

**PYMATUNING VALLEY LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY**

SINGLE AUDIT

JUNE 30, 2008

Perry & Associates
Certified Public Accountants, A.C.



Mary Taylor, CPA
Auditor of State

Board of Education
Pymatuning Valley Local School District
5571 U.S. Route 6 W
Andover, Ohio 44003

We have reviewed the *Independent Accountants' Report* of the Pymatuning Valley Local School District, Ashtabula County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period July 1, 2007 through June 30, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 13, 2009

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**PYMATUNING VALLEY LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY**

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Perry & Associates
Certified Public Accountants, A.C.

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INDEPENDENT ACCOUNTANTS' REPORT

January 30, 2009

Pymatuning Valley Local School District
Ashtabula County
5571 US RT 6 W
Andover, Ohio 44003

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major funds, 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, 2008, 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, the major funds, and the aggregate remaining fund information of Pymatuning Valley Local School District, as of June 30, 2008, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2009, 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 opine on the financial statements that collectively comprise the School District's basic financial statements. The accompanying Schedule of Federal Awards Receipts and Expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the Federal Awards Receipts and Expenditures 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.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Perry & Associates CPAs A.C.".

Perry and Associates
Certified Public Accountants, A.C.

Pymatuning Valley Local School District

Ashtabula County, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited*

This discussion and analysis of Pymatuning Valley Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2008 are as follows:

For governmental activities, net assets decreased \$1,133,617 which represents a 4.5 percent decrease from fiscal year 2007.

General revenues accounted for \$11,828,200 in revenue or 78.8 percent of all governmental revenues. Program specific revenues in the form of charges for services and sales, operating grants and contributions and capital grants and contributions accounted for \$3,191,321 or 21.2 percent of total governmental revenues of \$15,019,521.

The District had \$16,153,138 in expenses related to governmental activities; with \$3,191,321 of these expenses being offset by program specific charges for services and operating and capital grants or contributions. General revenues (primarily taxes and unrestricted grants) of \$11,828,200 were not adequate to provide for the remainder of these programs.

On the modified accrual basis of accounting, the general fund had \$10,981,024 in revenues and \$11,407,065 in expenditures, excluding transfers. The general fund balance decreased \$512,081 from fiscal year 2007.

Using this Annual Financial Report

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

The statement of net assets and statement of activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements present how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of Pymatuning Valley Local School District, the general fund, the debt service bond retirement fund and the classroom facilities capital projects fund are the most significant.

Pymatuning Valley Local School District

Ashtabula County, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited*

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While these statements contain information about the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and answers the question, "How did we do financially during 2008?" These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting, similar to the accounting method used by most private-sector companies. These bases of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the statement of net assets and the statement of activities, the School Districts' activities are considered to be all governmental activities.

Governmental Activities - Most of the School District's programs and services are reported here including instruction, support services, operation of non-instructional services and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 8. Fund financial statements provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund, the debt service bond retirement fund and the classroom facilities capital projects fund as stated previously.

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

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

Pymatuning Valley Local School District
Ashtabula County, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited*

The School District as a Whole

Recall that the statement of net assets provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net assets for fiscal year 2008 as compared to fiscal year 2007.

Table 1
Net Assets
Governmental Activities

	<u>2008</u>	<u>2007</u>	<u>Change</u>
Assets			
Current and Other Assets	\$9,016,182	\$9,043,316	(\$27,134)
Capital Assets	<u>27,364,321</u>	<u>28,388,947</u>	<u>(1,024,626)</u>
<i>Total Assets</i>	<u>36,380,503</u>	<u>37,432,263</u>	<u>(1,051,760)</u>
Liabilities			
Current Liabilities	4,317,181	3,956,188	360,993
Long-Term Liabilities:			
Due within One Year	589,785	530,482	59,303
Due in More than One Year	<u>7,209,858</u>	<u>7,548,297</u>	<u>(338,439)</u>
<i>Total Liabilities</i>	<u>12,116,824</u>	<u>12,034,967</u>	<u>81,857</u>
Net Assets			
Invested in Capital Assets			
Net of Related Debt	20,748,440	21,430,379	(681,939)
Restricted	2,408,602	2,528,342	(119,740)
Unrestricted	<u>1,106,637</u>	<u>1,438,575</u>	<u>(331,938)</u>
<i>Total Net Assets</i>	<u>\$24,263,679</u>	<u>\$25,397,296</u>	<u>(\$1,133,617)</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2008, the School District's assets exceeded liabilities by \$24,263,679.

Invested in capital assets, net of related debt, reported on the government-wide statements represent the largest portion of the School District's net assets, 85.5 percent for fiscal year 2008. Capital assets include land, land improvements, buildings and improvements, furniture, fixtures, and equipment and vehicles, and are used to provide services to students and are not available for future spending. Although the School District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the School District's net assets, \$2,408,602, or 9.9 percent, represents resources that are subject to external restrictions on how the funds may be used. Of the total restricted assets, \$660,243 or 27.4 percent is restricted for debt service payment; \$818,432 or 34.0 percent is restricted for capital projects and \$929,927 or 38.6 percent is restricted for other purposes and set-asides. The remaining balance of government-wide unrestricted net assets of \$1,106,637 may be used to meet the School District's ongoing obligations to students and staff.

Pymatuning Valley Local School District
Ashtabula County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Table 2 shows change in net assets for fiscal year 2008 compared to 2007.

Table 2
Change in Net Assets
Governmental Activities

	2008	2007	Change
Revenues			
Program Revenues			
Charges for Services and Sales	\$580,242	\$580,433	(\$191)
Operating Grants and Contributions	821,952	797,478	24,474
Capital Grants and Contributions	1,789,127	221,179	1,567,948
<i>Total Program Revenues</i>	<u>3,191,321</u>	<u>1,599,090</u>	<u>1,592,231</u>
General Revenues			
Property Taxes	3,927,009	3,942,764	(15,755)
Intergovernmental	7,647,244	7,658,685	(11,441)
Investment Earnings	204,386	248,244	(43,858)
Miscellaneous	49,561	95,865	(46,304)
<i>Total General Revenues</i>	<u>11,828,200</u>	<u>11,945,558</u>	<u>(117,358)</u>
<i>Total Revenues</i>	<u>15,019,521</u>	<u>13,544,648</u>	<u>1,474,873</u>
Program Expenses			
Current:			
Instruction	8,895,556	7,945,633	949,923
Support Services:			
Pupils	625,148	519,789	105,359
Instructional Staff	304,474	278,335	26,139
Board of Education	27,430	25,394	2,036
Administration	1,294,533	1,180,468	114,065
Fiscal	303,328	275,532	27,796
Business	84,482	78,384	6,098
Operation and Maintenance of Plant	1,446,091	1,234,065	212,026
Pupil Transportation	1,347,773	1,090,539	257,234
Central	74,695	61,214	13,481
Operation of Non-Instructional Services	23,993	22,752	1,241
Operation of Food Services	590,895	541,275	49,620
Extracurricular Activities	759,439	492,704	266,735
Interest and Fiscal Charges	375,301	413,415	(38,114)
<i>Total Program Expenses</i>	<u>16,153,138</u>	<u>14,159,499</u>	<u>1,993,639</u>
<i>Change in Net Assets</i>	<u>(1,133,617)</u>	<u>(614,851)</u>	<u>(518,766)</u>
Net Assets Beginning of Year	<u>25,397,296</u>	<u>26,012,147</u>	<u>(614,851)</u>
<i>Net Assets End of Year</i>	<u>\$24,263,679</u>	<u>\$25,397,296</u>	<u>(\$1,133,617)</u>

Pymatuning Valley Local School District

Ashtabula County, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited*

Governmental Activities

Several revenue sources fund the School District's governmental activities with property tax and State foundation revenues being the largest contributors. Property tax levies generated \$3,927,009 in fiscal year 2008. General revenues from grants and entitlements, such as the school foundation program, generated \$7,647,244. With the combination of taxes and intergovernmental funding comprising approximately 77 percent of all revenues, the School District monitors both of these revenue sources very closely for fluctuations.

A review of Table 2 reflects the total cost of instructional services was \$8,895,556 or 55.1 percent of governmental program expenses. Instructional expenses include activities directly related to the teaching of pupils and the interaction between teacher and pupil. These expenses increased \$949,923, or 11.9 percent as compared to the prior year. The primary cause to this increase was due to step increases and an increase in costs related to depreciation on capital assets being charged to this function.

Pupil services and instructional staff include the activities involved in assisting staff and the content and process of teaching to pupils. These expenses represent \$929,622, or 5.8 percent of the total governmental program expenses. Expenses to provide these programs increased \$131,498, or 16.5 percent compared to fiscal year 2007.

Operation and maintenance of plant expenses refer to the care and upkeep of the buildings, grounds, equipment and the safety of the School District's operations. The total cost for the operation and maintenance services was \$1,446,091 or 8.9 percent of the governmental program expenses. These expenses increased \$212,026, or 17.2 percent compared to fiscal year 2007.

Pupil transportation expenses are related to the transportation of students to and from school, as well as the service and maintenance of those vehicles. Total transportation cost was \$1,347,773 or 8.3 percent of the total governmental program expenses. Expenses for providing this program increased \$257,234, or 23.6 percent as compared to the prior year.

Central classifications reflect expenses associated with activities other than general administration, which support each of the other instructional and supporting services programs such as planning, research and development and data processing services. The total cost to provide these programs was \$74,695 during fiscal year 2008. Costs of these programs increased \$13,481 from the prior year due to an increase in depreciation expense.

The statement of activities shows the cost of program services and the charges for services and grants, contributions, and interest offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services for fiscal year 2008 and 2007. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Pymatuning Valley Local School District
Ashtabula County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Table 3
Total and Net Cost of Program Services
Governmental Activities

	2008		2007	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Program Expenses				
Instruction:				
Regular	\$6,272,623	\$4,329,280	\$5,815,641	\$5,447,820
Special	1,645,096	1,377,081	1,296,286	1,021,935
Vocational	236,545	232,267	215,988	211,231
Other	741,292	608,544	617,718	527,819
Support Services:				
Pupil	625,148	605,912	519,789	495,250
Instructional Staff	304,474	295,354	278,335	264,055
Board of Education	27,430	26,934	25,394	24,836
Administration	1,294,533	1,262,809	1,180,468	1,145,840
Fiscal	303,328	296,207	275,532	269,435
Business	84,482	82,342	78,384	64,202
Operation and Maintenance of Plant	1,446,091	1,421,128	1,234,065	1,206,750
Pupil Transportation	1,347,773	1,309,690	1,090,539	1,060,028
Central	74,695	64,575	61,214	51,085
Operation of Non-Instructional Services	23,993	23,560	22,752	21,274
Operation of Food Services	590,895	54,447	541,275	(3,692)
Extracurricular Activities	759,439	596,386	492,704	339,126
Interest and Fiscal Charges	375,301	375,301	413,415	413,415
<i>Total Expenditures</i>	<u>\$16,153,138</u>	<u>\$12,961,817</u>	<u>\$14,159,499</u>	<u>\$12,560,409</u>

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. Total revenues and expenditures during fiscal year 2008, excluding transfers, were \$14,710,831 and \$15,481,388 respectively. The School District continues to be financially stable. The net decrease in fund balance for the year was most significant in the general fund, amounting to \$512,081. The primary cause of this decrease was the result of a decline in revenues, most notably property tax, as well as an increase in expenditures of over \$300,000. The net increase in fund balance for the bond retirement debt service fund amounted to \$49,883. The School District's other major fund, the classroom facilities capital projects fund, had a decrease in fund balance of \$249,851 from the previous fiscal year. Net changes across all nonmajor governmental funds amounted to a decrease of \$58,508, or 5.9 percent.

General Fund Budgeting Highlights

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

During fiscal year 2008, the School District amended its general fund budget, however not significantly. Budget revisions become necessary as expenditure priorities change according to student, building and operational needs. Budget revisions are presented to the Board of Education for approval.

Pymatuning Valley Local School District

Ashtabula County, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited*

For the general fund, the final budget basis revenue estimate was \$11,210,495, was the same as the original budget estimate. Actual revenues of \$11,115,427 were \$95,068 lower than the original and final budget amounts. This difference was due mostly to less than expected reimbursements from the State and interest earned on investments.

The original expenditures estimate of \$11,918,143 was revised slightly over the fiscal year. Actual expenditures, however, were only \$11,399,040, \$519,103 less than originally anticipated. Insignificant changes from the original to final budget were posted to nearly all line items of the budget.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2008, the School District had \$27,364,321 invested in capital assets. Table 4 shows fiscal year 2008 balances as compared to fiscal year 2007:

Table 4
Capital Assets at June 30 (Net of Depreciation)

	<u>2008</u>	<u>2007</u>
Land	\$478,147	\$478,147
Land Improvements	1,261,957	1,336,140
Buildings	24,687,074	25,635,815
Furniture, Fixtures and Equipment	525,532	539,698
Vehicles	411,611	399,147
<i>Total</i>	<u>\$27,364,321</u>	<u>\$28,388,947</u>

The School District purchased \$139,373 worth of capital assets during the fiscal year; however, annual depreciation of \$1,163,999 resulted in an overall decrease in capital assets of \$1,024,626. See Note 10 to the basic financial statements for detail on the School District's capital assets.

Debt

At June 30, 2008 the School District had \$6,849,403 in bonds and notes outstanding with \$450,661 due within one year. Table 5 summarizes the bonds and loans outstanding:

Table 5
Outstanding Debt at Year End

	<u>2008</u>	<u>2007</u>
2002 School Improvement Bonds	\$6,528,082	\$6,748,587
Ohio School Facilities Commission Note	321,321	481,982
<i>Total</i>	<u>\$6,849,403</u>	<u>\$7,230,569</u>

During fiscal year 2002, the School District issued \$7,774,998 in bonds, the proceeds of which were used to pay the local share of construction. During fiscal year 2006 the School District issued the Ohio School Facilities note in the amount of \$803,304. The purpose of this note is to pay for the construction of the school buildings.

Pymatuning Valley Local School District

Ashtabula County, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited*

The School District has budgeted to meet all of its debt requirements, all of which are to be repaid from the general and debt service funds. See Note 15 to the basic financial statements for detail on the School District's debt.

Current Issues Affecting Financial Condition

The Board of Education and administration closely monitor its revenues and expenditures in accordance with its financial forecast. The financial future of the School District is not without its challenges though. These challenges stem from issues that are local and at the State level. The local challenges will continue to exist, as the School District must rely heavily on property taxes to fund its operations. State level challenges continue to evolve as the State of Ohio determines the outcome of the Ohio Supreme Court case dealing with the unconstitutionality of the State's educational funding system. Although the School District relies heavily on its property taxpayers to support its operations, community support remains quite strong.

The State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional educational funding system, one that was neither 'adequate' nor 'equitable'. Since 1997, the State has directed its additional financial support toward School Districts with little property tax wealth. In December 2003, the Ohio Supreme Court again, ruled that, while the State had made some progress, the current funding system for schools is far too dependent on property taxes, which are inherently not 'equitable' nor 'adequate'. The Court directed the Governor and the legislature to address the fundamental issue creating the inequities.

Due to the unsettled issues in school funding, management is required to plan carefully and prudently to provide the resources to meet student needs over the next several years.

In conclusion, the School District's system of budgeting and internal controls is well regarded. All of the School District's financial abilities will be needed to meet the challenges of the future.

Contacting the School District's Financial Management

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

Pymatuning Valley Local School District

Ashtabula County, Ohio

Statement of Net Assets

June 30, 2008

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$2,802,962
Cash and Cash Equivalents:	
With Fiscal Agents	1,329,464
Accrued Interest Receivable	9,566
Accounts Receivable	4,882
Intergovernmental Receivable	7,865
Property Taxes Receivable	4,814,290
Inventory Held for Resale	45,674
Materials and Supplies Inventory	1,479
Nondepreciable Capital Assets	478,147
Depreciable Capital Assets, Net	26,886,174
<i>Total Assets</i>	<u>36,380,503</u>
Liabilities	
Accounts Payable	28,660
Accrued Wages and Benefits Payable	927,695
Intergovernmental Payable	228,815
Matured Compensated Absences Payable	148,512
Deferred Revenue	2,647,658
Accrued Interest Payable	24,624
Claims Payable	311,217
Long-Term Liabilities:	
Due Within One Year	589,785
Due In More Than One Year	7,209,858
<i>Total Liabilities</i>	<u>12,116,824</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	20,748,440
Restricted for:	
Capital Projects	818,432
Debt Service	660,243
Other Purposes	513,153
Set-asides	416,774
Unrestricted	1,106,637
<i>Total Net Assets</i>	<u>\$24,263,679</u>

See accompanying notes to the basic financial statements

Pymatuning Valley Local School District
Ashtabula County, Ohio

Statement of Activities
For the Fiscal Year Ended June 30, 2008

	Program Revenues			Net (Expense)	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Assets	
			Capital Grants and Contributions	Governmental Activities	
Governmental Activities					
Current:					
Instruction:					
Regular	\$6,272,623	\$95,860	\$77,408	\$1,770,075	(\$4,329,280)
Special	1,645,096	23,673	244,342	0	(1,377,081)
Vocational	236,545	4,278	0	0	(232,267)
Other	741,292	10,850	121,898	0	(608,544)
Support Services:					
Pupils	625,148	15,728	3,508	0	(605,912)
Instructional Staff	304,474	4,329	4,791	0	(295,354)
Board of Education	27,430	496	0	0	(26,934)
Administration	1,294,533	22,667	9,057	0	(1,262,809)
Fiscal	303,328	5,483	1,638	0	(296,207)
Business	84,482	1,022	0	1,118	(82,342)
Operation and Maintenance of Plant	1,446,091	24,963	0	0	(1,421,128)
Pupil Transportation	1,347,773	20,149	0	17,934	(1,309,690)
Central	74,695	1,120	9,000	0	(64,575)
Operation of Non-Instructional Services	23,993	433	0	0	(23,560)
Operation of Food Services	590,895	186,138	350,310	0	(54,447)
Extracurricular Activities	759,439	163,053	0	0	(596,386)
Interest and Fiscal Charges	375,301	0	0	0	(375,301)
Total Governmental Activities	\$16,153,138	\$580,242	\$821,952	\$1,789,127	(12,961,817)
General Revenues					
Property Taxes Levied for:					
					3,295,464
					583,855
					47,690
					7,647,244
					204,386
					49,561
					11,828,200
					(1,133,617)
					25,397,296
					\$24,263,679

See accompanying notes to the basic financial statements

Pymatuning Valley Local School District
Ashtabula County, Ohio

Balance Sheet
Governmental Funds
June 30, 2008

	General	Bond Retirement	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$404,380	\$596,238	\$423,365	\$962,205	\$2,386,188
Accrued Interest Receivable	9,200	0	0	366	9,566
Accounts Receivable	4,882	0	0	0	4,882
Interfund Receivable	966	0	0	0	966
Intergovernmental Receivable	0	0	0	7,865	7,865
Property Taxes Receivable	4,037,387	718,662	0	58,241	4,814,290
Inventory Held for Resale	0	0	0	45,674	45,674
Materials and Supplies Inventory	0	0	0	1,479	1,479
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	416,774	0	0	0	416,774
Total Assets	\$4,873,589	\$1,314,900	\$423,365	\$1,075,830	\$7,687,684
Liabilities					
Accounts Payable	\$12,664	\$0	\$15,373	\$623	\$28,660
Accrued Wages and Benefits Payable	852,971	0	0	74,724	927,695
Intergovernmental Payable	208,154	0	0	20,661	228,815
Matured Compensated Absences Payable	148,512	0	0	0	148,512
Interfund Payable	0	0	0	966	966
Deferred Revenue	2,905,579	517,459	0	42,752	3,465,790
Total Liabilities	4,127,880	517,459	15,373	139,726	4,800,438
Fund Balances					
Reserved for Encumbrances	21,879	0	35,256	38,687	95,822
Reserved for Textbooks	416,774	0	0	0	416,774
Reserved for Property Taxes	1,131,808	201,203	0	16,375	1,349,386
Unreserved:					
Designated for:					
Underground Storage Tanks	0	0	0	11,000	11,000
Undesignated, Reported in:					
General Fund	(824,752)	0	0	0	(824,752)
Special Revenue Funds	0	0	0	489,919	489,919
Debt Service Funds	0	596,238	0	0	596,238
Capital Projects Funds	0	0	372,736	380,123	752,859
Total Fund Balances	745,709	797,441	407,992	936,104	2,887,246
Total Liabilities and Fund Balances	\$4,873,589	\$1,314,900	\$423,365	\$1,075,830	\$7,687,684

See accompanying notes to the basic financial statements

Pymatuning Valley Local School District
Ashtabula County, Ohio

*Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2008*

Total Governmental Fund Balances	\$2,887,246
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***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.	27,364,321
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Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.

Property Taxes	817,246
Intergovernmental	<u>886</u>

Total	818,132
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An internal service fund is used by management to charge the costs of dental and vision insurance premiums to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net assets.	1,018,247
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In the statement of activities, interest is accrued on outstanding general obligation bonds, whereas in governmental funds, an interest expenditure is reported when due.	(24,624)
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

General Obligation Bonds	(6,294,560)
Accretion on Capital Appreciation Bonds	(233,522)
Ohio Schools Facilities Commission Note	(321,321)
Early Retirement Incentive	(189,000)
Compensated Absences	<u>(761,240)</u>

Total	<u>(7,799,643)</u>
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<i>Net Assets of Governmental Activities</i>	<u><u>\$24,263,679</u></u>
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See accompanying notes to the basic financial statements

Pymatuning Valley Local School District
Ashtabula County, Ohio

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2008

	General	Bond Retirement	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$3,079,680	\$545,098	\$0	\$44,633	\$3,669,411
Tuition and Fees	230,864	0	0	773	231,637
Interest	130,490	0	11,256	7,014	148,760
Charges for Services	0	0	0	186,138	186,138
Extracurricular Activities	0	0	0	160,837	160,837
Rentals	1,630	0	0	0	1,630
Contributions and Donations	0	0	0	1,800	1,800
Intergovernmental	7,507,982	100,376	1,770,075	882,624	10,261,057
Miscellaneous	30,378	0	0	19,183	49,561
<i>Total Revenues</i>	<u>10,981,024</u>	<u>645,474</u>	<u>1,781,331</u>	<u>1,303,002</u>	<u>14,710,831</u>
Expenditures					
Current:					
Instruction:					
Regular	4,592,621	0	0	75,902	4,668,523
Special	1,080,869	0	0	306,835	1,387,704
Vocational	206,937	0	0	0	206,937
Other	529,727	0	0	124,169	653,896
Support Services:					
Pupils	549,333	0	0	7,625	556,958
Instructional Staff	213,564	0	0	2,460	216,024
Board of Education	24,196	0	0	0	24,196
Administration	1,098,177	0	0	38,547	1,136,724
Fiscal	265,784	0	0	1,678	267,462
Business	49,902	0	0	23,091	72,993
Operation and Maintenance of Plant	1,235,522	0	0	59,698	1,295,220
Pupil Transportation	990,953	0	0	125,351	1,116,304
Central	54,696	0	0	11,193	65,889
Operation of Non-Instructional Services	21,164	0	0	0	21,164
Operation of Food Services	0	0	0	518,056	518,056
Extracurricular Activities	332,959	0	0	139,872	472,831
Capital Outlay	0	0	2,031,182	13,073	2,044,255
Debt Service:					
Principal Retirement	160,661	285,000	0	0	445,661
Interest and Fiscal Charges	0	310,591	0	0	310,591
<i>Total Expenditures</i>	<u>11,407,065</u>	<u>595,591</u>	<u>2,031,182</u>	<u>1,447,550</u>	<u>15,481,388</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(426,041)</u>	<u>49,883</u>	<u>(249,851)</u>	<u>(144,548)</u>	<u>(770,557)</u>
Other Financing Sources (Uses)					
Transfers In	0	0	0	86,040	86,040
Transfers Out	(86,040)	0	0	0	(86,040)
<i>Total Other Financing Sources (Uses)</i>	<u>(86,040)</u>	<u>0</u>	<u>0</u>	<u>86,040</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	<u>(512,081)</u>	<u>49,883</u>	<u>(249,851)</u>	<u>(58,508)</u>	<u>(770,557)</u>
<i>Fund Balances Beginning of Year</i>	1,257,790	747,558	657,843	994,612	3,657,803
<i>Fund Balances End of Year</i>	<u>\$745,709</u>	<u>\$797,441</u>	<u>\$407,992</u>	<u>\$936,104</u>	<u>\$2,887,246</u>

See accompanying notes to the basic financial statements

Pymatuning Valley Local School District
Ashtabula County, Ohio

*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2008*

Net Change in Fund Balances - Total Governmental Funds (\$770,557)

***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 those 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.

Capital Outlay	139,373
Current Year Depreciation	<u>(1,163,999)</u>

Total (1,024,626)

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

Property Taxes	257,598
Intergovernmental	<u>(4,534)</u>

Total 253,064

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

445,661

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Accrued Interest on Bonds	(215)
Accreted Interest on Bonds	<u>(64,495)</u>

Total (64,710)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences	86,970
Early Retirement Incentive	<u>(189,000)</u>

Total (102,030)

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

129,581

Change in Net Assets of Governmental Activities

(\$1,133,617)

See accompanying notes to the basic financial statements

Pymatuning Valley Local School District
Ashtabula County, Ohio

*Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2008*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$3,220,623	\$3,220,623	\$3,217,831	(\$2,792)
Tuition and Fees	222,501	222,501	233,934	11,433
Interest	150,000	150,000	122,214	(27,786)
Rentals	5,000	5,000	1,630	(3,370)
Intergovernmental	7,584,351	7,584,351	7,507,982	(76,369)
Miscellaneous	22,500	22,600	26,416	3,816
<i>Total Revenues</i>	<u>11,204,975</u>	<u>11,205,075</u>	<u>11,110,007</u>	<u>(95,068)</u>
Expenditures				
Current:				
Instruction:				
Regular	4,656,765	4,755,978	4,496,905	259,073
Special	1,149,680	1,174,139	1,057,366	116,773
Vocational	236,783	241,875	230,141	11,734
Other	546,618	558,248	529,727	28,521
Support Services:				
Pupils	545,107	556,683	527,183	29,500
Instructional Staff	203,610	207,934	212,860	(4,926)
Board of Education	31,265	31,929	24,196	7,733
Administration	1,200,121	1,225,650	1,104,013	121,637
Fiscal	281,889	287,886	267,532	20,354
Business	75,790	77,400	49,902	27,498
Operation and Maintenance of Plant	1,341,024	1,369,503	1,230,740	138,763
Pupil Transportation	1,024,312	1,046,075	1,005,571	40,504
Central	64,078	65,460	54,196	11,264
Operation of Non-Instructional Services	31,536	32,206	21,164	11,042
Extracurricular Activities	372,244	380,149	339,877	40,272
Debt Service:				
Principal Retirement	157,321	160,661	160,661	0
<i>Total Expenditures</i>	<u>11,918,143</u>	<u>12,171,776</u>	<u>11,312,034</u>	<u>859,742</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(713,168)</u>	<u>(966,701)</u>	<u>(202,027)</u>	<u>764,674</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	100	0	0	0
Advances In	5,420	5,420	5,420	0
Advances Out	0	0	(966)	(966)
Transfers Out	0	0	(86,040)	(86,040)
<i>Total Other Financing Sources (Uses)</i>	<u>5,520</u>	<u>5,420</u>	<u>(81,586)</u>	<u>(87,006)</u>
<i>Net Change in Fund Balance</i>	<u>(707,648)</u>	<u>(961,281)</u>	<u>(283,613)</u>	<u>677,668</u>
<i>Fund Balance Beginning of Year</i>	<u>1,002,097</u>	<u>1,002,097</u>	<u>1,002,097</u>	<u>0</u>
<i>Prior Year Encumbrances Appropriated</i>	<u>80,751</u>	<u>80,751</u>	<u>80,751</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$375,200</u>	<u>\$121,567</u>	<u>\$799,235</u>	<u>\$677,668</u>

See accompanying notes to the basic financial statements

Pymatuning Valley Local School District

Ashtabula County, Ohio

Statement of Fund Net Assets

Proprietary Fund

June 30, 2008

	<u>Internal Service</u>
Current Assets	
Cash and Cash Equivalents:	
With Fiscal Agents	\$1,329,464
Current Liabilities	
Claims Payable	<u>311,217</u>
Net Assets	
Unrestricted	<u><u>\$1,018,247</u></u>

See accompanying notes to the basic financial statements

Pymatuning Valley Local School District

Ashtabula County, Ohio

*Statement of Revenues,
Expenses and Changes in Fund Net Assets
Proprietary Fund
For the Fiscal Year Ended June 30, 2008*

	<u>Internal Service</u>
Operating Revenues	
Charges for Services	<u>\$1,825,295</u>
Operating Expenses	
Purchased Services	211,492
Claims	1,539,848
<i>Total Operating Expenses</i>	<u>1,751,340</u>
<i>Operating Income</i>	73,955
Non-Operating Revenues	
Interest	<u>55,626</u>
<i>Change in Net Assets</i>	129,581
<i>Net Assets Beginning of Year</i>	<u>888,666</u>
<i>Net Assets End of Year</i>	<u><u>\$1,018,247</u></u>

See accompanying notes to the basic financial statements

Pymatuning Valley Local School District

Ashtabula County, Ohio

Statement of Cash Flows

Proprietary Fund

For the Fiscal Year Ended June 30, 2008

	<u>Internal Service</u>
<i>Increase in Cash and Cash Equivalents</i>	
Cash Flows from Operating Activities	
Cash Received from Interfund Services	\$1,825,295
Cash Payments for Goods and Services	(211,492)
Cash Payments for Claims	<u>(1,447,193)</u>
<i>Net Cash Provided by Operating Activities</i>	166,610
Cash Flows from Investing Activities	
Interest on Investments	<u>55,626</u>
<i>Net Increase in Cash and Cash Equivalents</i>	222,236
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>1,107,228</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$1,329,464</u></u>
 Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	\$73,955
Adjustments:	
Increase in Claims Payable	<u>92,655</u>
<i>Net Cash Provided by Operating Activities</i>	<u><u>\$166,610</u></u>
See accompanying notes to the basic financial statements	

Pymatuning Valley Local School District
Ashtabula County, Ohio

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2008

	Private Purpose Trust	
	<u>Scholarship</u>	<u>Agency</u>
Assets		
Equity in Pooled Cash and Cash Equivalents	\$37,334	<u>\$40,419</u>
Liabilities		
Due to Students	<u>0</u>	<u>\$40,419</u>
Net Assets		
Held in Trust for Scholarships	<u>\$37,334</u>	

See accompanying notes to the basic financial statements

Pymatuning Valley Local School District
Ashtabula County, Ohio

Statement of Changes in Fiduciary Net Assets
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2008

	<u>Private Purpose Trust</u>
Additions	
Interest	\$11,436
Deductions	
Scholarships Awarded	<u>1,228</u>
<i>Change in Net Assets</i>	10,208
<i>Net Assets Beginning of Year</i>	<u>27,126</u>
<i>Net Assets End of Year</i>	<u><u>\$37,334</u></u>

See accompanying notes to the basic financial statements

Pymatuning Valley Local School District

Ashtabula County, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

Note 1 - Description of the School District and Reporting Entity

Pymatuning Valley Local School District (the "School District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by State and/or federal agencies. The Board of Education controls the School District's seven instructional/support facilities staffed by 53 classified employees and 88 certificated full and part-time teaching personnel who provide services to 1,332 students and other community members.

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

Reporting Entity

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

Nonpublic Schools - Within the School District boundaries, there are various nonpublic schools. Current State legislation provides funding to these non-public schools. These monies are received and disbursed by the School District on behalf of the non-public schools by the Treasurer of the School District, as directed by the non-public school. This activity is reflected in a special revenue fund for financial reporting purposes.

Component units are legally separate organizations for which the School District is financially accountable. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. There are no component units of the Pymatuning Valley Local School District.

The School District is associated with the Northeast Ohio Management Information Network (NEOMIN), the Ashtabula County Joint Vocational School District and the Ashtabula County Joint Vocational School District and the State Support Team (SST) – Region 5, which are defined as jointly governed organizations. Jointly governed organizations are governed by representatives from each of the governments that create the organization, but there is no ongoing financial interest or responsibility by the participating governments. Information regarding these organizations is presented in Note 17. In addition, the School District is associated with the Andover Public Library, which is defined as a related organization, as more fully explained in Note 18.

Pymatuning Valley Local School District

Ashtabula County, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

Note 2 - Summary of Significant Accounting Policies

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities and its internal service fund. The more significant of the School District's accounting policies are described below.

A. Basis of Presentation

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

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. These statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type. The School District, however, has no business-type activities.

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

Revenues 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 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 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. The internal service fund is presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

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

Pymatuning Valley Local School District

Ashtabula County, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the School District's major governmental funds:

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

Bond Retirement Fund The bond retirement fund accounts for property tax revenues that are used for payment of principal and interest and fiscal charges on general obligation debt.

Classroom Facilities Fund This fund was established pursuant to Sections 3318.08 and 3318.15, Ohio Revised Code, and accounts for monies received and expended in connection with contracts entered into by the School District and the Ohio Department of Education for building and equipping of classroom facilities.

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

Proprietary Fund Type Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as enterprise or internal service. The School District has no enterprise funds. The following is a description of the School District's internal service fund.

Internal Service Fund The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund is a self-insurance fund that accounts for medical, surgical, prescription drug, dental and vision claims of the School District's employees.

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

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets.

Pymatuning Valley Local School District
Ashtabula County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its internal service fund.

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

D. 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 and the statements for the proprietary and fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

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

Nonexchange transactions, in which the School 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 7). 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 year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange 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, fees and student fees.

Pymatuning Valley Local School District
Ashtabula County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Deferred Revenue Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the fund financial statements as intergovernmental revenue and an expenditure of operation of non-instructional services. In addition, this amount is reported on the statement of activities as an expense with a like amount reported within the "Operating Grants and Contributions" program revenue account. Unused donated commodities are reported in the account "Inventory held for resale" within the basic financial statements.

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

E. Budgetary Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the object level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

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

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

At the close of each fiscal 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 re-appropriated.

Pymatuning Valley Local School District
Ashtabula County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

F. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds are maintained in this account or temporarily used to purchase short-term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in pooled cash and cash equivalents".

During fiscal year 2008, investments were limited to certificates of deposit. All investments of the School District had a maturity of two years or less. These investments are stated at cost, which approximates market value (fair value).

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2008 amounted to \$130,490, which includes \$64,707 assigned from other School District funds.

The School District uses Ohio Mid Eastern Regional Educational Service Agency (OMERSA) to serve as a claim administrator for its self-insurance program. The balance of this account is presented on the combined balance sheet as "cash and cash equivalents with fiscal agents" and represents deposits.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents.

G. Interfund Balances

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

H. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventories consist of materials and supplies held for consumption and donated and purchased food held for resale.

I. Restricted Assets

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the general fund include amounts required by State statute to be set-aside for the purchase of textbooks. See Note 16 for additional information regarding set asides.

J. Capital Assets

The School District's only capital assets are general capital assets. General capital assets are those assets not specifically related to activities reported in the proprietary fund. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

Pymatuning Valley Local School District

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*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of assets by backtrending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of two thousand five hundred dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The School District's policy is not to capitalize interest costs incurred as part of construction.

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	20 years
Buildings and Improvements	30 - 50 years
Furniture, Fixtures and Equipment	10 - 20 years
Vehicles	10 years

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for certified employees, classified employees and administrators after ten years of service.

For the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees who have accumulated leave are paid.

L. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences and contractually required pension contributions 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. Bonds and long-term notes are recognized as a liability on the fund financial statements when due.

Pymatuning Valley Local School District

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*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

M. 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 enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The government-wide statement of net assets reports restricted net assets of \$2,408,602, none of which is restricted by enabling legislation. Net assets restricted for other purposes include operation of instructional services, food service operations and extracurricular activities.

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

N. Fund Balance Reserves and Designations

The School District reserves those portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, textbooks and tax revenue unavailable for appropriation. The reserve for tax revenue unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriation under state statute.

Designations represent tentative plans for future use of financial resources. A designation of fund equity has been established by the Board for the potential liability for leaks in underground storage tanks.

O. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are charges for services for self-insurance programs. Operating expenses are necessary costs that are incurred to provide the good or service that is the primary activity of the fund. Any revenue or expense not meeting the definition of operating is reported as non-operating.

P. 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 for them are not presented on the financial statements.

Q. 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.

Pymatuning Valley Local School District
Ashtabula County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

R. Estimates

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

Note 3 – Change in Accounting Principles

For fiscal year 2008, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 48, “Sales and Pledges of Receivables and Future Revenues and Intra-Equity Transfers of Assets and Future Revenues”, and GASB Statement No. 50, “Pension Disclosures”.

GASB Statement No. 48 addresses how to account for the exchange of an interest in expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments. The statement established criteria used to determine whether the transaction should be recorded as revenue or as a liability (a sale or a collateralized borrowing). The implementation of this statement did not result in any change to the financial statements.

GASB Statement No. 50 requires employers contributing to defined benefit pension plans to include the legal or contractual maximum contribution rates in the notes to the financial statements. The implementation of this statement did not result in any change to the financial statements.

Note 4 – Fund Deficits

Fund balances at June 30, 2008 included the following individual fund deficits:

Nonmajor Governmental Funds:	<u>Deficit</u>
Management Information Systems	\$1,237
Title I	41,243
Improving Teacher Quality	3,519

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. These deficit fund balances are the result of adjustments for accrued liabilities.

Note 5 - Budgetary Basis of Accounting

While the School District is reporting its 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 Balance - Budget (Non-GAAP 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 (modified accrual) basis are as follows:

- 1, Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).

Pymatuning Valley Local School District

Ashtabula County, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

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2. Expenditures are recorded when paid in cash (budget) as opposed to when the fund liability is incurred (GAAP).
 3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
 4. Advances-In and Advances-Out are operating transactions (budget) as opposed to balance sheet transactions.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Net Change in Fund Balance	
GAAP Basis	(\$512,081)
Net Adjustment for Revenue Accruals	128,983
Advances In	5,420
Net Adjustment for Expenditure Accruals	116,950
Advances Out	(966)
Adjustment for Encumbrances	<u>(21,919)</u>
Budget Basis	<u><u>(\$283,613)</u></u>

Note 6 - Deposits and Investments

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

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

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

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

Interim monies held by the School District can 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 payment of principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan

Pymatuning Valley Local School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

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- Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in securities listed above;
 4. Bonds and other obligations of the State of Ohio or Ohio local governments;
 5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
 6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;
 7. The State Treasurer's investment pool (STAROhio);
 8. Commercial paper and bankers acceptances if training requirements have been met.

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

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

A. - Cash with Fiscal Agent

The District participates in the OME-RESA Health Insurance Consortium for employee health benefits which are administered by Self-Funded Plans, Inc., also see note 11. The District's account balance at fiscal year end for the Employee Benefit Self-Insurance Fund was \$1,329,464. 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.

B. - Deposits

At June 30, 2008, the carrying amount of all District deposits was \$4,210,179. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2008, \$200,000 of the District's bank balance of \$2,942,845 was covered by the Federal Deposit Insurance Corporation, while \$2,742,845 was exposed to custodial risk as discussed below.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. As permitted by Ohio Revised Code, collateral is held in single financial institution collateral pools at Federal Reserve Banks, or member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the District's name.

Pymatuning Valley Local School District
Ashtabula County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

C. - Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2008:

<u>Cash and Investments per Note Disclosure</u>	
Carrying amount of deposits	\$4,210,179
Investments	0
Total	<u>\$4,210,179</u>
 <u>Cash and Investments per Statement of Net Assets</u>	
Governmental activities	\$4,132,426
Private-purpose trust funds	37,334
Agency funds	40,419
Total	<u>\$4,210,179</u>

Note 7 - Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007 and are collected in 2008 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2007. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2008 is 6.25 percent. This will be reduced to zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

Pymatuning Valley Local School District
Ashtabula County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

The School District receives property taxes from Ashtabula County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2008, are available to finance fiscal year 2009 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2008 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2008, was \$1,131,808 in the general fund, \$201,203 in the debt service fund and \$16,375 in the classroom facilities maintenance fund. The amount available as an advance at June 30, 2007 was \$1,269,959 in the general fund, \$224,500 in the debt service fund and \$18,319 in the classroom facilities maintenance fund.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

The assessed values upon which the fiscal year 2008 taxes were collected are:

	2007 Second Half Collections		2008 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$118,213,450	90.24 %	\$123,481,410	92.43 %
Public Utility Personal	8,310,600	6.34	5,918,700	4.43
Tangible Personal Property	4,483,360	3.42	4,193,560	3.14
Total	\$131,007,410	100.00 %	\$133,593,670	100.00 %
 Tax rate per \$1,000 of assessed valuation	 \$37.92		 \$37.84	

Note 8 - Receivables

Receivables at June 30, 2008, consisted of taxes, accounts (rent, student fees and tuition), accrued interest and intergovernmental grants. 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 fiscal year guarantee of Federal funds. All receivables are expected to be collected within one year. At June 30, 2008, the School District reported intergovernmental receivable of \$7,865 for various grants.

Pymatuning Valley Local School District
Ashtabula County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 9 – Interfund Transactions

A - Interfund Receivable/Payable

Interfund balances at June 30, 2008 consisted of the following individual interfund loans receivable and payable, as reported on the fund financial statements

	Interfund Receivable	Interfund Payable
Major Governmental Fund:		
General	\$966	\$0
Non-major Governmental Funds:		
Other Grants	0	495
Title VI	0	471
	\$966	\$966

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. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2008 are reported on the Statement of Net Assets.

B – Interfund Transfers

Interfund transfers for the year ended June 30, 2008 consisted of the following, as reported on the fund financial statements:

	Transfers In	Transfers Out
Major Governmental Fund:		
General	\$0	\$86,040
Non-major Governmental Funds:		
Management Information Systems	21,908	0
Title I	63,145	
Improving Teacher Quality	987	0
	\$86,040	\$86,040

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Transfers between governmental funds are eliminated on the government-wide financials. All transfers were made in compliance with Ohio Revised code Sections 5705.14, 5705.15 and 5705.16.

Pymatuning Valley Local School District
Ashtabula County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 10 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance 6/30/07	Additions	Reductions	Balance 6/30/08
Governmental Activities:				
Capital assets not being depreciated				
Land	\$478,147	\$0	\$0	\$478,147
Capital assets being depreciated				
Land improvements	1,671,763	0	0	1,671,763
Buildings and improvements	31,460,968	0	0	31,460,968
Furniture, fixtures and equipment	801,919	31,877	0	833,796
Vehicles	1,118,380	107,496	(39,900)	1,185,976
Total capital assets being depreciated	35,053,030	139,373	(39,900)	35,152,503
Accumulated depreciation				
Land improvements	(335,623)	(74,183)	0	(409,806)
Buildings and improvements	(5,825,153)	(948,741)	0	(6,773,894)
Furniture, fixtures and equipment	(262,221)	(46,043)	0	(308,264)
Vehicles	(719,233)	(95,032)	39,900	(774,365)
Total accumulated depreciation	(7,142,230)	(1,163,999) *	39,900	(8,266,329)
Capital assets being depreciated, net	27,910,800	(1,024,626)	0	26,886,174
Governmental activities capital assets, net	\$28,388,947	(\$1,024,626)	\$0	\$27,364,321

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$965,617
Special	5,910
Vocational	1,466
Support Services:	
Instructional Staff	61,778
Administration	7,318
Business	1,733
Operation and Maintenance of Plant	833
Pupil Transportation	95,966
Operation of Food Services	6,584
Extracurricular	16,794
Total Depreciation Expense	\$1,163,999

Pymatuning Valley Local School District

Ashtabula County, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

Note 11 - 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 the Ohio School Plan.

Professional liability insurance is maintained in the amount of \$2,000,000 for single occurrence and \$5,000,000 in the aggregate, including \$1,000,000 for violence coverage.

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 \$42,790,499 and \$42,790,499 for boiler and machinery 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 three years, and there has been no significant reduction 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.

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

The School District uses an internal service fund to record and report its self-funded health care insurance program. The claims liability of \$311,217, reported in the fund at year end was estimated by the third party administrator and is based on the requirements of GASB Statement No. 10, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported.

Changes in the claims liability amount during the last two fiscal years were as follows:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2007	\$205,509	1,572,546	1,559,493	\$218,562
2008	218,562	1,539,848	1,447,193	311,217

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

Pymatuning Valley Local School District
Ashtabula County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

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 12 - Pension Plans

A - School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by 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 can be obtained by contacting the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website, www.ohsers.org, under Forms and Publications.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 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 a statutory maximum amount of 10 percent for plan members and 14 percent for employers, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007, and 2006 were \$123,972, \$142,750, and \$145,623, respectively; 54.6 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B - State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency wholly controlled, managed and supported in whole, or in part, by the State or any political subdivision thereof.

Plan Options - New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to

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10.5 percent of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. 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.

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit”, the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2 percent multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5 percent. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6 percent for 32 years, 2.7 percent for 33 years and so on) until 100 percent of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5 percent instead of 2.2 percent. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5 percent are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. 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.

Combined Plan Benefits – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying one percent of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

Eligible faculty of Ohio’s public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offered by their employer. Employees have 120 days from their employment date to select a retirement plan.

A retiree of STRS Ohio or other Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

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Benefits are increased annually by three percent of the original base amount for Defined Benefit Plan participants.

The Defined Benefit and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A Defined Benefit 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 members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the Defined Benefit Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. 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.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2008, were 10 percent of covered payroll for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006, were \$622,622, \$626,002, and \$604,143, respectively; 86.5 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$8,506 made by the School District and \$29,023 made by the plan members.

STRS Ohio issues a stand-alone financial report. Copies of STRS Ohio's 2007 *Comprehensive Annual Financial Report* were available after December 26, 2007.

Additional information or copies of STRS Ohio's 2007 *Comprehensive Annual Financial Report* can be requested by writing to STRS Ohio, 275 East Broad Street, Columbus, OH 43215-3371, or by calling toll free 1-888-227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

Note 13 - Postemployment Benefits

A. School Employees Retirement System

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status.

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, 2008, employer contributions to fund health care benefits were 4.84 percent of covered payroll. 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,

Pymatuning Valley Local School District
Ashtabula County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established as \$35,800. For the District, the amount contributed to fund health care benefits, including the surcharge, during the 2008 fiscal year equaled \$75,679.

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. Health care benefits are financed on a pay as you go basis. Net health care costs for the year ending June 30, 2007 (the latest information available), were \$158,651,207. The number of participants eligible to receive benefits was 59,492. The target level for the health care fund is 150 percent of the projected claims less premium contributions for the next fiscal year. At June 30, 2007 the value of the health care fund was \$295.6 million, which is about 221 percent of next year's projected net health care costs. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs.

B. State Teachers Retirement System of Ohio

STRS Ohio provides access to health care coverage to retirees who participated in the Defined Benefit or Combined Plans and their dependents. Coverage under the current program includes hospitalization, physician fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the Revised Code (R.C.), the State Teachers Retirement Board (the board) has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. For the fiscal year ended June 30, 2008, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$47,894 for fiscal year 2008.

The R.C. grants authority to STRS Ohio to provide health care coverage to eligible benefit recipients, spouses and dependents. By Ohio law, health care benefits are not guaranteed and the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14 percent of covered payroll.

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For the fiscal year ended June 30, 2007 (the latest information available) the board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$4.1 billion on June 30, 2007.

For the fiscal year ended June 30, 2007, net health care costs paid by STRS Ohio were \$265,558,000. There were 122,934 eligible benefit recipients.

Note 14 - Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Only administrative and support personnel who are under a full year contract (11 and 12 month) are eligible for vacation time. The number of days granted to employees is determined upon length of service.

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.

Pymatuning Valley Local School District
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*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

The classified personnel accumulate vacation based on the following schedule:

Years of Service	Vacation Days
6 Months to 1 Year	5
1 - 5 Years	10
6 - 10 Years	15
11-19 Years	20
20 - 25 Years	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 70.25 days for classified employees.

Note 15 - Long-term Obligations

The changes in the School District's long-term obligations during fiscal year 2008 were as follows:

	Principal Outstanding 6/30/07	Additions	Deductions	Principal Outstanding 6/30/08	Amounts due in One Year
Governmental-Type Activities					
General Obligation Bonds:					
2002 School Improvement Bonds:					
Current Interest Serial Bonds	\$5,130,000	\$0	\$90,000	\$5,040,000	\$95,000
Current Interest Term Bonds	1,070,000	0	0	1,070,000	0
Capital Appreciation Bonds	276,586	0	92,026	184,560	80,590
Accretion on Capital Appreciation Bonds	272,001	64,495	102,974	233,522	114,410
Total School Improvement Bonds	6,748,587	64,495	285,000	6,528,082	290,000
Other Long-Term Obligations:					
2006 Ohio Schools Facilities Commission Note	481,982	0	160,661	321,321	160,661
Compensated Absences	848,210	82,672	169,642	761,240	76,124
Early Retirement Incentive	0	189,000	0	189,000	63,000
Total Long-Term Obligations	\$8,078,779	\$336,167	\$615,303	\$7,799,643	\$589,785

The District issued School Improvement and Classroom Facilities Bonds on April 4, 2002, in the amount of \$7,774,998 at an average rate of 5.04 percent. The purpose of these bonds, which included serial bonds, term bonds and capital appreciation bonds, is to pay the local share of school construction under the State of Ohio Classroom Facilities Assistance Program for constructing, furnishing and equipping a new high school auditorium and for the repayment of bond anticipation notes issued for this project. The final

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Ashtabula County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

maturity amount of the capital appreciation bonds will be \$2,597,308. The bonds were issued for a twenty-two year period with a maturity date of December 1, 2025.

The District issued the Ohio School Facilities loan on August 11, 2005, in the amount of \$803,304. The purpose of this note is to pay for the construction of the new school buildings.

Compensated absences will be paid from the general fund and the food service and Title I special revenue funds. The early retirement incentive payable will be paid from the general fund.

The School District's overall legal debt margin was \$6,204,990 with an unvoted debt margin of \$133,594 at June 30, 2008. Principal requirements to retire general obligation debt outstanding at June 30, 2008, are as follows:

Fiscal year Ending June 30,	General Obligation Bonds				Ohio Schools Facilities Commission Note
	Serial and Term Bonds		Capital Appreciation Bonds		Principal
	Principal	Interest	Principal	Interest	
2009	\$95,000	\$293,590	\$80,590	\$114,410	\$160,661
2010	100,000	289,590	72,384	127,616	160,660
2011	195,000	283,298	31,586	68,414	0
2012	300,000	272,580	0	0	0
2013	315,000	258,967	0	0	0
2014-2018	1,775,000	1,058,140	0	0	0
2019-2023	2,260,000	561,000	0	0	0
2024-2025	1,070,000	54,250	0	0	0
<i>Total</i>	<u>\$6,110,000</u>	<u>\$3,071,415</u>	<u>\$184,560</u>	<u>\$310,440</u>	<u>\$321,321</u>

Note 16 - Set-Asides

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

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

Pymatuning Valley Local School District
Ashtabula County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

	Capital	
	Textbooks	Improvements
Set-Aside Reserve Balance as of June 30, 2007	\$356,009	\$0
Current Year Set-Aside Requirement	204,472	204,472
Qualifying Disbursements	(143,707)	0
Current year offsets	0	(450,707)
Total	\$416,774	(\$246,235)
Set-Aside Balance Carried Forward to		
Future Fiscal Years	\$416,774	\$0
Cash balance as of June 30, 2008	\$416,774	\$0

Although the School District had current year offsets during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement for future years. This negative balance is therefore not presented as being carried forward to future years. The total reserve balance for the two set-asides at the end of the fiscal year was \$416,774.

Note 17 - Jointly Governed Organizations

A. 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 represented on the Governing Board by the Treasurer during fiscal year 2008. 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.

B. Ashtabula County Joint Vocational School District

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

C. State Support Team (SST) – Region 5

The School District participates in the State Support Team (SST), an Educational Regional Service System (ERSS). The mission of the SST is to provide regional districts with leadership, technical assistance and high quality professional development in the service areas of school improvement, literacy, early learning and school readiness and special education compliance. The 16 State Support Teams are responsible for the regional delivery of school improvement, literacy, special education compliance, and early learning and school readiness services to districts using a differentiated technical assistance

Pymatuning Valley Local School District
Ashtabula County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

structure of support based upon need. The teams work through the Office of Exceptional Children, Office of Literacy, Office of Early Learning and School Readiness and the Office of Field Relations by providing technical assistance and professional development. The SSTs include staff and services formerly provided by the Special Education Regional Resource Centers (SERRCs) and the Regional School Improvement Teams (RSITs).

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

Note 18 – Related Organization

A. - Andover Public Library

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

Note 19 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2008.

B. Litigation

The School District is not party to legal proceedings as of June 30, 2008.

Pymatuning Valley Local School District
Ashtabula County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 20 – New Accounting Standards

In August of 2004, the GASB issued Statement No. 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions”, which addresses how state and local governments should account for and report their costs and obligations related to postemployment health care and other non-pension benefits, or OPEB. Statement No. 45 also establishes disclosure requirements for information about the plans in which an employer participates, the funding policy followed, the actuarial valuation process and assumptions, and, for certain employers, the extent to which the plan has been funded over time. Statement No. 45 will not be effective for the District until fiscal year 2009 and, as such, the District has not determined the impact, if any, that this statement will have on its financial statements.

In November 2006, the GASB issued Statement No. 49, “Accounting and Financial Reporting for Pollution Remediation Obligations.” This Statement is to establish accounting and financial reporting standards for pollution remediation obligations. Statement No. 49 will not be effective for the District until fiscal year 2009 and, as such, the District has not determined the impact, if any, that this statement will have on its financial statements.

In June of 2007, the GASB issued Statement No. 51, “Accounting and Financial Reporting for Intangible Assets.” This Statement requires that all intangible assets, which include easements, water rights, timber rights, patents, trademarks, and computer software, be classified as capital assets. Statement No. 51 will not be effective for the District until fiscal year 2010 and, as such, the District has not determined the impact, if any, that this statement will have on its financial statements.

In March of 2007, the GASB issued Statement No. 52, “Land and Other Real Estate Held as Investments by Endowments.” This Statement establishes standards for accounting and financial reporting for land and other real estate held as investments by endowments. Endowments include permanent and term endowments, and permanent funds. This Statement does not apply to lands granted by the Federal government in connection with a state being admitted to the United States. It also does not apply to quasi-endowments. This Statement applies to all state and local governments. Statement No. 52 will not be effective for the District until fiscal year 2009 and, as such, the District has not determined the impact, if any, that this statement will have on its financial statements.

In November of 2007, the GASB issued Statement No. 53, “Accounting and Financial Reporting for Derivative Instruments.” This Statement establishes accounting and financial reporting standards for all state and local governments that enter into derivative instruments as defined in this Statement. Statement No. 53 will not be effective for the District until fiscal year 2011 and, as such, the District has not determined the impact, if any, that this statement will have on its financial statements.

**PYMATUNING VALLEY LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY
FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2008**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed Through The Ohio Department of Education:</i>				
Child Nutrition Cluster:				
School Breakfast Program - Cash Assistance	2008 06-PU	10.553	\$ 84,318	\$ 84,318
National School Lunch Program				
Cash Assistance	2006 LL-P4	10.555	252,842	252,842
Non-Cash Assistance (Food Distribution)	N/A	10.555	75,073	75,073
National School Lunch Program Subtotal			<u>327,915</u>	<u>327,915</u>
Total for Program (Cluster)			<u>412,233</u>	<u>412,233</u>
			Cash Assistance Subtotal	337,160
			Non-Cash Assistance (Food Distribution) Subtotal	75,073
U.S. DEPARTMENT OF EDUCATION				
<i>Passed Through The Ohio Department of Education:</i>				
Grants to Local Educational Agencies				
Title I School Subsidy	C1-S1-2007	84.010	-	50,487
	C1-S1-2008		226,117	258,713
Total -- Title I School Subsidy			<u>226,117</u>	<u>309,200</u>
Title IV - A Safe and Drug Free Schools				
	DR-S1-2007	84.186	-	633
	DR-S1-2006		8,819	9,453
Total -- Safe and Drug Free Schools			<u>8,819</u>	<u>10,086</u>
Title V -- Innovative Education Program Strategies				
	C2-S1-2007	84.298	1,475	1,475
	C2-S1-2008		1,970	1,970
Total -- Innovative Education Program Strategies			<u>3,445</u>	<u>3,445</u>
Technology Literacy Challenge Fund Grants				
	TJ-S1-2007	84.318	-	249
	TJ-S1-2008		1,926	1,926
Total -- Technology Literacy Grants			<u>1,926</u>	<u>2,175</u>
Title II-A Improving Teacher Quality State Grants				
	TR-S1-2007	84.367	9,904	9,904
	TR-S1-2008		68,086	44,354
Total -- Title II-A			<u>77,990</u>	<u>54,258</u>
Total -- U.S. Department of Education			<u>318,297</u>	<u>379,164</u>
Totals			<u>\$ 730,530</u>	<u>\$ 791,397</u>

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

**PYMATUNING VALLEY LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
JUNE 30, 2008**

Note A – Significant Accounting Policies

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

Note B – Food Donation

Program regulations do not require the School District to maintain separate inventory records for purchased food and food received from the United States Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Note C – National School Lunch Program

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

Perry & Associates
Certified Public Accountants, A.C.

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(740) 373-0056

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

January 30, 2009

Pymatuning Valley Local School District
Ashtabula County
5571 US RT 6 W
Andover, Ohio 44003

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate fund information of the **Pymatuning Valley Local School District, Ashtabula County, Ohio** (the District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents and have issued our report dated January 30, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Internal Control over Financial Reporting (Continued)

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted certain matters that we reported to the District's management in a separate letter dated January 30, 2009.

Compliance and Other Matters

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

We did note noncompliance or other matters that we reported to the District's management in a separate letter dated January 30, 2009.

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

Respectfully Submitted,



Perry and Associates
Certified Public Accountants, A.C.

Perry & Associates
Certified Public Accountants, A.C.

PARKERSBURG
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Parkersburg, WV 26101
(304) 422-2203

MARIETTA
428 Second Street
Marietta, OH 45750
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**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

January 30, 2009

Pymatuning Valley Local School District
Ashtabula County
5571 US RT 6 W
Andover, Ohio 44003

To the Board of Education:

Compliance

We have audited the compliance of **Pymatuning Valley Local School District, Ashtabula County, Ohio** (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 are applicable to its major federal program for the year ended June 30, 2008. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the District's major federal programs. 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 one of the major federal programs. 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 that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2008.

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. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with federal programs compliance requirement on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the District's ability to administer a federal programs such that there is more than a remote likelihood that the entity's internal control will not prevent or detect more-than-consequential noncompliance with a federal programs compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with federal programs' compliance requirements.

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

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

Respectfully Submitted,



Perry and Associates
Certified Public Accountants, A.C.

**PYMATUNING VALLEY LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2008**

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

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



Mary Taylor, CPA
Auditor of State

**PYMATUNING VALLEY LOCAL 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
APRIL 16, 2009**