

**PYMATUNING VALLEY LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY**

**SINGLE AUDIT**

**JUNE 30, 2009**

***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 6W  
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, 2008 through June 30, 2009. 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 29, 2010

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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**

February 1, 2010

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, each major fund, and the aggregate remaining fund information of **Pymatuning Valley Local School District, Ashtabula County, Ohio** (the School District), as of and for the year ended June 30, 2009, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Pymatuning Valley Local School District, as of June 30, 2009, 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 February 1, 2010, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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, 2009*

*Unaudited*

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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, 2009. 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 2009 are as follows:

For governmental activities, net assets decreased \$461,883 which represents a 1.9 percent decrease from fiscal year 2008.

General revenues accounted for \$11,882,652 in revenue or 87.6 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 \$1,679,821 or 12.4 percent of total governmental revenues of \$13,562,473.

The District had \$14,024,356 in expenses related to governmental activities; with \$1,679,821 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 \$11,882,652 were not adequate to provide for the remainder of these programs.

On the modified accrual basis of accounting, the general fund had \$11,392,879 in revenues and \$11,529,971 in expenditures, excluding transfers. The general fund balance decreased \$220,466 from fiscal year 2008.

## **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 and the debt service bond retirement 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, 2009  
Unaudited*

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## **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 2009?" 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 and the debt service bond retirement 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, 2009*  
*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 2009 as compared to fiscal year 2008.

**Table 1**  
Net Assets  
Governmental Activities

	<u>2009</u>	<u>2008</u>	<u>Change</u>
<b>Assets</b>			
Current and Other Assets	\$8,617,632	\$9,016,182	(\$398,550)
Capital Assets	<u>26,282,969</u>	<u>27,364,321</u>	<u>(1,081,352)</u>
<i>Total Assets</i>	<u>34,900,601</u>	<u>36,380,503</u>	<u>(1,479,902)</u>
<b>Liabilities</b>			
Current Liabilities	3,820,814	4,317,181	(496,367)
Long-Term Liabilities:			
Due within One Year	515,211	589,785	(74,574)
Due in More than One Year	<u>6,762,780</u>	<u>7,209,858</u>	<u>(447,078)</u>
<i>Total Liabilities</i>	<u>11,098,805</u>	<u>12,116,824</u>	<u>(1,018,019)</u>
<b>Net Assets</b>			
Invested in Capital Assets			
Net of Related Debt	20,091,312	20,748,440	(657,128)
Restricted	2,621,905	2,408,602	213,303
Unrestricted	<u>1,088,579</u>	<u>1,106,637</u>	<u>(18,058)</u>
<i>Total Net Assets</i>	<u><u>\$23,801,796</u></u>	<u><u>\$24,263,679</u></u>	<u><u>(\$461,883)</u></u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2009, the School District's assets exceeded liabilities by \$23,801,796.

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, 84.4 percent for fiscal year 2009. 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, \$2,621,905, or 11.0 percent, represents resources that are subject to external restrictions on how the funds may be used. Of the total restricted assets, \$837,374 or 31.9 percent is restricted for debt service payment; \$735,935 or 28.1 percent is restricted for capital projects and \$1,048,596 or 40.0 percent is restricted for other purposes and set-asides. The remaining balance of government-wide unrestricted net assets of \$1,088,579 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*  
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*Unaudited*

Table 2 shows change in net assets for fiscal year 2009 compared to 2008.

**Table 2**  
Change in Net Assets  
Governmental Activities

	2009	2008	Change
<b>Revenues</b>			
<b>Program Revenues</b>			
Charges for Services and Sales	\$578,411	\$580,242	(\$1,831)
Operating Grants and Contributions	1,084,616	821,952	262,664
Capital Grants and Contributions	16,794	1,789,127	(1,772,333)
<i>Total Program Revenues</i>	<u>1,679,821</u>	<u>3,191,321</u>	<u>(1,511,500)</u>
<b>General Revenues</b>			
Property Taxes	3,926,306	3,927,009	(703)
Intergovernmental	7,821,578	7,647,244	174,334
Investment Earnings	79,052	204,386	(125,334)
Miscellaneous	55,716	49,561	6,155
<i>Total General Revenues</i>	<u>11,882,652</u>	<u>11,828,200</u>	<u>54,452</u>
<i>Total Revenues</i>	<u>13,562,473</u>	<u>15,019,521</u>	<u>(1,457,048)</u>
<b>Program Expenses</b>			
Current:			
Instruction	7,801,316	8,895,556	(1,094,240)
Support Services:			
Pupils	675,887	625,148	50,739
Instructional Staff	228,631	304,474	(75,843)
Board of Education	24,208	27,430	(3,222)
Administration	1,054,357	1,294,533	(240,176)
Fiscal	299,917	303,328	(3,411)
Business	54,022	84,482	(30,460)
Operation and Maintenance of Plant	1,255,998	1,446,091	(190,093)
Pupil Transportation	1,071,520	1,347,773	(276,253)
Central	74,631	74,695	(64)
Operation of Non-Instructional Services	26,504	23,993	2,511
Operation of Food Services	613,616	590,895	22,721
Extracurricular Activities	490,100	759,439	(269,339)
Interest and Fiscal Charges	353,649	375,301	(21,652)
<i>Total Program Expenses</i>	<u>14,024,356</u>	<u>16,153,138</u>	<u>(2,128,782)</u>
<i>Change in Net Assets</i>	<u>(461,883)</u>	<u>(1,133,617)</u>	<u>671,734</u>
Net Assets Beginning of Year	<u>24,263,679</u>	<u>25,397,296</u>	<u>(1,133,617)</u>
<i>Net Assets End of Year</i>	<u>\$23,801,796</u>	<u>\$24,263,679</u>	<u>(\$461,883)</u>

# **Pymatuning Valley Local School District**

Ashtabula County, Ohio

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2009  
Unaudited*

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## **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 \$3,926,306 in fiscal year 2009. General revenues from grants and entitlements, such as the school foundation program, generated \$7,821,578. With the combination of taxes and intergovernmental funding comprising approximately 87 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 \$7,801,316 or 55.6 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 decreased \$1,094,240, or 12.3 percent as compared to the prior year. The primary cause for this decrease was due to decreases in costs related to depreciation on capital assets being charged to this function, as well as a number of high salary employees retiring and being replaced by lower salary employees.

Pupil services and instructional staff include the activities involved in assisting staff and the content and process of teaching to pupils. These expenses represent \$904,518, or 6.4 percent of the total governmental program expenses. Expenses to provide these programs decreased \$25,104, or 2.7 percent compared to fiscal year 2008.

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 \$1,255,998 or 9.0 percent of the governmental program expenses. These expenses increased \$190,093 or 13.1 percent compared to fiscal year 2008.

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 \$1,071,520 or 7.6 percent of the total governmental program expenses. Expenses for providing this program decreased \$276,253, or 20.5 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 \$74,631 during fiscal year 2009. Costs of these programs decreased \$64 from the prior year.

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 2009 and 2008. 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, 2009*  
*Unaudited*

**Table 3**  
Total and Net Cost of Program Services  
Governmental Activities

	2009		2008	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
<b>Program Expenses</b>				
Instruction:				
Regular	\$5,616,365	\$5,327,496	\$6,272,623	\$4,329,280
Special	1,303,051	996,797	1,645,096	1,377,081
Vocational	225,124	219,908	236,545	232,267
Other	656,776	566,360	741,292	608,544
Support Services:				
Pupil	675,887	589,750	625,148	605,912
Instructional Staff	228,631	199,892	304,474	295,354
Board of Education	24,208	23,660	27,430	26,934
Administration	1,054,357	1,022,670	1,294,533	1,262,809
Fiscal	299,917	292,966	303,328	296,207
Business	54,022	52,847	84,482	82,342
Operation and Maintenance of Plant	1,255,998	1,223,521	1,446,091	1,421,128
Pupil Transportation	1,071,520	1,026,172	1,347,773	1,309,690
Central	74,631	61,521	74,695	64,575
Operation of Non-Instructional Services	26,504	25,904	23,993	23,560
Operation of Food Services	613,616	25,749	590,895	54,447
Extracurricular Activities	490,100	335,673	759,439	596,386
Interest and Fiscal Charges	353,649	353,649	375,301	375,301
<i>Total Expenditures</i>	<u>\$14,024,356</u>	<u>\$12,344,535</u>	<u>\$16,153,138</u>	<u>\$12,961,817</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 2009, excluding transfers, were \$13,618,771 and \$14,433,606 respectively. The net decrease in fund balance for the year was most significant in the general fund, amounting to \$220,466. The primary cause of this decrease was the result of expenditures exceeding revenues. The net increase in fund balance for the bond retirement debt service fund amounted to \$126,084. Net changes across all nonmajor governmental funds amounted to a decrease of \$85,453, or 6.4 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 2009, 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, 2009*  
*Unaudited*

For the general fund, the final budget basis revenue estimate was \$11,226,720, and the original budget estimate was \$11,113,053. Actual revenues of \$11,225,523 were \$112,470 higher than the original estimate and \$1,197 lower than the final budget amount. This difference with the original estimate is due to a conservative worst case scenario approach and the variance with the final budget amount was insignificant.

The original expenditures estimate of \$11,814,633, excluding transfers and advances, was revised to \$11,666,941 during the fiscal year. Actual expenditures, however, were only \$11,531,636, \$282,997 less than originally anticipated and \$135,305 less than the final budget amounts.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2009, the School District had \$26,282,969 invested in capital assets. Table 4 shows fiscal year 2009 balances as compared to fiscal year 2008:

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

	2009	2008
Land	\$478,147	\$478,147
Land Improvements	1,187,774	1,261,957
Buildings	23,738,333	24,687,074
Furniture, Fixtures and Equipment	547,289	525,532
Vehicles	331,426	411,611
<i>Total</i>	<u>\$26,282,969</u>	<u>\$27,364,321</u>

The School District purchased \$85,501 worth of capital assets during the fiscal year; however, annual depreciation of \$1,166,853 resulted in an overall decrease in capital assets of \$1,081,352. See Note 10 to the basic financial statements for detail on the School District's capital assets.

**Debt**

At June 30, 2009 the School District had \$6,356,751 in bonds and notes outstanding with \$372,687 due within one year. Table 5 summarizes the bonds and loans outstanding:

**Table 5**  
Outstanding Debt at Year End

	2009	2008
2002 School Improvement Bonds	\$6,284,064	\$6,528,082
Ohio School Facilities Commission Note	72,687	321,321
<i>Total</i>	<u>\$6,356,751</u>	<u>\$6,849,403</u>

## **Pymatuning Valley Local School District**

Ashtabula County, Ohio

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2009  
Unaudited*

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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 on the District's new school buildings.

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, 2009*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$2,435,077
Cash and Cash Equivalents:	
With Fiscal Agents	1,596,932
Accrued Interest Receivable	143
Accounts Receivable	145
Intergovernmental Receivable	110,575
Property Taxes Receivable	4,449,664
Inventory Held for Resale	23,521
Materials and Supplies Inventory	1,575
Nondepreciable Capital Assets	478,147
Depreciable Capital Assets, Net	25,804,822
<i>Total Assets</i>	<u>34,900,601</u>
<b>Liabilities</b>	
Accounts Payable	1,832
Accrued Wages and Benefits Payable	1,063,905
Intergovernmental Payable	290,639
Matured Compensated Absences Payable	43,279
Deferred Revenue	2,202,094
Accrued Interest Payable	24,308
Claims Payable	194,757
Long-Term Liabilities:	
Due Within One Year	515,211
Due In More Than One Year	6,762,780
<i>Total Liabilities</i>	<u>11,098,805</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	20,091,312
Restricted for:	
Capital Projects	735,935
Debt Service	837,374
Other Purposes	539,012
Set-asides	509,584
Unrestricted	1,088,579
<i>Total Net Assets</i>	<u>\$23,801,796</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, 2009*

	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	
<b>Governmental Activities</b>					
Current:					
Instruction:					
Regular	\$5,616,365	\$105,620	\$182,977	\$272	(\$5,327,496)
Special	1,303,051	23,368	282,886	0	(996,797)
Vocational	225,124	5,216	0	0	(219,908)
Other	656,776	13,129	77,287	0	(566,360)
Support Services:					
Pupils	675,887	17,554	68,583	0	(589,750)
Instructional Staff	228,631	3,376	25,363	0	(199,892)
Board of Education	24,208	548	0	0	(23,660)
Administration	1,054,357	24,065	7,622	0	(1,022,670)
Fiscal	299,917	6,951	0	0	(292,966)
Business	54,022	1,175	0	0	(52,847)
Operation and Maintenance of Plant	1,255,998	30,638	1,839	0	(1,223,521)
Pupil Transportation	1,071,520	22,293	6,533	16,522	(1,026,172)
Central	74,631	1,410	11,700	0	(61,521)
Operation of Non-Instructional Services	26,504	600	0	0	(25,904)
Operation of Food Services	613,616	168,041	419,826	0	(25,749)
Extracurricular Activities	490,100	154,427	0	0	(335,673)
Interest and Fiscal Charges	353,649	0	0	0	(353,649)
<i>Total Governmental Activities</i>	<u>\$14,024,356</u>	<u>\$878,411</u>	<u>\$1,084,616</u>	<u>\$16,794</u>	<u>(12,344,535)</u>
<b>General Revenues</b>					
Property Taxes Levied for:					
					3,292,824
					590,148
					43,334
					7,821,578
					79,052
					55,716
					<u>11,882,652</u>
					(461,883)
					24,263,679
					<u>\$23,801,796</u>

See accompanying notes to the basic financial statements

**Pymatuning Valley Local School District**  
Ashtabula County, Ohio

*Balance Sheet*  
*Governmental Funds*  
*June 30, 2009*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$0	\$689,142	\$1,310,872	\$2,000,014
Accrued Interest Receivable	143	0	0	143
Accounts Receivable	145	0	0	145
Interfund Receivable	49,801	0	0	49,801
Intergovernmental Receivable	0	0	110,575	110,575
Property Taxes Receivable	3,726,838	670,251	52,575	4,449,664
Inventory Held for Resale	0	0	23,521	23,521
Materials and Supplies Inventory	0	0	1,575	1,575
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	435,063	0	0	435,063
<b>Total Assets</b>	<b>\$4,211,990</b>	<b>\$1,359,393</b>	<b>\$1,499,118</b>	<b>\$7,070,501</b>
<b>Liabilities</b>				
Accounts Payable	\$1,832	\$0	\$0	\$1,832
Accrued Wages and Benefits Payable	971,480	0	92,425	1,063,905
Intergovernmental Payable	256,276	0	34,363	290,639
Matured Compensated Absences Payable	43,279	0	0	43,279
Interfund Payable	0	0	49,801	49,801
Deferred Revenue	2,413,880	435,868	63,886	2,913,634
<b>Total Liabilities</b>	<b>3,686,747</b>	<b>435,868</b>	<b>240,475</b>	<b>4,363,090</b>
<b>Fund Balances</b>				
Reserved for Encumbrances	52,231	0	47,245	99,476
Reserved for Textbooks	509,584	0	0	509,584
Reserved for Property Taxes	1,312,958	234,383	17,565	1,564,906
Unreserved:				
Designated for:				
Underground Storage Tanks	0	0	11,000	11,000
Undesignated, Reported in:				
General Fund	(1,349,530)	0	0	(1,349,530)
Special Revenue Funds	0	0	482,040	482,040
Debt Service Funds	0	689,142	0	689,142
Capital Projects Funds	0	0	700,793	700,793
<b>Total Fund Balances</b>	<b>525,243</b>	<b>923,525</b>	<b>1,258,643</b>	<b>2,707,411</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$4,211,990</b>	<b>\$1,359,393</b>	<b>\$1,499,118</b>	<b>\$7,070,501</b>

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, 2009*

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**Total Governmental Fund Balances** \$2,707,411

***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. 26,282,969

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.

Property Taxes	682,664
Intergovernmental	<u>28,876</u>

Total 711,540

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. 1,402,175

In the statement of activities, interest is accrued on outstanding general obligation bonds, whereas in governmental funds, an interest expenditure is reported when due. (24,308)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

General Obligation Bonds	(6,118,970)
Accretion on Capital Appreciation Bonds	(165,094)
Ohio Schools Facilities Commission Note	(72,687)
Early Retirement Incentive	(126,000)
Compensated Absences	<u>(795,240)</u>

Total (7,277,991)

*Net Assets of Governmental Activities* \$23,801,796

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, 2009*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property Taxes	\$3,407,425	\$607,845	\$45,618	\$4,060,888
Tuition and Fees	257,861	0	1,121	258,982
Interest	26,533	0	2,225	28,758
Charges for Services	0	0	168,041	168,041
Extracurricular Activities	0	0	150,423	150,423
Rentals	965	0	0	965
Contributions and Donations	0	0	30,703	30,703
Intergovernmental	7,662,187	116,222	1,085,886	8,864,295
Miscellaneous	37,908	0	17,808	55,716
<i>Total Revenues</i>	<u>11,392,879</u>	<u>724,067</u>	<u>1,501,825</u>	<u>13,618,771</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	4,632,376	0	186,831	4,819,207
Special	1,079,453	0	301,432	1,380,885
Vocational	228,709	0	0	228,709
Other	579,489	0	77,287	656,776
Support Services:				
Pupils	614,337	0	46,204	660,541
Instructional Staff	148,383	0	28,425	176,808
Board of Education	24,208	0	0	24,208
Administration	1,059,606	0	26,510	1,086,116
Fiscal	304,791	0	1,124	305,915
Business	51,861	0	0	51,861
Operation and Maintenance of Plant	1,184,171	0	89,370	1,273,541
Pupil Transportation	973,267	0	20,780	994,047
Central	62,231	0	12,400	74,631
Operation of Non-Instructional Services	26,504	0	0	26,504
Operation of Food Services	0	0	619,137	619,137
Extracurricular Activities	321,782	0	165,820	487,602
Capital Outlay	0	0	85,501	85,501
Debt Service:				
Principal Retirement	238,803	290,000	644,831	1,173,634
Interest and Fiscal Charges	0	307,983	0	307,983
<i>Total Expenditures</i>	<u>11,529,971</u>	<u>597,983</u>	<u>2,305,652</u>	<u>14,433,606</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(137,092)</u>	<u>126,084</u>	<u>(803,827)</u>	<u>(814,835)</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds of Loans	0	0	635,000	635,000
Transfers In	0	0	83,374	83,374
Transfers Out	(83,374)	0	0	(83,374)
<i>Total Other Financing Sources (Uses)</i>	<u>(83,374)</u>	<u>0</u>	<u>718,374</u>	<u>635,000</u>
<i>Net Change in Fund Balances</i>	(220,466)	126,084	(85,453)	(179,835)
<i>Fund Balances Beginning of Year</i>	745,709	797,441	1,344,096	2,887,246
<i>Fund Balances End of Year</i>	<u>\$525,243</u>	<u>\$923,525</u>	<u>\$1,258,643</u>	<u>\$2,707,411</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, 2009*

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**Net Change in Fund Balances - Total Governmental Funds** (\$179,835)

***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	85,501
Current Year Depreciation	(1,166,853)

Total (1,081,352)

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

Property Taxes	(134,582)
Intergovernmental	27,990

Total (106,592)

Other financing sources in the governmental funds, such as long-term loan proceeds, increase long-term liabilities in the statement of net assets.

(635,000)

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.

1,173,634

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	316
Accreted Interest on Bonds	(45,982)

Total (45,666)

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	(34,000)
Early Retirement Incentive	63,000

Total 29,000

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.

383,928

*Change in Net Assets of Governmental Activities* (\$461,883)

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, 2009*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$3,193,951	\$3,226,274	\$3,226,275	\$1
Tuition and Fees	255,277	257,861	257,861	0
Interest	35,233	36,284	35,590	(694)
Rentals	955	965	965	0
Intergovernmental	7,585,419	7,662,187	7,662,187	0
Miscellaneous	42,218	43,149	42,645	(504)
<i>Total Revenues</i>	<u>11,113,053</u>	<u>11,226,720</u>	<u>11,225,523</u>	<u>(1,197)</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	4,716,568	4,602,304	4,586,704	15,600
Special	1,144,644	1,118,959	1,112,029	6,930
Vocational	229,139	236,806	235,279	1,527
Other	596,399	588,925	583,021	5,904
Support Services:				
Pupils	646,850	655,620	632,960	22,660
Instructional Staff	147,418	172,001	170,242	1,759
Board of Education	24,914	26,013	24,208	1,805
Administration	1,075,146	1,068,162	1,045,057	23,105
Fiscal	308,991	302,688	300,225	2,463
Business	51,488	55,875	50,051	5,824
Operation and Maintenance of Plant	1,394,053	1,201,810	1,196,356	5,454
Pupil Transportation	973,732	976,541	946,058	30,483
Central	64,566	66,094	62,731	3,363
Operation of Non-Instructional Services	27,256	30,172	26,484	3,688
Extracurricular Activities	330,797	326,168	321,428	4,740
Debt Service:				
Principal Retirement	82,672	238,803	238,803	0
<i>Total Expenditures</i>	<u>11,814,633</u>	<u>11,666,941</u>	<u>11,531,636</u>	<u>135,305</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(701,580)</u>	<u>(440,221)</u>	<u>(306,113)</u>	<u>134,108</u>
<b>Other Financing Sources (Uses)</b>				
Advances In	966	966	966	0
Advances Out	0	0	(49,801)	(49,801)
Transfers Out	(66,879)	(66,879)	(83,374)	(16,495)
<i>Total Other Financing Sources (Uses)</i>	<u>(65,913)</u>	<u>(65,913)</u>	<u>(132,209)</u>	<u>(66,296)</u>
<i>Net Change in Fund Balance</i>	<u>(767,493)</u>	<u>(506,134)</u>	<u>(438,322)</u>	<u>67,812</u>
<i>Fund Balance Beginning of Year</i>	<u>799,235</u>	<u>799,235</u>	<u>799,235</u>	<u>0</u>
<i>Prior Year Encumbrances Appropriated</i>	<u>21,919</u>	<u>21,919</u>	<u>21,919</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$53,661</u>	<u>\$315,020</u>	<u>\$382,832</u>	<u>\$67,812</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, 2009*

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	<u>Internal Service</u>
<b>Current Assets</b>	
Cash and Cash Equivalents:	
With Fiscal Agents	\$1,596,932
<b>Current Liabilities</b>	
Claims Payable	<u>194,757</u>
<b>Net Assets</b>	
Unrestricted	<u><u>\$1,402,175</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, 2009*

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	<u>Internal Service</u>
<b>Operating Revenues</b>	
Charges for Services	<u>\$2,294,593</u>
<b>Operating Expenses</b>	
Purchased Services	293,468
Claims	1,667,491
<i>Total Operating Expenses</i>	<u>1,960,959</u>
<i>Operating Income</i>	333,634
<b>Non-Operating Revenues</b>	
Interest	<u>50,294</u>
<i>Change in Net Assets</i>	383,928
<i>Net Assets Beginning of Year</i>	<u>1,018,247</u>
<i>Net Assets End of Year</i>	<u><u>\$1,402,175</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, 2009*

	<u>Internal Service</u>
<b><i>Increase in Cash and Cash Equivalents</i></b>	
<b>Cash Flows from Operating Activities</b>	
Cash Received from Interfund Services	\$2,294,593
Cash Payments for Goods and Services	(293,468)
Cash Payments for Claims	<u>(1,783,951)</u>
<i>Net Cash Provided by Operating Activities</i>	217,174
<b>Cash Flows from Investing Activities</b>	
Interest on Investments	<u>50,294</u>
<i>Net Increase in Cash and Cash Equivalents</i>	267,468
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>1,329,464</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$1,596,932</u></u>
 <b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>	
Operating Income	\$333,634
Adjustments:	
Decrease in Claims Payable	<u>(116,460)</u>
<i>Net Cash Provided by Operating Activities</i>	<u><u>\$217,174</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, 2009*

	Private Purpose Trust	
	Scholarship	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$34,523	\$38,986
<b>Liabilities</b>		
Due to Students	0	\$38,986
<b>Net Assets</b>		
Held in Trust for Scholarships	\$34,523	

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, 2009*

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	Private Purpose Trust
<b>Additions</b>	
Interest	\$1,259
Contributions and Donations	25
<i>Total Additions</i>	1,284
<b>Deductions</b>	
Scholarships Awarded	4,095
<i>Change in Net Assets</i>	(2,811)
<i>Net Assets Beginning of Year</i>	37,334
<i>Net Assets End of Year</i>	<u>\$34,523</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, 2009*

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### **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 51 classified employees and 85 certificated full and part-time teaching personnel who provide services to 1,267 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, 2009*

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## **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, 2009*

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**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.

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.

**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.

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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.

***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, 2009, but which were levied to finance fiscal year 2010 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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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.

**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".

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During fiscal year 2009, 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 2009 amounted to \$26,533, which includes \$9,207 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.

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

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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.

***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

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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 \$2,621,905, 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.

***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.

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**Note 3 – Change in Accounting Principles**

For fiscal year 2009, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions”, Statement No. 49, “Accounting and Financial Reporting for Pollution Remediation Obligations”, Statement No. 51, “Accounting and Financial Reporting for Intangible Assets”, Statement No. 52, “Land and Other Real Estate Held as Investments by Endowments”, Statement No. 55, “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments” and Statement No. 56 “Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards”.

GASB Statement No. 45 improves the relevance and usefulness of financial reporting by requiring systematic, accrual-basis measurement and recognition of OPEB costs over a period that approximates employees’ years of service and providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. An OPEB liability at transition was determined in accordance with this Statement for both the SERS and STRS post-employment healthcare plans in the amount \$10,174 and \$6,451, respectively, which are the same as the previously reported liabilities.

GASB Statement No. 49 establishes accounting and financial reporting requirements for pollution remediation obligations by requiring more timely and complete reporting of the obligations and by requiring all governments to account for pollution remediation obligations in the same manner. The implementation of GASB Statement No. 49 did not result in any changes to the District’s financial statements.

GASB Statement No. 51 establishes accounting and financial reporting requirements for intangible assets, which include easements, water rights, timber rights, patents, trademarks, and computer software, to reduce inconsistencies thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments. The implementation of GASB Statement No. 51 did not result in any changes to the District’s financial statements.

GASB Statement No. 52 establishes consistent standards for the accounting and financial reporting of land and other real estate held as investments by endowments. It requires endowments to report land and other real estate investments at fair value, to report the changes in fair value as investment income, and to disclose the methods and significant assumptions used to determine fair value. The implementation of GASB Statement No. 52 did not result in any changes to the District’s financial statements.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles for state and local governments into the Governmental Accounting Standards Board’s authoritative literature. The “GAAP hierarchy” consists of the sources of accounting principles used in the preparation of financial statements of state and local governmental entities that are presented in conformity with GAAP, and the framework for selecting those principles. The implementation of GASB Statement No. 55 did not result in any changes to the District’s financial statements.

GASB Statement No. 56 incorporates into the Governmental Accounting Standards Board’s (GASB) authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants’ Statements on Auditing Standards. This Statement addresses three issues not included in the authoritative literature that establishes accounting principles, related party transactions, going concern considerations, and subsequent events. The implementation of GASB Statement No. 56 did not result in any changes to the District’s financial statements.

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**Note 4 – Fund Deficits**

Fund balances at June 30, 2009 included the following individual fund deficits:

Nonmajor Governmental Funds:	Deficit
Management Information Systems	\$1,971
Title I	18,388
Improving Teacher Quality	10,746

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).
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	(\$220,466)
Net Adjustment for Revenue Accruals	(167,356)
Advances In	966
Net Adjustment for Expenditure Accruals	50,566
Advances Out	(49,801)
Adjustment for Encumbrances	(52,231)
Budget Basis	(\$438,322)

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**Note 6 - Deposits and Investments**

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

Active deposits are public 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 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.

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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 \$1,596,932. 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, 2009, the carrying amount of all District deposits was \$4,105,518. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2009, \$500,000 of the District's bank balance of \$2,686,022 was covered by the Federal Deposit Insurance Corporation, while \$2,186,022 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.

**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, 2009:

<u>Cash and Investments per Note Disclosure</u>	
Carrying amount of deposits	\$4,105,518
Investments	0
Total	<u>\$4,105,518</u>
 <u>Cash and Investments per Statement of Net Assets</u>	
Governmental activities	\$4,032,009
Private-purpose trust funds	34,523
Agency funds	38,986
Total	<u>\$4,105,518</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.

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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 2009 represents collections of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed value listed as of January 1, 2008, 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 2009 represents collections of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien December 31, 2007, were levied after April 1, 2008 and are collected in 2009 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 year 2009 (other than public utility property) represents the collection of 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2009 were levied after October 1, 2008, on the value as of December 31, 2008. 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.

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, 2009, are available to finance fiscal year 2010 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, 2009 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, 2009, was \$1,312,958 in the general fund, \$234,383 in the debt service fund and \$17,565 in the classroom facilities maintenance fund. 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 \$16,735 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.

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The assessed values upon which the fiscal year 2009 taxes were collected are:

	2008 Second Half Collections		2009 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$123,481,410	92.43 %	\$134,982,810	95.79 %
Public Utility Personal	5,918,700	4.43	5,935,060	4.21
Tangible Personal Property	4,193,560	3.14	0	0.00
<b>Total</b>	<u>\$133,593,670</u>	<u>100.00 %</u>	<u>\$140,917,870</u>	<u>100.00 %</u>
 Tax rate per \$1,000 of assessed valuation	 \$37.92		 \$37.84	

**Note 8 - Receivables**

Receivables at June 30, 2009, 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, 2009, the School District reported intergovernmental receivable of \$110,575 for various grants.

**Note 9 – Interfund Transactions**

**A - Interfund Receivable/Payable**

Interfund balances at June 30, 2009 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	\$49,801	\$0
Non-major Governmental Funds:		
Other Grants	0	495
Public School Pre-School	0	4,939
Title I	0	37,827
Drug Free School Grant	0	1,839
Improving Teacher Quality	0	4,701
	<u>\$49,801</u>	<u>\$49,801</u>

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, 2009 are reported on the Statement of Net Assets.

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**B – Interfund Transfers**

Interfund transfers for the year ended June 30, 2009 consisted of the following, as reported on the fund financial statements:

	Transfers In	Transfers Out
Major Governmental Fund:		
General	\$0	\$83,374
Non-major Governmental Funds:		
Management Information Systems	16,495	0
Title I	66,879	0
	\$83,374	\$83,374

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.

**Note 10 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	Balance 6/30/08	Additions	Reductions	Balance 6/30/09
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	833,796	71,151	0	904,947
Vehicles	1,185,976	14,350	0	1,200,326
Total capital assets being depreciated	35,152,503	85,501	0	35,238,004
Accumulated depreciation				
Land improvements	(409,806)	(74,183)	0	(483,989)
Buildings and improvements	(6,773,894)	(948,741)	0	(7,722,635)
Furniture, fixtures and equipment	(308,264)	(49,394)	0	(357,658)
Vehicles	(774,365)	(94,535)	0	(868,900)
Total accumulated depreciation	(8,266,329)	(1,166,853) *	0	(9,433,182)
Capital assets being depreciated, net	26,886,174	(1,081,352)	0	25,804,822
Governmental activities capital assets, net	\$27,364,321	(\$1,081,352)	\$0	\$26,282,969

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\* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$976,191
Special	5,910
Vocational	1,466
Support Services:	
Instructional Staff	51,202
Administration	8,300
Business	2,161
Operation and Maintenance of Plant	1,163
Pupil Transportation	95,935
Operation of Food Services	6,646
Extracurricular	17,879
	<hr/>
Total Depreciation Expense	<u>\$1,166,853</u>

**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 \$4,000,000 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 \$44,074,216 and \$44,074,216 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.

**Pymatuning Valley Local School District**

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The School District uses an internal service fund to record and report its self-funded health care insurance program. The claims liability of \$194,757, 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
2008	\$218,562	\$1,539,848	\$1,447,193	\$311,217
2009	311,217	1,667,491	1,783,951	194,757

**C - Workers' Compensation**

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

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

**Note 12 - Pension Plans**

**A - School Employees Retirement System**

Plan Description - 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](http://www.ohsers.org), under Employers/Audit Resources.

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**Funding Policy** - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2009, the allocation to pension and death benefits is 9.09 percent. The remaining 4.91 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's contributions to SERS for the fiscal years ended June 30, 2009, 2008 and 2007 were \$128,070, \$123,972, and \$142,750, respectively; 35.1 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**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 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 31<sup>st</sup> 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

## **Pymatuning Valley Local School District**

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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.

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, 2009, 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, 2009, 2008, and 2007, were \$628,563, \$622,622, and \$626,002, respectively; 80.9 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$13,155 made by the District and \$39,401 made by the plan members.

STRS Ohio issues a stand-alone financial report. Copies of STRS Ohio's 2008 *Comprehensive Annual Financial Report* were available after December 26, 2008.

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Additional information or copies of STRS Ohio's 2008 *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](http://www.strsoh.org).

**Note 13 - Postemployment Benefits**

**A. School Employees Retirement System**

In addition to a cost-sharing multiple-employer defined benefit pension plan for School Employees Retirement System of Ohio (SERS) administers two post-employment benefit plans.

Medicare Part B Plan – The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) Section 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2009 was \$96.40, SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2009, the actuarially required allocation is .75 percent. The District's contribution for the year ended June 30, 2009 was \$10,567, which equaled the required contribution.

Health Care Plan – ORC Sections 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' post-employment benefits through employer contributions. Active members do not make contributions to the post-employment benefit plans.

The Health Care Fund was established under, and is administers in accordance with Internal Revenue Code Section 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the fiscal year ended June 30, 2009, the health care allocation is 4.16 percent. An additional health care surcharge on employers is allocated for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2009, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contributions assigned to health care for the years ended June 30, 2009, 2008 and 2007 were \$79,870, \$75,679 and \$56,475, respectively; 35.1 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

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The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 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 at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**B. State Teachers Retirement System of Ohio**

Plan Description – The District contributes to a cost-sharing multiple-employer defined benefit Health Care Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the Defined Benefit or Combined Pension Plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. The Plan is included in STRS Ohio's financial report which may be obtained by calling (888) 227-7877 or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

Funding Policy – Ohio law authorizes STRS Ohio to offer Health Care Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contribution for health care for the fiscal year ended June 30, 2009, 2008 and 2007 were \$48,351, \$47,894 and \$48,154 respectively; 80.9 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**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.

The classified personnel accumulate vacation based on the following schedule:

<u>Years of Service</u>	<u>Vacation Days</u>
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, 292 days.

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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 72 days for certified employees and 73 days for classified employees.

**Note 15 - Long-term Obligations**

The changes in the School District's long-term obligations during fiscal year 2009 were as follows:

	Principal Outstanding 6/30/08	Additions	Deductions	Principal Outstanding 6/30/09	Amounts due in One Year
<b>Governmental-Type Activities</b>					
<b>General Obligation Bonds:</b>					
2002 School Improvement Bonds:					
Current Interest Serial Bonds	\$5,040,000	\$0	\$95,000	\$4,945,000	\$100,000
Current Interest Term Bonds	1,070,000	0	0	1,070,000	0
Capital Appreciation Bonds	184,560	0	80,590	103,970	72,384
Accretion on Capital Appreciation Bonds	233,522	45,982	114,410	165,094	127,616
Total School Improvement Bonds	6,528,082	45,982	290,000	6,284,064	300,000
<b>Other Long-Term Obligations:</b>					
2006 Ohio Schools Facilities Commission Note	321,321	635,000	883,634	72,687	72,687
Compensated Absences	761,240	110,124	76,124	795,240	79,524
Early Retirement Incentive	189,000	0	63,000	126,000	63,000
<b>Total Long-Term Obligations</b>	<b>\$7,799,643</b>	<b>\$791,106</b>	<b>\$1,312,758</b>	<b>\$7,277,991</b>	<b>\$515,211</b>

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 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 \$7,414,476 with an unvoted debt margin of \$140,918 at June 30, 2009.

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Principal requirements to retire general obligation debt outstanding at June 30, 2009, 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	
2010	\$100,000	\$289,590	\$72,384	\$127,616	\$72,687
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	320,000	244,520	0	0	0
2015-2019	1,865,000	969,870	0	0	0
2020-2024	2,370,000	445,250	0	0	0
2025	550,000	13,750	0	0	0
<i>Total</i>	<u>\$6,015,000</u>	<u>\$2,777,825</u>	<u>\$103,970</u>	<u>\$196,030</u>	<u>\$72,687</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.

	Capital	
	Textbooks	Improvements
Set-Aside Reserve Balance as of June 30, 2008	\$416,774	\$0
Current Year Set-Aside Requirement	205,126	205,126
Qualifying Disbursements	(112,316)	0
Current year offsets	0	(430,814)
<b>Total</b>	<u>\$509,584</u>	<u>(\$225,688)</u>
Set-Aside Balance Carried Forward to		
Future Fiscal Years	<u>\$509,584</u>	<u>\$0</u>
Cash balance as of June 30, 2009	<u>\$509,584</u>	<u>\$0</u>

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 \$509,584.

**Pymatuning Valley Local School District**  
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**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 2009. 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 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.

**Pymatuning Valley Local School District**  
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**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, 2009.

**B. Litigation**

The School District is not party to legal proceedings as of June 30, 2009.

**Note 20 – New Accounting Standards**

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.

In February of 2009, the GASB issued Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". The objective of this Statement is to improve the usefulness, including the understandability, of governmental fund balance information. This Statement provides more clearly defined categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. It also clarifies the existing governmental fund type definitions to improve the comparability of governmental fund financial statements and help financial statement users to better understand the purposes for which governments have chosen to use particular funds for financial reporting. Statement No. 54 will not be effective for the District until fiscal year 2011.

**PYMATUNING VALLEY LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY  
FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2009**

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>Passed Through The Ohio Department of Education:</i>			
Child Nutrition Cluster:			
School Breakfast Program - Cash Assistance	10.553	\$ 80,276	\$ 80,276
National School Lunch Program			
Cash Assistance	10.555	251,014	251,014
Non-Cash Assistance (Food Distribution)	10.555	57,086	57,086
National School Lunch Program Subtotal		<u>308,100</u>	<u>308,100</u>
<b>Total for Program (Cluster)</b>		<u>388,376</u>	<u>388,376</u>
<i>Cash Assistance Subtotal</i>		331,290	
<i>Non-Cash Assistance (Food Distribution) Subtotal</i>		57,086	
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>Passed Through The Ohio Department of Education:</i>			
Grants to Local Educational Agencies			
Title I School Subsidy	84.010	233,618	329,164
<b>Total – Title I School Subsidy</b>		<u>233,618</u>	<u>329,164</u>
Title IV - A Safe and Drug Free Schools	84.186	4,539	4,539
<b>Total -- Safe and Drug Free Schools</b>		<u>4,539</u>	<u>4,539</u>
Title V -- Innovative Education Program Strategies	84.298	2,173	2,173
<b>Total -- Innovative Education Program Strategies</b>		<u>2,173</u>	<u>2,173</u>
Technology Literacy Challenge Fund Grants	84.318	2,390	2,390
<b>Total -- Technology Literacy Grants</b>		<u>2,390</u>	<u>2,390</u>
Title II-A Improving Teacher Quality State Grants	84.367	88,443	109,864
<b>Total -- Title II-A</b>		<u>88,443</u>	<u>109,864</u>
<b>Total – U.S. Department of Education</b>		<u>331,163</u>	<u>448,130</u>
<b>Totals</b>		<u>\$ 719,539</u>	<u>\$ 836,506</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, 2009**

**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.

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

February 1, 2010

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 School District) as of and for the year ended June 30, 2009, which collectively comprise the School District's basic financial statements as listed in the table of contents and have issued our report dated February 1, 2010. 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 School 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 School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School 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 School 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 School 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 School 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.

**Compliance and Other Matters**

As part of reasonably assuring whether the School 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 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.

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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**

February 1, 2010

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 School District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2009. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the School District's major federal programs. The School 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 School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *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 School 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 School District's compliance with those requirements.

In our opinion, the School 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, 2009.

### **Internal Control over Compliance**

The School 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 School 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 School 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 School 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 School 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, 2009**

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

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

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

None

**3. FINDINGS FOR FEDERAL AWARDS**

None

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**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING  
AGREED-UPON PROCEDURES**

February 1, 2010

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

To the Board of Education:

Ohio Revised Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Pymatuning Valley Local School District, Ashtabula County, Ohio, has adopted an anti-harassment policy in accordance with Ohio Revised Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy at its meeting on August 11, 2008.
2. We read the policy, noting it included the following requirements from Ohio Revised Code Section 3313.666(B):
  - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
  - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Revised Code Section 3313.666;
  - (3) A procedure for reporting prohibited incidents;
  - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;

- (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by Section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
- (6) A procedure for documenting any prohibited incident that is reported;
- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment of the Constitution of the United States;
- (10) A requirement that the District's administration semiannually provide the president of the District's Board a written summary of all reported incidents and post the summary on its web site to the extent permitted by Section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully Submitted,



**Perry and Associates**  
Certified Public Accountants, A.C.



**Mary Taylor, CPA**  
Auditor of State

**PYMATUNING VALLEY LOCAL SCHOOL DISTRICT**

**ASHTABULA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 8, 2010**