition from fiduciary fund equity to net assets is presented as followed:

	<u>Private-Purpose Trust Fund</u>
Fund Equity as June 30, 2003	\$ 37,463
Fund Reclassification	<u>(11,200)</u>
Net Assets as June 30, 2003	<u><u>\$ 26,263</u></u>

**PYMATUNING VALLEY LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2004**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through The Ohio Department of Education:</i>						
<i>Nutrition Cluster:</i>						
Food Distribution Program	N/A	10.550	-	\$16,476	-	\$16,476
School Breakfast Program	05-PU-2003	10.553	\$4,888	-	\$4,888	-
	05-PU-2004		32,274	-	32,274	-
Subtotal -- School Breakfast Program			37,162		37,162	
National School Lunch Program	LL-P4 2003	10.555	22,773	-	22,773	-
	LL-P4 2004		124,016	-	124,016	-
Subtotal -- School National School Lunch Program			146,789		146,789	
Total U.S. Department of Agriculture – Nutrition Cluster			183,951	16,476	183,951	16,476
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
<i>Passed Through The Ohio Department of Mental Retardation and Disabilities:</i>						
<i>Medicaid Cluster:</i>						
Medical Assistance Program	FY 2003	93.778	14,825	-	14,825	-
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through The Ohio Department of Education:</i>						
Grants to Local Educational Agencies						
Title I School Subsidy	C1-S1-2003	84.010	31,523	-	43,658	-
	C1-S1-2004		268,737	-	286,406	-
Total – Title I School Subsidy			300,260	-	330,064	-
Drug Free Education – Subsidy	DR-S1-2003	84.186	-	-	337	-
	DR-S1-2004		9,452	-	9,452	-
Total – Drug Free Education - Subsidy			9,452	-	9,789	-
Assistive Technology	AT-S4-2002	84.224	-	-	5,563	-
Title V -- Innovative Education Program Strategies	CS-S1-2003	84.298	6,741	-	2,744	-
	CS-S1-2004		7,887	-	7,863	-
Total -- Innovative Education Program Strategies			14,628	-	10,607	-
Technology Literacy Challenge Fund Grants	TJ-S1-2003	84.318	-	-	1,235	-
	TJ-S1-2004		9,380	-	8,049	-
Total -- Technology Literacy Challenge Fund Grants			9,380	-	9,284	-
Title II-A Improving Teacher Quality State Grants	TR-S1-2003	84.367	10,996	-	12,137	-
	TR-S1-2004		51,795	-	47,063	-
Total -- Title II-A Improving Teacher Quality Grants			62,791	-	59,200	-
Total – U.S. Department of Education			396,511	-	424,507	-
Totals			\$595,287	\$16,476	\$623,283	\$16,476

*The accompanying notes to this schedule are an integral part of this schedule.
The District transferred \$27,518 from Title II-A to Title I in 2003 program year*

**PYMATUNING VALLEY LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR FISCAL YEAR ENDED JUNE 30, 2004**

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, 2004, the District 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.

NOTE D – FEDERAL TRANSFERS

The Ohio Department of Education (ODE) transferred federal monies in the program year 2003 from Title II-A – Improving Teacher Quality State Grants (CFDA # 84.367) to Title I – Grants to Local Educational Agencies (CFDA # 84.010) in the amount of \$27,518. A budget amendment to reallocate money from one Federal Program to another is permitted under these programs.

CFDA – Catalog of Federal Domestic Assistance.



**Auditor of State
Betty Montgomery**

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pymatuning Valley Local School District, Ashtabula County (the District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated July 25, 2005. The District also adopted Governmental Accounting Standards Board Statement No. 34 and Implementation No. 6. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the District's management dated July 25, 2005, we reported other matters related to noncompliance we deemed immaterial.

Pymatuning Valley Local School District
Ashtabula County
Independent Accountants' Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

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

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

Betty Montgomery
Auditor of State

July 25, 2005



Auditor of State Betty Montgomery

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

Pymatuning Valley Local School District
Ashtabula County
7527 State Route 45 North
Orwell, Ohio 44076

To the Board of Education:

Compliance

We have audited the compliance of Pymatuning Valley Local School District, Ashtabula County (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to its major federal program for the year ended June 30, 2004. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Pymatuning Valley Local School District, Ashtabula County complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2004.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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 reportable 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 caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

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

Betty Montgomery
Auditor of State

July 25, 2005

**PYMATUNING VALLEY LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY
JUNE 30, 2004**

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

1. SUMMARY OF AUDITOR'S RESULTS

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

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

Finding Number	None
----------------	------

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	None
----------------	------



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

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
OCTOBER 13, 2005**