



OHIO AUDITOR OF STATE  
**KEITH FABER**





**PYMATUNING VALLEY LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY  
JUNE 30, 2020**

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Pymatuning Valley Local School District, Ashtabula County, Ohio (the District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

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

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

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***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2020, and the respective changes in cash financial position and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

***Accounting Basis***

Ohio Administrative Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

***Other Matters***

*Supplementary Information*

Our audit was conducted to opine on the financial statements taken as a whole.

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

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Other Information*

We applied no procedures to management's discussion & analysis, as listed in the table of contents. Accordingly, we express no opinion or any other assurance on them.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2020, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State  
Columbus, Ohio

December 14, 2020

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**Pymatuning Valley Local School District**  
*Management's Discussion and Analysis*  
*For the Year Ended June 30, 2020*  
*Unaudited*

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This discussion and analysis of the Pymatuning Valley Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2020. The intent of this discussion and analysis is to look at the School District's financial performance as a whole, readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

### **Highlights**

Key highlights for fiscal year 2020 are as follows:

- Certificated employees received step and 2.0 percent base salary increase and classified employees received step and a 1.0 percent increase in base salaries to offset an increase in employee health insurance contributions from a healthcare premium contribution restructure, per negotiated agreements.
- During fiscal year 2020, the School District purchased one new regular school bus at a total cost of \$86,050 and one used school van at a total cost of \$17,539.
- The School District actively pursues grants and controls expenses while still maintaining the high academic standards the residents expect of the School District.

### **Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the School District's cash basis of accounting.

### **Report Components**

The statement of net position and the statement of activities provide information about the cash activities of the School District as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the School District as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the basic financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

### **Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The School District has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the School District's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

**Pymatuning Valley Local School District**  
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*For the Year Ended June 30, 2020*  
*Unaudited*

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As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**Reporting the School District as a Whole**

The statement of net position and the statement of activities reflect how the School District did financially during fiscal year 2020, within the limitations of cash basis accounting. The statement of net position presents the cash balances and investments of the governmental activities of the School District at fiscal year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the School District's general receipts.

These statements report the School District's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the School District's financial health. Over time, increases or decreases in the School District's cash position is one indicator of whether the School District's financial health is improving or declining. When evaluating the School District's financial condition, you should also consider other nonfinancial factors as well such as the School District's property tax base, the condition of the School District's capital assets, the extent of the School District's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

In the statement of net position and the statement of activities, all School District activities are classified as governmental. All of the School District's programs and services are reported here including instruction, support services, operation and maintenance, pupil transportation, operation of food service and extracurricular activities.

**Reporting the School District's Most Significant Funds**

Fund financial statements provide detailed information about the School District's major funds – not the School District as a whole. The School District establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the School District are split into three categories: governmental, proprietary and fiduciary.

Governmental Funds – Most of the School District's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the School District's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the School District's programs. The School District's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The School District's major governmental funds are the general fund, the bond retirement debt service fund and the bus garage capital improvement capital projects fund. The programs reported in governmental funds are

**Pymatuning Valley Local School District**  
*Management's Discussion and Analysis*  
For the Year Ended June 30, 2020  
Unaudited

closely related to those reported in the governmental activities section of the entity-wide statements. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the financial statements.

Proprietary Funds – When the School District charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The School District has no enterprise funds. When the services are provided to other departments of the School District, the service is reported as an internal service fund. The School District has no internal service funds.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the School District-wide financial statements because the resources of these funds are not available to support the School District's programs.

**The School District as a Whole**

Table 1 provides a summary of the School District's net position for 2020 compared to 2019 on a cash basis:

(Table 1)  
**Net Position**

	Governmental Activities		
	2020	2019	Change
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$8,748,276	\$8,371,310	\$376,966
<b>Net Position</b>			
Restricted for:			
Capital Projects	\$176,011	\$176,011	\$0
Debt Service	1,304,612	1,440,809	(136,197)
Food Service	9,639	28,678	(19,039)
Classroom Facilities Maintenance	522,334	549,590	(27,256)
Athletics	51,936	57,783	(5,847)
Unclaimed Monies	5,020	5,020	0
Other Purposes	520,746	125,536	395,210
Unrestricted	6,157,978	5,987,883	170,095
Total Net Position	\$8,748,276	\$8,371,310	\$376,966

Net position of governmental activities increased during 2020. This increase can mainly be attributed to the School District benefiting from additional funding received from the passage of the MRDD Happy Hearts Levy.

**Pymatuning Valley Local School District**  
*Management's Discussion and Analysis*  
For the Year Ended June 30, 2020  
Unaudited

Table 2 shows the change in net position for fiscal year 2020 compared to fiscal year 2019 for governmental activities.

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

	Governmental Activities		Change
	2020	2019	
<b>Receipts</b>			
<i>Program Receipts:</i>			
Charges for Services and Sales	\$1,147,596	\$834,847	\$312,749
Operating Grants and Contributions	2,605,705	2,122,055	483,650
<b>Total Program Revenues</b>	<b>3,753,301</b>	<b>2,956,902</b>	<b>796,399</b>
<i>General Receipts:</i>			
Property Taxes	4,459,897	4,410,065	49,832
Grants and Entitlements	8,582,580	8,866,202	(283,622)
Unrestricted Contributions and Donations	3,334	32,083	(28,749)
Interest	118,855	186,403	(67,548)
Miscellaneous	4,953	4,812	141
<b>Total General Revenues</b>	<b>13,169,619</b>	<b>13,499,565</b>	<b>(329,946)</b>
<b>Total Receipts</b>	<b>16,922,920</b>	<b>16,456,467</b>	<b>466,453</b>
<b>Disbursements</b>			
<i>Instruction</i>			
Regular	5,739,053	6,552,842	813,789
Special	2,722,992	2,792,203	69,211
Vocational	274,945	290,174	15,229
Student Intervention Services	0	438	438
<i>Support Services:</i>			
Pupil	853,101	719,955	(133,146)
Instructional Staff	404,529	129,142	(275,387)
Board of Education	41,230	36,866	(4,364)
Administration	1,087,092	1,373,479	286,387
Fiscal	372,770	441,916	69,146
Business	35,195	30,872	(4,323)
Operation and Maintenance of Plant	1,604,364	1,799,722	195,358
Pupil Transportation	1,381,741	1,724,982	343,241
Central	173,709	159,078	(14,631)
Operation of Non Instructional Services	706,994	781,873	74,879
Extracurricular Activities	499,979	512,384	12,405
Debt Service	648,260	649,364	1,104
<b>Total Disbursements</b>	<b>16,545,954</b>	<b>17,995,290</b>	<b>1,449,336</b>
<b>Increase in Net Position</b>	<b>376,966</b>	<b>(1,538,823)</b>	<b>1,915,789</b>
Net Position Beginning of Year - Restated (See Note 19)	8,371,310	9,910,133	(1,538,823)
<b>Net Position End of Year</b>	<b>\$8,748,276</b>	<b>\$8,371,310</b>	<b>\$376,966</b>

Grants and entitlements are the School District's largest source of receipts, followed by property taxes. The School District carefully monitors both these receipts and uses both a five year forecast and a spending plan to predict future receipts and disbursements of the School District. During fiscal year 2020, the School District saw a decrease in unrestricted grants and entitlements due to a decrease in State funding.

Some of the significant disbursements during fiscal year 2020 were in the categories of regular and special instruction, administration, operation and maintenance of plant and pupil transportation. Regular and special instruction disbursements are primarily salary and benefit costs for the School District's teachers. The decrease in regular instruction is mainly due to a decrease in wages and from additional costs incurred due to

**Pymatuning Valley Local School District**  
*Management's Discussion and Analysis*  
For the Year Ended June 30, 2020  
Unaudited

a change in health insurance from the prior fiscal year. The decrease in special instruction is mainly due to a decrease in the number of special education students in need of additional high dollar specialty services. The increase in pupil, instructional staff and central is mainly due to an organizational restructure. The decrease in administration, fiscal, operation and maintenance of plant, pupil transportation and operation of non-instructional services is mainly due to conservative spending during the year.

**Governmental Activities**

If you look at the statement of activities on page 12, you will see that the first column lists the major services provided by the School District. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for instruction, support services, operation of non-instructional services, extracurricular activities, and debt service. The next two columns of the statement, entitled Program Cash Receipts, identify amounts paid by people who are directly charged for the service and grants received by the School District that must be used to provide a specific service. The Net (Expense) Revenue column compares the program receipts to the cost of the service. This “net cost” amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the statement. A comparison between the total cost of services and the net cost is presented in Table 3.

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

	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
	2020	2020	2019	2019
Instruction	\$8,736,990	(\$6,358,098)	\$9,635,657	(\$7,546,860)
Support Services:				
Pupil and Instructional Staff	1,257,630	(700,702)	849,097	(840,759)
Board of Education, Administration, Fiscal and Business	1,536,287	(1,536,287)	1,883,133	(1,883,133)
Operation and Maintenance of Plant	1,604,364	(1,546,978)	1,799,722	(1,746,067)
Pupil Transportation	1,381,741	(1,329,182)	1,724,982	(1,684,403)
Central	173,709	(168,309)	159,078	(153,678)
Operation of Non Instructional Services	706,994	(292,455)	781,873	(267,544)
Extracurricular Activities	499,979	(212,382)	512,384	(399,420)
Debt Service	648,260	(648,260)	649,364	(649,364)
Total Disbursements	<u>\$16,545,954</u>	<u>(\$12,792,653)</u>	<u>\$17,995,290</u>	<u>(\$15,171,228)</u>

**The School District's Funds**

Information about the School District's major funds starts on page 13. All governmental funds had total receipts of \$16,922,920 and disbursements of \$16,545,954. Other financing sources and uses consisted of prior year advances repaid to the general fund and new advances from the general fund to other governmental funds to support programs and projects pending the receipt of outstanding grant money. The net change in fund balances for the year was an increase of \$376,966. The general fund saw an increase in fund balance. The bond retirement debt service fund had a decrease in fund balance. The bus garage capital improvement capital projects fund had an increase in fund balance. Other governmental funds also showed an increase in fund balance for the year.

**Pymatuning Valley Local School District**  
*Management's Discussion and Analysis*  
*For the Year Ended June 30, 2020*  
*Unaudited*

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**General Fund Budgeting Highlights**

The School District's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund. During fiscal year 2020, the School District amended its general fund budget several times to allow for changes to the budget. The general fund is often called upon to advance funds to one project or another.

For the general fund, the actual revenues were greater than final budget basis revenue estimate, which can be mainly attributed to more intergovernmental and tuition and fees revenues. The final budget appropriations were higher than actual expenditures due to the School District closely monitoring expenditures to keep costs low.

**Capital Assets and Debt Administration**

Capital Assets

The School District maintains a listing of its capital assets. These records are not required to be presented in the financial statements.

Debt

At June 30, 2020, the School District's outstanding debt consisted of \$3,037,108 in general obligation bonds issued for improvements to buildings and structures. For further information regarding the School District's debt, refer to Note 12 of the basic financial statements.

**Current Issues**

The School District is not without its share of challenges. The need for additional funds for operations will continue in the near future due to several variables. The School District forecasted increases in health insurance premiums over the next few years.

School districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Management must plan expenses accordingly, staying within the School District's five-year plan. The Board of Education always keeps the safety and welfare of their students as their number one priority when making all planning decisions.

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

**Contacting the School District's Financial Management**

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

**Pymatuning Valley Local School District**

*Statement of Net Position - Cash Basis*

*June 30, 2020*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$8,748,276</u>
<b>Net Position</b>	
Restricted for:	
Capital Projects	\$176,011
Debt Service	1,304,612
Food Service	9,639
Classroom Facilities Maintenance	522,334
Athletics	51,936
Unclaimed Monies	5,020
Other Purposes	520,746
Unrestricted	<u>6,157,978</u>
<i>Total Net Position</i>	<u>\$8,748,276</u>

See accompanying notes to the basic financial statements

**Pymatuning Valley Local School District**

*Statement of Activities - Cash Basis  
For the Fiscal Year Ended June 30, 2020*

	Program Cash Receipts			Net (Disbursement) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
Current:				
Instruction:				
Regular	\$5,739,053	\$783,837	\$218,183	(\$4,737,033)
Special	2,722,992	0	1,322,022	(1,400,970)
Vocational	274,945	0	54,850	(220,095)
Support Services:				
Pupil	853,101	0	474,359	(378,742)
Instructional Staff	404,529	0	82,569	(321,960)
Board of Education	41,230	0	0	(41,230)
Administration	1,087,092	0	0	(1,087,092)
Fiscal	372,770	0	0	(372,770)
Business	35,195	0	0	(35,195)
Operation and Maintenance of Plant	1,604,364	12,480	44,906	(1,546,978)
Pupil Transportation	1,381,741	0	52,559	(1,329,182)
Central	173,709	0	5,400	(168,309)
Operation of Non-Instructional Services	706,994	81,460	333,079	(292,455)
Extracurricular Activities	499,979	269,819	17,778	(212,382)
Debt Service	648,260	0	0	(648,260)
<b>Totals</b>	<b>\$16,545,954</b>	<b>\$1,147,596</b>	<b>\$2,605,705</b>	<b>(12,792,653)</b>
		<b>General Receipts</b>		
		Property Taxes Levied for:		
		General Purposes		4,079,369
		Debt Service		323,591
		Classroom Facilities Maintenance		56,937
		Grants and Entitlements not Restricted to Specific Programs		8,582,580
		Unrestricted Contributions and Donations		3,334
		Interest		118,855
		Miscellaneous		4,953
		<b>Total General Receipts</b>		<b>13,169,619</b>
		<b>Change in Net Position</b>		<b>376,966</b>
		<b>Net Position</b>		
		Beginning of Year - Restated (See Note 19)		8,371,310
		Net Position End of Year		<b>\$8,748,276</b>

See accompanying notes to the basic financial statements



**Pymatuning Valley Local School District**  
*Statement of Assets and Fund Balances - Cash Basis*  
*Governmental Funds*  
*June 30, 2020*

	General	Bond Retirement	Bus Garage Capital Improvement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$4,926,865	\$1,304,612	\$1,155,649	\$1,356,130	\$8,743,256
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	5,020	0	0	0	5,020
<i>Total Assets</i>	<u>\$4,931,885</u>	<u>\$1,304,612</u>	<u>\$1,155,649</u>	<u>\$1,356,130</u>	<u>\$8,748,276</u>
<b>Fund Balances</b>					
Nonspendable	\$5,020	\$0	\$0	\$0	\$5,020
Restricted	0	1,304,612	0	1,280,666	2,585,278
Committed	96,620	0	1,155,649	75,464	1,327,733
Assigned	1,123,386	0	0	0	1,123,386
Unassigned	3,706,859	0	0	0	3,706,859
<i>Total Fund Balances</i>	<u>\$4,931,885</u>	<u>\$1,304,612</u>	<u>\$1,155,649</u>	<u>\$1,356,130</u>	<u>\$8,748,276</u>

See accompanying notes to the basic financial statements

**Pymatuning Valley Local School District**  
*Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Cash Basis*  
 Governmental Funds  
 For the Fiscal Year Ended June 30, 2020

	General	Bond Retirement	Bus Garage Capital Improvement	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>					
Property Taxes	\$4,079,369	\$323,591	\$0	\$56,937	\$4,459,897
Intergovernmental	9,203,377	70,151	0	1,885,031	11,158,559
Interest	118,328	0	0	527	118,855
Tuition and Fees	783,837	0	0	0	783,837
Extracurricular Activities	16,731	0	0	150,521	167,252
Contributions and Donations	3,334	0	0	29,726	33,060
Charges for Services	102,567	0	0	81,460	184,027
Rentals	12,480	0	0	0	12,480
Miscellaneous	4,953	0	0	0	4,953
<i>Total Receipts</i>	<u>14,324,976</u>	<u>393,742</u>	<u>0</u>	<u>2,204,202</u>	<u>16,922,920</u>
<b>Disbursements</b>					
Current:					
Instruction:					
Regular	5,709,943	0	0	29,110	5,739,053
Special	1,909,300	0	0	813,692	2,722,992
Vocational	274,945	0	0	0	274,945
Support Services:					
Pupil	812,164	0	0	40,937	853,101
Instructional Staff	333,753	0	0	70,776	404,529
Board of Education	41,230	0	0	0	41,230
Administration	1,087,092	0	0	0	1,087,092
Fiscal	363,525	7,883	0	1,362	372,770
Business	35,195	0	0	0	35,195
Operation and Maintenance of Plant	1,464,450	0	0	139,914	1,604,364
Pupil Transportation	1,340,636	0	0	0	1,340,636
Central	168,309	0	0	5,400	173,709
Operation of Non-Instructional Services	36,416	0	0	670,578	706,994
Extracurricular Activities	336,168	0	0	163,811	499,979
Capital Outlay	0	0	41,105	0	41,105
Debt Service:					
Principal Retirement	95,000	445,000	0	0	540,000
Interest and Fiscal Charges	31,204	77,056	0	0	108,260
<i>Total Disbursements</i>	<u>14,039,330</u>	<u>529,939</u>	<u>41,105</u>	<u>1,935,580</u>	<u>16,545,954</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>285,646</u>	<u>(136,197)</u>	<u>(41,105)</u>	<u>268,622</u>	<u>376,966</u>
<b>Other Financing Sources (Uses)</b>					
Transfers In	0	0	200,000	105,000	305,000
Transfers Out	(305,000)	0	0	0	(305,000)
Advances In	150,000	0	0	120,000	270,000
Advances Out	(120,000)	0	0	(150,000)	(270,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(275,000)</u>	<u>0</u>	<u>200,000</u>	<u>75,000</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	10,646	(136,197)	158,895	343,622	376,966
<b>Fund Balances</b>					
<i>Beginning of Year - Restated (See Note 19)</i>	4,921,239	1,440,809	996,754	1,012,508	8,371,310
<i>Fund Balances End of Year</i>	<u>\$4,931,885</u>	<u>\$1,304,612</u>	<u>\$1,155,649</u>	<u>\$1,356,130</u>	<u>\$8,748,276</u>

See accompanying notes to the basic financial statements

**Pymatuning Valley Local School District**  
*Statement of Receipts, Disbursements and Changes  
 In Fund Balance - Budget and Actual -Budget Basis  
 General Fund  
 For the Fiscal Year Ended June 30, 2020*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property Taxes	\$4,300,000	\$4,300,000	\$4,079,369	(\$220,631)
Intergovernmental	9,242,523	8,942,523	9,203,377	260,854
Interest	139,437	147,552	118,328	(29,224)
Tuition and Fees	673,087	513,087	783,578	270,491
Contributions and Donations	4,562	4,562	1,522	(3,040)
Charges for Services	10,000	10,000	102,567	92,567
Rentals	5,490	5,490	12,480	6,990
Miscellaneous	1,730	1,730	4,953	3,223
<i>Total Receipts</i>	14,376,829	13,924,944	14,306,174	381,230
<b>Disbursements</b>				
Current:				
Instruction:				
Regular	6,131,174	6,031,174	5,721,574	309,600
Special	2,131,220	2,131,220	1,926,481	204,739
Vocational	284,417	284,417	275,321	9,096
Student Intervention Services	1,609	1,609	0	1,609
Support Services:				
Pupil	845,618	845,618	842,291	3,327
Instructional Staff	337,152	337,152	333,753	3,399
Board of Education	46,524	46,524	41,702	4,822
Administration	1,103,549	1,103,549	1,100,324	3,225
Fiscal	367,850	367,850	364,288	3,562
Business	35,718	35,718	35,195	523
Operation and Maintenance of Plant	1,573,560	1,573,560	1,548,909	24,651
Pupil Transportation	1,378,275	1,378,275	1,350,963	27,312
Central	165,855	165,855	164,717	1,138
Operation of Non-Instructional Services	54,711	54,711	36,416	18,295
Extracurricular Activities	334,770	334,770	321,639	13,131
Debt Service:				
Principal Retirement	100,750	100,750	95,000	5,750
Interest and Fiscal Charges	26,686	34,801	31,204	3,597
<i>Total Disbursements</i>	14,919,438	14,827,553	14,189,777	637,776
<i>Excess of Receipts Over (Under) Disbursements</i>	(542,609)	(902,609)	116,397	1,019,006
<b>Other Financing Sources (Uses)</b>				
Transfers In	50,000	50,000	0	(50,000)
Transfers Out	(330,000)	(330,000)	(330,000)	0
Advances In	150,000	150,000	150,000	0
Advances Out	(120,000)	(120,000)	(120,000)	0
<i>Total Other Financing Sources (Uses)</i>	(250,000)	(250,000)	(300,000)	(50,000)
<i>Net Change in Fund Balance</i>	(792,609)	(1,152,609)	(183,603)	969,006
<i>Fund Balance Beginning of Year</i>	4,479,399	4,479,399	4,479,399	0
Prior Year Encumbrances Appropriated	282,109	282,109	282,109	0
<i>Fund Balance End of Year</i>	\$3,968,899	\$3,608,899	\$4,577,905	\$969,006

See accompanying notes to the basic financial statements

**Pymatuning Valley Local School District**  
*Statement of Fiduciary Net Position - Cash Basis*  
*Custodial Fund*  
*June 30, 2020*

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	<u>Custodial</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$595
<b>Liabilities</b>	
	<u>0</u>
<b>Net Position</b>	
Restricted for Ohio High School Athletic Association Tournaments	<u><u>\$595</u></u>

See accompanying notes to the basic financial statements

**Pymatuning Valley Local School District**  
*Statement of Changes in Fiduciary Net Position - Cash Basis*  
*Custodial Fund*  
*For the Fiscal Year Ended June 30, 2020*

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	Custodial
<b>Additions</b>	
Extracurricular Activities	\$2,618
<b>Deductions</b>	
Distributions to the Ohio High School Athletic Association	2,618
<i>Change in Net Position</i>	0
<i>Net Position Beginning of Year - Restated (See note 19)</i>	595
<i>Net Position End of Year</i>	\$595

See accompanying notes to the basic financial statements

## **Pymatuning Valley Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2020*

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### **Note 1 - Reporting Entity**

Pymatuning Valley Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by state and federal agencies.

The Board of Education controls the School District's seven instructional/support facilities staffed by 54 classified employees and 79 certificated employees who provide services to 1,142 students and other community members.

#### ***Primary Government***

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

#### ***Component Units***

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The School District has no component units.

#### ***Other Organizations***

The School District participates in three jointly governed organizations, a related organization and two insurance purchasing pools. These organizations are the North Eastern Ohio Management Information Network, the Ashtabula County Technical & Career Center, the State Support Team – Region 5, the Andover Public Library, Ohio Schools Council Workers' Compensation Group Rating Program and the Ashtabula County Schools Council of Governments. These organizations are presented in Notes 13, 14 and 15 to the basic financial statements.

The School District's management believes these financial statements present all activities for which the School District is financially accountable.

## **Pymatuning Valley Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2020*

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### **Note 2 - Summary of Significant Accounting Policies**

The financial statements of the School District are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the School District's accounting policies.

#### ***Basis of Presentation***

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

***Government-Wide Financial Statements*** The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the School District that are governmental in nature and those that are considered business-type activities. The School District, however, has no business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

The statement of net position presents the cash balance of the governmental activities of the School District at fiscal year end. The statement of activities compares disbursements with program receipts for each function or program of the School District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the School District's general receipts.

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

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the fund's principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

#### ***Fund Accounting***

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

## Pymatuning Valley Local School District

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2020*

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**Governmental Funds** The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The School District's major governmental funds are:

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

**Bond Retirement Debt Service Fund** The bond retirement fund is used to account for and report property taxes and intergovernmental revenues restricted for the payment of general long-term debt principal, interest and related costs.

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

The other governmental funds of the School District account for grants and other resources whose use is restricted, committed or assigned to a particular purpose.

**Proprietary Funds** Proprietary funds reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. Proprietary funds are classified as enterprise or internal service; the School District has no proprietary funds.

**Fiduciary Funds** Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into the following four classifications: pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangement that has certain characteristics. The School District has no private purpose trust funds. Custodial Funds are used to report fiduciary activities that are not required to be reported in a trust fund.

The School District's fiduciary funds are custodial funds. Custodial funds are used to account for assets held by the School District as fiscal agent.

### ***Basis of Accounting***

The School District's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the School District are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.



## **Pymatuning Valley Local School District**

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2020*

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#### ***Budgetary Process***

All funds, except custodial funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the Board. Although the legal level of budgetary control was established at the fund level of expenditures, the District elected to present budgetary statement comparisons at the fund and function level of expenditures. The Treasurer has been given the authority to allocate Board appropriations to the function and object level within all funds without resolution by the Board of Education.

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

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

#### ***Cash and Investments***

To improve cash management, cash received by the School District is pooled and invested. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Investments of the School District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During fiscal year 2020, investments were limited to nonnegotiable certificates of deposit which are reported at cost.

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 2020 amounted to \$118,328 which includes \$51,323 assigned from other School District funds.

## **Pymatuning Valley Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2020*

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### ***Restricted Assets***

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions. Restricted assets in the general fund represent money set aside for unclaimed monies.

### ***Inventory and Prepaid Items***

The School District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

### ***Capital Assets***

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

### ***Interfund Receivables/Payables***

The School District reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

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

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

### ***Accumulated Leave***

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the School District's cash basis of accounting.

### ***Employer Contributions to Cost-Sharing Pension Plans***

The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 17 and 18, the employer contributions include portions for pension benefits and for postretirement health care benefits.

### ***Long-Term Obligations***

The School District's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid.

## **Pymatuning Valley Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2020*

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### ***Net Position***

Net position represents the difference between all other elements in a statement of financial position. Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for operations of instructional services. The School District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position are available.

### ***Fund Balance***

Fund balance is divided into five classifications based primarily on the extent to which the School is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

***Nonspendable*** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

***Restricted*** Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

***Committed*** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

***Assigned*** Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by the School District Board of Education. In the general fund, assigned amounts represent intended uses established by the School District Board of Education delegated that authority by State statute. State statute authorizes the Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. The School District Board of Education assigned fund balance for the underground storage tank and football field lighting.

***Unassigned*** Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The School District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**Pymatuning Valley Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2020*

**Interfund Transactions**

Transfers between governmental activities are eliminated on the government-wide financial statements. Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Interfund payments for services provided and used are not eliminated.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/cash disbursements in the internal service fund. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented in the financial statements.

**Note 3 – Fund Balance**

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

Fund Balances	General	Bond Retirement	Bus Garage Capital Improvement	Other Governmental Funds	Total
<b><i>Nonspendable</i></b>					
Unclaimed Monies	\$5,020	\$0	\$0	\$0	\$5,020
<b><i>Restricted for</i></b>					
Food Service Operations	0	0	0	9,639	9,639
Classroom Maintenance	0	0	0	522,334	522,334
Athletics and Music	0	0	0	51,936	51,936
Regular Instruction	0	0	0	520,746	520,746
Debt Service Payments	0	1,304,612	0	0	1,304,612
Capital Improvements	0	0	0	176,011	176,011
<b><i>Total Restricted</i></b>	<b>0</b>	<b>1,304,612</b>	<b>0</b>	<b>1,280,666</b>	<b>2,585,278</b>
<b><i>Committed to</i></b>					
Memorial Scholarships	0	0	0	75,464	75,464
Capital Improvements	0	0	1,155,649	0	1,155,649
Severance Payments	96,620	0	0	0	96,620
<b><i>Total Committed</i></b>	<b>96,620</b>	<b>0</b>	<b>1,155,649</b>	<b>75,464</b>	<b>1,327,733</b>
<b><i>Assigned to</i></b>					
Underground Storage Tank	11,000	0	0	0	11,000
Football Field Lighting	93,433	0	0	0	93,433
Purchases on Order:					
Support Services	207,032	0	0	0	207,032
Extracurricular	1,421	0	0	0	1,421
Fiscal Year 2021 Appropriations	810,500	0	0	0	810,500
<b><i>Total Assigned</i></b>	<b>1,123,386</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,123,386</b>
<b><i>Unassigned</i></b>	<b>3,706,859</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,706,859</b>
<b><i>Total Fund Balances</i></b>	<b>\$4,931,885</b>	<b>\$1,304,612</b>	<b>\$1,155,649</b>	<b>\$1,356,130</b>	<b>\$8,748,276</b>

## Pymatuning Valley Local School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2020*

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### Note 4 - Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The statement of receipts, disbursements and changes in fund balance – budget and actual – budgetary basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budgetary basis and the cash basis are that:

1. Encumbrances are treated as cash disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (cash basis).
2. Budgetary revenues and expenditures of the uniform school support, the public school support, E-Rate and capital maintenance lighting funds are reclassified to the general fund for cash basis.

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

	<u>General</u>
Cash Basis	\$10,646
Perspective Differences:	
Uniform School Support	(259)
Public School Support	(1,239)
E-rate	6,350
Capital Maintenance Lighting	9,352
Adjustment for Encumbrances	<u>(208,453)</u>
Budget Basis	<u><u>(\$183,603)</u></u>

### Note 5 – Compliance

Ohio Administrative Code, Section 117-2-03 (B), requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net position/fund balances, and disclosures that, while material, cannot be determined at this time. The School District can be fined.

### Note 6 – Deposits and Investments

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

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

## **Pymatuning Valley Local School District**

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2020*

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

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

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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

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

## **Pymatuning Valley Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2020*

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Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Except as noted above, an investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

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

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

#### *Property Taxes*

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2020 represents collections of calendar year 2019 taxes. Real property taxes received in calendar year 2020 were levied after April 1, 2019, on the assessed value listed as of January 1, 2019, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2020 represents collections of calendar year 2019 taxes. Public utility real and tangible personal property taxes received in calendar year 2020 became a lien December 31, 2018, were levied after April 1, 2019 and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Ashtabula County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2020, are available to finance fiscal year 2020 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The amount available as an advance at June 30, 2020, was \$662,753 in the general fund, \$9,273 in the classroom facilities maintenance special revenue and \$52,452 in the bond retirement debt service fund. The amount available as an advance at June 30, 2019, was \$622,877 in the general fund, \$8,716 in the classroom facilities maintenance special revenue and \$49,370 in the bond retirement debt service fund.

**Pymatuning Valley Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2020*

The assessed values upon which the fiscal year 2020 taxes were collected are:

	2019 Second Half Collections		2020 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$157,992,110	91.53%	\$158,286,710	91.17%
Public Utility Personal	14,618,560	8.47	15,322,520	8.83
Total	<u>\$172,610,670</u>	<u>100.00%</u>	<u>\$173,609,230</u>	<u>100.00%</u>

Full Tax Rate per \$1,000 of assessed valuation	\$33.33	\$33.33
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**Note 8 - Interfund Transactions**

*Interfund Transfers*

The general fund made transfers to the bus garage capital improvement fund in the amount of \$200,000 for capital improvement projects and to other governmental funds in the amount of \$105,000 to cover a fund deficit in the food service fund.

*Interfund Advances*

The general fund made advances to other governmental funds in the amount of \$120,000. These advances were made to support programs and projects in various special revenue funds pending the receipt of grant money. Other governmental funds made advances to the general fund in the amount of \$150,000. These advances were made to return prior year advances from the general fund.

**Note 9 - Risk Management**

*Property and Liability*

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2020, the School District contracted with Love Insurance Agency for buildings and contents, liability and fleet insurance.

Type of Coverage	Coverage Amount
Property Damage Per Occurrence	\$65,438,752
Flood - Per Occurrence and Annual Aggregate	1,000,000
Errors and Omissions	100,000
Employee Theft - Per Loss Coverage	100,000
Auto Liability	1,000,000
Violence	1,000,000

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



## **Pymatuning Valley Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2020*

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### ***Workers' Compensation***

For fiscal year 2020, the School District participated in the Ohio Schools Council Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 15). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley Unicom provides administrative, cost control and actuarial services to the GRP.

### ***Employee Medical Benefits***

The School District participates in the Ashtabula County Schools Council of Governments, a shared risk pool (Note 15) to provide employee medical/surgical, prescription drug, dental and vision benefits. Rates are set through an annual calculation process. The School District pays a monthly contribution which is placed in a common fund from which the claim payments are made for all participating districts. The School District's Board of Education pays \$784 for single coverage, \$1,571 for employee plus one coverage and \$2,017, monthly, for family coverage for certified staff. The School District's Board of Education pays \$755 for single coverage and \$1,818, monthly, for family coverage for classified staff.

## **Note 10 - Contingencies**

### ***Litigation***

As of June 30, 2020, the School District was not party to any legal proceedings.

### ***Grants***

The School District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds.

### ***School Foundation***

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for fiscal year 2015, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year-end. ODE has finalized the impact of enrollment adjustments to the June 30, 2020 foundation funding for the School District and as a result, a receivable to and a liability of the School District has not been recorded, however, the amount is insignificant.

**Pymatuning Valley Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2020*

**Note 11 – Encumbrances**

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At fiscal year end the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

General	\$208,453
Bus Garage Capital Improvement	486,520
Other Governmental Funds	<u>108,963</u>
	<u><u>\$803,936</u></u>

**Note 12 – Debt**

Changes in long-term obligations of the School District during fiscal year 2020 were as follows:

	Principal Outstanding 6/30/2019	Additions	Reductions	Principal Outstanding 6/30/2020	Amounts Due in One Year
<b>Governmental Activities</b>					
<b><i>General Obligation Bonds</i></b>					
2011 Refunding Bonds					
Serial Bonds	\$2,840,000	\$0	(\$445,000)	\$2,395,000	\$455,000
Premium	<u>138,487</u>	<u>0</u>	<u>(26,379)</u>	<u>112,108</u>	<u>0</u>
Total School Improvement Bonds	2,978,487	0	(471,379)	2,507,108	455,000
2010 Energy Conservation Improvement Bonds					
Term Bonds	350,000	0	(50,000)	300,000	50,000
2009 School Construction Bonds					
Term Bonds	<u>275,000</u>	<u>0</u>	<u>(45,000)</u>	<u>230,000</u>	<u>45,000</u>
<b><i>Total Governmental Activities</i></b>					
<b><i>Long-Term Obligations</i></b>	<u><u>\$3,603,487</u></u>	<u><u>\$0</u></u>	<u><u>(\$566,379)</u></u>	<u><u>\$3,037,108</u></u>	<u><u>\$550,000</u></u>

On October 13, 2011, the School District issued \$5,104,984 in refunding general obligation bonds, which included serial and capital appreciation (deep discount) bonds in the amounts of \$4,990,000 and \$114,984, respectively. The general obligation bonds were issued for the purpose of refunding the 2002 School Improvement Bonds in order to take advantage of lower interest rates.

The bonds were sold at a premium of \$342,917. Proceeds of \$5,351,514 were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded portion of the bonds. As a result, \$2,175,000 of these bonds are considered defeased and the liability for the refunded portion of these bonds has been removed from the School District's financial statements.

On November 15, 2010, the School District issued \$718,250 in Qualified School Construction Bonds (QSCBs) in accordance with the American Recovery and Reinvestment Act of 2009 (ARRA). These bonds were issued for the purpose of investing in Thin Client computer equipment. These bonds will be paid from the general

**Pymatuning Valley Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2020*

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fund. In accordance with bond covenants, the School District shall deposit in the Sinking Fund for the accumulation of funds necessary to pay the bond at maturity. The School District shall deposit monies annually on December 1 each year as needed so that the balance in the Sinking Fund (taking into account the interest earned on such fund) shall be equal to and not exceed the amount set forth as follows.

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

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Principal</u>
2021	\$50,000
2022	50,000
2023	50,000
2024	50,000
2025	50,000
2026	<u>50,000</u>
Totals	<u><u>\$300,000</u></u>

The bonds are subject to extraordinary mandatory redemption, in whole or in part, on November 15, 2013, or, in the event of an extension negotiated with the IRS, on a credit allowance date that occurs on or before November 15, 2015, in authorized denominations, at a redemption price equal to the principal amount of the bonds called for redemption plus accrued interest thereon to the redemption, in an amount equal to the unexpended proceeds of the sale of the bonds held by the School District, but only to the extent all of the proceeds of the bonds within three years of issuance thereof and no extension of the period for expenditure had been granted by the IRS.

On December 11, 2009, the School District issued \$639,240 in school construction bonds for the purpose of making energy efficiency lighting improvements within the School District. The bonds were issued at a 1.93 percent interest rate for a fifteen year period with a maturity date of September 15, 2024.

As part of the ARRA act of 2009, issuers of QSCBs are eligible to receive direct payments from the federal government which offset interest payments on the bonds. As an alternate, QSCBs may be issued as tax credit bonds under which bond holders receive federal tax credits in lieu of interest as a means to significantly reduce the issuer's interest costs. The School District, under agreement with the federal government, has chosen to receive a thirty-five percent semi-annual direct payment from the federal government to help offset interest expense on the QSCBs. The amount the School District expects to receive for the future direct payments is not available. Therefore this bond will not be included in the following principal and interest requirements.

The School District's overall debt margin was \$14,004,446 with an unvoted debt margin of \$173,609 at June 30, 2020. Principal and interest requirements to retire the 2011 school improvement refunding bonds and the 2009 school construction bonds outstanding at June 30, 2020 are as follows:

**Pymatuning Valley Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2020*

Fiscal Year Ending June 30,	General Obligation Bonds			
	Serial		Term	
	Principal	Interest	Principal	Interest
2021	\$455,000	\$65,522	\$45,000	\$4,005
2022	460,000	53,225	45,000	3,136
2023	480,000	39,700	45,000	2,268
2024	490,000	24,538	45,000	1,400
2025	510,000	8,287	50,000	483
Totals	<u>\$2,395,000</u>	<u>\$191,272</u>	<u>\$230,000</u>	<u>\$11,292</u>

**Note 13 - Jointly Governed Organizations**

**North Eastern Ohio Management Information Network (NEOMIN)** NEOMIN is a jointly governed organization among thirty school districts in Trumbull and Ashtabula Counties. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the districts supports NEOMIN based upon a per pupil charge. Pymatuning Valley Local School District paid \$32,598 to NEOMIN during fiscal year 2020.

The Governing board consists of ten members: The Trumbull and Ashtabula County superintendents (permanent members), three superintendents from Ashtabula County participating school districts, three superintendents from Trumbull County participating school districts, and a principal and treasurer (non-voting members who must be employed by a participating school district, the fiscal agent or NEOMIN). The Board exercises total control over the operations of NEOMIN including budgeting, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Governing Board. The Pymatuning Valley Local School District was represented by the Superintendent on the Governing Board during fiscal year 2020. To obtain a copy of NEOMIN's financial statements, write to the Trumbull County Educational Service Center, 6000 Youngstown-Warren Road, Niles, Ohio 44446.

**Ashtabula County Technical & Career Center** The Ashtabula County Technical & Career Center is a distinct political subdivision of the State of Ohio which provides vocational education to students. The TCC is operated under the direction of a Board consisting of representatives from some of the participating School Districts' elected boards. Each School District's degree of control is limited to its representation on the Governing Board. The Board is its own budgeting and taxing authority. The School District made \$3,208 in contributions for fiscal year 2020. Financial information can be obtained from Lindsey Elly, Treasurer at Ashtabula County Technical & Career Center, 1565 State Route 167, Jefferson, Ohio 44047.

**State Support Team (SST) – Region 5** The SST is an Educational Regional Service System whose mission is to provide regional districts with leadership, technical assistance and high quality professional development in the service areas of school improvement, literacy, early learning and school readiness and special education compliance. The 16 State Support Teams are responsible for the regional delivery of school improvement, literacy, special education compliance, and early learning and school readiness services to districts using a differentiated technical assistance structure of support based upon need. The teams work through the Office of Exceptional Children, Office of Literacy, Office of Early Learning and School Readiness and the Office of Field Relations by providing technical assistance and professional development. The SSTs include staff and services formerly provided by the Special Education Regional Resources Centers (SERRCs) and the Regional

## **Pymatuning Valley Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2020*

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School Improvement Teams (RSITs). Each School District's degree of control is limited to its representation on the Governing Board. The SST is its own budgeting and taxing authority. The School District made no contributions for fiscal year 2020.

House Bill 115 (HB 115) establishes the Educational Regional Service System (ERSS) and requires the creation of a coordinated, integrated and aligned system to support state and school districts efforts to improve school effectiveness and student achievement. It is the intent of the general assembly that the educational regional service system would reduce the unnecessary duplication of programs and services and provide for a more streamlined and efficient delivery of education services without reducing the availability of the services needed by school districts and school. Financial information can be obtained by contacting the Treasurer at the Mahoning County Educational Service Center, 7320 North Palmyra Road, Canfield, Ohio 44406.

### **Note 14 – Related Organization**

***Andover Public Library*** The Andover Public Library (the Library) is a district political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the School District for operational subsidies. Although the School District does serve as the taxing authority and may issue tax related debt on the behalf of the Library, its role is limited to a ministerial function. The determination to request approval of tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Andover Public Library, Linda Weston, Fiscal Officer, at 142 West Main Street, P.O. Box 1210, Andover, Ohio 44003.

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

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

***Ashtabula County Schools Council of Governments*** The School District has contracted with the Ashtabula County Schools Council of Governments ("the Council) to provide employee medical/surgical, prescription drug, dental and vision benefits. The Council is organized under Chapter 167 of the Ohio Revised Code and is comprised of eight Ashtabula County school districts. Rates are set by the Council's board of directors. The School District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating school districts. Claims are paid for all participants regardless of claims flow. The Council is a separate and independent entity governed by its own set of by-laws and constitution. All assets and liabilities are the responsibility of the Council. The program is operated as a full indemnity program with no financial liability (other than monthly premiums) or risk to the Career Center. The Council shall pay the run out of all claims for a withdrawing Member. Any Member which withdraws from the Council pursuant to the Council Agreement shall have no claim to the Council's assets.

## Pymatuning Valley Local School District

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2020

### Note 16 - Set Aside Requirements

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

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

	<u>Capital Improvements</u>
Set-aside Balances as of June 30, 2019	\$0
Current Year Set-aside Requirement	206,820
Current Year Offsets	(199,485)
Qualifying Disbursements	<u>(321,770)</u>
Total	<u>(\$314,435)</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$0</u>
Set-aside Balance as of June 30, 2020	<u>\$0</u>

Although the School District had qualifying disbursements and offsets during the fiscal year that reduced the set-aside amount to below zero, this amount may not be used to reduce the set-aside requirement for future fiscal years. This negative balance is therefore not presented as being carried forward to future fiscal years.

### Note 17 - Defined Benefit Pension Plans

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

#### *Net Pension Liability/Net OPEB Liability (Asset)*

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

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

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

## Pymatuning Valley Local School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2020*

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

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

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

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

Age and service requirements for retirement are as follows:

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

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

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

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension is in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent.

## **Pymatuning Valley Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2020*

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Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2020, the allocation to pension, death benefits, and Medicare B was 14.0 percent. For fiscal year 2020, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The School District's contractually required contribution to SERS was \$245,535 for fiscal year 2020.

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

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

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five year of service credit and age 65, or 35 years of service credit and at least age 60.

Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until August 1, 2023, when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit at any age.

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. The member determines how to allocate the member and employer money among various investment choices offered by STRS. The remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.



## Pymatuning Valley Local School District

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2020

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

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The fiscal year 2020 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For fiscal year 2020, the full employer contribution was allocated to pension.

The School District's contractually required contribution to STRS was \$744,093 for fiscal year 2020.

### **Net Pension Liability**

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability:			
Prior Measurement Date	0.05025080%	0.04616361%	
Current Measurement Date	<u>0.05160960%</u>	<u>0.04495720%</u>	
Change in Proportionate Share	<u>0.00135880%</u>	<u>-0.00120641%</u>	
Proportionate Share of the Net Pension Liability	\$3,087,892	\$9,942,016	\$13,029,908

## Pymatuning Valley Local School District

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2020

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### Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2019, are presented below:

Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

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

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

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

**Pymatuning Valley Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2020*

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

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$4,327,242	\$3,087,892	\$2,048,544

**Actuarial Assumptions - STRS**

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2019, actuarial valuation are presented below:

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Discount Rate of Return	7.45 percent
Payroll Increases	3 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017

## Pymatuning Valley Local School District

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2020

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

Actuarial assumptions used in the July 1, 2019, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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

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

\* Target weights will be phased in over a 24-month period concluding on July 1, 2019.

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

**Discount Rate** The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2019. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2019.

## Pymatuning Valley Local School District

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2020

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	\$14,529,147	\$9,942,016	\$6,058,772

### Note 18 - Defined Benefit OPEB Plans

See note 17 for a description of the net OPEB liability

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

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2020, no allocation was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2020, this amount was \$19,600. Statutes provide that no employer shall pay a health care surcharge greater

## Pymatuning Valley Local School District

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2020

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 2020, the School District's surcharge obligation was \$18,051.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$18,051 for fiscal year 2020.

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

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2021. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For fiscal year ended June 30, 2020, STRS did not allocate any employer contributions to post-employment health care.

### **Net OPEB Liability (Asset)**

The net OPEB liability (asset) was measured as of June 30, 2019, and the total OPEB liability (asset) used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability (asset) was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share:

	SERS	STRS	Total
Proportion of the Net OPEB Liability (Asset):			
Prior Measurement Date	0.05096940%	0.04616361%	
Current Measurement Date	<u>0.05079440%</u>	<u>0.04495720%</u>	
Change in Proportionate Share	<u>-0.00017500%</u>	<u>-0.00120641%</u>	
Proportionate Share of the:			
Net OPEB Liability (Asset)	\$1,277,372	(\$744,600)	\$532,772

### **Actuarial Assumptions - SERS**

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

## Pymatuning Valley Local School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2020*

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2019, are presented below:

Inflation	3.00 percent
Wage Increases	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.13 percent
Prior Measurement Date	3.62 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	3.22 percent
Prior Measurement Date	3.70 percent
Medical Trend Assumption	
Medicare	5.25 to 4.75 percent
Pre-Medicare	7.00 to 4.75 percent

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

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

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

**Pymatuning Valley Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2020*

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

**Discount Rate** The discount rate used to measure the total OPEB liability (asset) at June 30, 2019 was 3.22 percent. The discount rate used to measure total OPEB liability (asset) prior to June 30, 2019, was 3.70 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2026. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2025 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.13 percent, as of June 30, 2019 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

**Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates** The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.22%) and higher (4.22%) than the current discount rate (3.22%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.75%) and higher (8.00% decreasing to 5.75%) than the current rate.

	1% Decrease (2.22%)	Current Discount Rate (3.22%)	1% Increase (4.22%)
School District's proportionate share of the net OPEB liability	\$1,550,488	\$1,277,371	\$1,060,214
	1% Decrease (6.00 % decreasing to 3.75%)	Current Trend Rate (7.00 % decreasing to 4.75%)	1% Increase (8.00 % decreasing to 5.75%)
School District's proportionate share of the net OPEB liability	\$1,023,434	\$1,277,371	\$1,614,287



## Pymatuning Valley Local School District

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2020

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### Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2019, actuarial valuation are presented below:

Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Discount Rate of Return	7.45 percent
Health Care Cost Trends	
Medical	
Pre-Medicare	5.87 percent initial, 4 percent ultimate
Medicare	4.93 percent initial, 4 percent ultimate
Prescription Drug	
Pre-Medicare	7.73 percent initial, 4 percent ultimate
Medicare	9.62 initial, 4 percent ultimate

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

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

Actuarial assumptions used in the June 30, 2019, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the prior measurement date, there was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944 percent to 1.984 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1 percent for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

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

**Discount Rate** The discount rate used to measure the total OPEB liability (asset) was 7.45 percent as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes STRS continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2019. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was used to measure the total OPEB liability (asset) as of June 30, 2019.

**Pymatuning Valley Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2020*

***Sensitivity of the School District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate*** The following table represents the net OPEB asset as of June 30, 2019, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	<u>1% Decrease (6.45%)</u>	<u>Current Discount Rate (7.45%)</u>	<u>1% Increase (8.45%)</u>
School District's proportionate share of the net OPEB asset	(\$635,367)	(\$744,600)	(\$836,438)

  

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
School District's proportionate share of the net OPEB asset	(\$844,341)	(\$744,600)	(\$622,439)

**Note 19 – Change in Accounting Principles**

For fiscal year 2020, the School District implemented GASB Statement No. 84, *Fiduciary Activities* and related guidance from (GASB) Implementation Guide No. 2019-2, *Fiduciary Activities*. GASB Statement No. 84 established specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business type activities should report their fiduciary activities. Due to the implementation of GASB Statement No. 84, the School District will no longer be reporting agency funds. The School District reviewed its agency funds and certain funds will be reported in the new fiduciary fund classification of custodial funds, while other funds have been reclassified as governmental funds. These fund reclassifications resulted in the restatement of the School District's financial statements.

***Restatement of Fund Balances and Net Position***

The implementation of GASB Statement No. 84 had the following effect on fund balance as of June 30, 2019:

	<u>General</u>	<u>Bond Retirement</u>	<u>Bus Garage Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balances, June 30, 2019	\$4,921,239	\$1,440,809	\$996,754	\$946,088	\$8,304,890
Adjustments:					
GASB Statement 84	<u>0</u>	<u>0</u>	<u>0</u>	<u>66,420</u>	<u>66,420</u>
Restated Fund Balances, June 30, 2019	<u>\$4,921,239</u>	<u>\$1,440,809</u>	<u>\$996,754</u>	<u>\$1,012,508</u>	<u>\$8,371,310</u>

**Pymatuning Valley Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2020*

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The implementation of GASB Statement No. 84 had the following effect on net position as of June 30, 2019:

	Governmental Activities
Net Position June 30, 2019	<u>\$8,304,890</u>
Adjustments:	
GASB Statement 84	<u>66,420</u>
Restated Net Position June 30, 2019	<u><u>\$8,371,310</u></u>

Also related to the implementation of GASB 84, the City will no longer be reporting agency funds, at June 30, 2019, agency funds reported assets and liabilities of \$43,917. There was also a restatement of \$23,098 between the private purpose trust scholarship fund and other governmental funds, which is already reflected in the previous tables.

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**PYMATUNING VALLEY LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2020**

<b>FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass Through Entity Identifying Number</b>	<b>Total Federal Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>Passed Through Ohio Department of Education</i>			
<i>Nutrition Cluster:</i>			
School Breakfast Program	10.553	2020	83,757
COVID - 19 School Breakfast Program	10.553	2020	6,773
National School Lunch Program	10.555	2020	203,583
COVID - 19 National School Lunch Program	10.555	2020	31,593
Non-Cash Food Commodities	10.555	2020	48,070
Total Nutrition Cluster			<u>373,776</u>
Total U.S. Department of Agriculture			<u>373,776</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>Passed Through Ohio Department of Education</i>			
Title I - Grants to Local Educational Agencies	84.010	2019 2020	99,859 <u>787,077</u>
<b>Subtotal Title I - Grants to Local Educational Agencies</b>			<b>886,936</b>
Rural Education	84.358	2020	25,041
Total U.S. Department of Education			<u>911,977</u>
<b>Total Expenditures of Federal Awards</b>			<b><u>\$1,285,753</u></b>

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

**PYMATUNING VALLEY LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE YEAR ENDED JUNE 30, 2020**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Pymatuning Valley Local School District (the District's) under programs of the federal government for the year ended June 30, 2020. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

**NOTE C – INDIRECT COST RATE**

The District has elected to not use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE D - CHILD NUTRITION CLUSTER**

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

**NOTE E – FOOD DONATION PROGRAM**

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the respective programs that benefitted from the use of those donated food commodities.

**NOTE F - MATCHING REQUIREMENTS**

Certain Federal programs require the District to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

**NOTE G - TRANSFERS BETWEEN FEDERAL PROGRAMS**

During fiscal year 2020, the District made allowable ESEA flexibility transfers of \$91,565 from Title II-A (#84.367) program to the Title I (#84.010) program and transfers of \$53,742 from Title IV-A (#84.424) program to the Title I (#84.010) program. The Schedule shows the District spent approximately \$91,565 on the Title II-A program and \$53,742 on the Title IV-A program. The amounts reported for the Title II-A and Title IV-A programs on the Schedule exclude the amounts transferred to the Title I program. The amount transferred to the Title I program is included as Title I expenditures when disbursed. The following table shows the gross amounts drawn for the Title II-A and Title IV-A programs during fiscal year 2020 and the amounts transferred to the Title I program.

PYMATUNING VALLEY LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE YEAR ENDED JUNE 30, 2020  
(Continued)

**NOTE G - TRANSFERS BETWEEN FEDERAL PROGRAMS (CONTINUED)**

Title II-A	\$ 91,565
Transfer to Title I	<u>(91,565)</u>
<b>Total Title II-A</b>	<b><u>\$ 0</u></b>
Title IV-A	\$ 53,742
Transfer to Title I	<u>(53,742)</u>
<b>Total Title IV-A</b>	<b><u>\$ 0</u></b>

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# OHIO AUDITOR OF STATE KEITH FABER



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Cleveland, Ohio 44113-1801  
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## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Pymatuning Valley Local School District, (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 14, 2020, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. *A material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***Compliance and Other Matters***

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statement. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2020-001.

***District's Response to Findings***

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and corrective action plan. We did not subject the District's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber  
Auditor of State  
Columbus, Ohio

December 14, 2020

# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

To the Board of Education:

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

We have audited the Pymatuning Valley Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Pymatuning Valley Local School District's major federal program for the year ended June 30, 2020. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

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

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

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

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major program. However, our audit does not provide a legal determination of the District's compliance.

***Opinion on the Major Federal Program***

In our opinion, the Pymatuning Valley Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2020.

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

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

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

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

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



Keith Faber  
Auditor of State  
Columbus, Ohio

December 14, 2020

**PYMATUNING VALLEY LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2020**

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

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

**FINDING NUMBER 2020-001**

**Noncompliance**

**Ohio Rev. Code § 117.38** provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on a form utilized by the public office.

**Ohio Admin. Code § 117-2-03(B)**, which further clarifies the requirements of Ohio Rev. Code § 117.38, requires the District to file annual financial reports which are prepared using generally accepted accounting principles (GAAP).

The District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, deferred inflows/outflows of resources, fund equities/net position, and disclosures that, while presumed material, cannot be determined at this time.

Pursuant to Ohio Rev. Code § 117.38 the District may be fined and subject to various other administrative remedies for its failure to file the required financial report. Failure to report on a GAAP basis compromises the District's ability to evaluate and monitor the overall financial condition of the District. To help provide the users with more meaningful financial statements, the District should prepare its annual financial statements according to generally accepted accounting principles.

Officials' Response: See Corrective Action Plan

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

None

PYMATUNING VALLEY LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
2 CFR 200.511(b)  
JUNE 30, 2020

Finding Number	Finding Summary	Status	Additional Information
2019-001	Ohio Administrative Code § 117-2-03 (B) requires the District to prepare its financial report in accordance with generally accepted accounting principles.	Not Corrected	Repeated as Finding 2020-001

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# Pymatuning Valley Schools

Christopher Edison, Superintendent  
Thomas Brockway, Treasurer

## CORRECTIVE ACTION PLAN 2 CFR § 200.511(c) JUNE 30, 2020

<b>Finding Number</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
2020-001	GAAP Statements have not been filed since the cost of preparing GAAP Statements outweighs the benefit. It is not anticipated that GAAP Statements will be filed in the future.	n/a	Tom Brockway, Treasurer; Christopher Edison, Superintendent

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# OHIO AUDITOR OF STATE KEITH FABER



**PYMATUNING VALLEY LOCAL SCHOOL DISTRICT**

**ASHTABULA COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 12/24/2020**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)