

Paint Valley Local School District
Ross County

Single Audit

July 1 , 2002 Through June 30, 2003

Fiscal Year Audited Under GAGAS: 2003

BALESTRA, HARR & SCHERER, CPAs, Inc.

528 South West Street, P.O. Box 687
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**Auditor of State
Betty Montgomery**

Board of Education
Paint Valley Local School District

We have reviewed the Independent Auditor's Report of the Paint Valley Local School District, Ross County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2002 through June 30, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

December 11, 2003

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PAINT VALLEY LOCAL SCHOOL DISTRICT
ROSS COUNTY

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Member American Institute of Certified Public Accountants

Member Ohio Society of Certified Public Accountants

Independent Auditor's Report

Members of the Board
Paint Valley Local School District
7454 State Route 50
Bainbridge, Ohio 45612

We have audited the accompanying general-purpose financial statements of the Paint Valley Local School District, Ross County, as of and for the year ended June 30, 2003, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Paint Valley Local School District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Paint Valley Local School District as of June 30, 2003, and the results of its operations and the cash flows of its proprietary fund and non expendable trust fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2003 on our consideration of the Paint Valley Local School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

BALESTRA, HARR & SCHERER, CPAs, Inc.

BALESTRA, HARR & SCHERER, CPAs, Inc.

November 7, 2003

PAINT VALLEY LOCAL SCHOOL DISTRICT
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 2003

	<i>GOVERNMENTAL FUND TYPES</i>			
	General	Special Revenue	Debt Service	Capital Projects
<i>Assets and Other Debits:</i>				
<i>Assets:</i>				
Equity in Pooled Cash and Cash Equivalents	\$1,256,797	\$346,140	\$138,974	\$1,582,489
Receivables:				
Taxes	1,301,496	28,000	155,446	104,375
Accounts	1,315	0	0	0
Intergovernmental	14,933	62,919	0	0
Interfund	3,750	0	0	0
Prepaid Items	29,479	0	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents with Fiscal Agents	391,075	0	0	0
Fixed Assets	0	0	0	0
 <i>Other Debits:</i>				
Amount Available in Debt Service Fund for Retirement of General Obligations	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
 Total Assets and Other Debits	 \$2,998,845	 \$437,059	 \$294,420	 \$1,686,864

See Accompanying Notes to the General Purpose Financial Statements.

<i>PROPRIETARY FUND TYPE</i>	<i>FIDUCIARY FUND TYPES</i>	<i>ACCOUNT GROUPS</i>		Totals (Memorandum Only)
Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$157,269	\$26,522	\$0	\$0	\$3,508,191
0	0	0	0	1,589,317
0	0	0	0	1,315
0	0	0	0	77,852
0	0	0	0	3,750
0	0	0	0	29,479
0	0	0	0	391,075
0	0	28,084,609	0	28,084,609
0	0	0	152,749	152,749
0	0	0	2,300,232	2,300,232
<u>\$157,269</u>	<u>\$26,522</u>	<u>\$28,084,609</u>	<u>\$2,452,981</u>	<u>\$36,138,569</u>

(continued)

PAINT VALLEY LOCAL SCHOOL DISTRICT
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 2003
 (Continued)

	<i>GOVERNMENTAL FUND TYPES</i>			
	General	Special Revenue	Debt Service	Capital Projects
<i>Liabilities,</i>				
<i>Fund Equity and Other Credits:</i>				
<i>Liabilities:</i>				
Accounts Payable	\$35,212	\$5,173	\$0	\$0
Accrued Wages and Benefits	558,496	78,222	0	0
Compensated Absences Payable	22,802	0	0	0
Interfund Payable	0	3,750	0	0
Intergovernmental Payable	118,904	21,172	0	0
Deferred Revenue	1,191,182	46,430	141,671	95,582
Undistributed Monies	0	0	0	0
Claims Payable	0	0	0	0
Capital Leases Payable	0	0	0	0
Early Retirement Incentive	14,554	0	0	0
School Facilities Loan Payable	0	0	0	0
Total Liabilities	1,941,150	154,747	141,671	95,582
<i>Fund Equity and Other Credits:</i>				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved (Deficit)	0	0	0	0
Fund Balance:				
Reserved for Contributions	0	0	0	0
Reserved for Encumbrances	383,554	55,806	0	51,375
Reserved for Property Taxes	110,314	2,453	13,775	8,793
Reserved for Textbooks	356,225	0	0	0
Reserved for Budget Stabilization	34,850	0	0	0
Unreserved:				
Designated	138,718	0	0	0
Undesignated	34,034	224,053	138,974	1,531,114
Total Fund Equity and Other Credits	1,057,695	282,312	152,749	1,591,282
Total Liabilities, Fund Equity and Other Credits	\$2,998,845	\$437,059	\$294,420	\$1,686,864

See Accompanying Notes to the General Purpose Financial Statements.

<i>PROPRIETARY FUND TYPE</i>	<i>FIDUCIARY FUND TYPES</i>	<i>ACCOUNT GROUPS</i>		Totals (Memorandum Only)
Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$0	\$0	\$0	\$0	\$40,385
0	0	0	0	636,718
0	0	0	315,417	338,219
0	0	0	0	3,750
66,694	0	0	88,829	295,599
0	0	0	0	1,474,865
0	23,333	0	0	23,333
91,473	0	0	0	91,473
0	0	0	353,735	353,735
0	0	0	0	14,554
0	0	0	1,695,000	1,695,000
<u>158,167</u>	<u>23,333</u>	<u>0</u>	<u>2,452,981</u>	<u>4,967,631</u>
0	0	28,084,609	0	28,084,609
(898)	0	0	0	(898)
0	3,066	0	0	3,066
0	0	0	0	490,735
0	0	0	0	135,335
0	0	0	0	356,225
0	0	0	0	34,850
0	0	0	0	138,718
0	123	0	0	1,928,298
(898)	3,189	28,084,609	0	31,170,938
<u>\$157,269</u>	<u>\$26,522</u>	<u>\$28,084,609</u>	<u>\$2,452,981</u>	<u>\$36,138,569</u>

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PAIN VALLEY LOCAL SCHOOL DISTRICT
 Combined Statement of Revenues, Expenditures
 and Changes in Fund Balances
 All Governmental Fund Types
 For the Fiscal Year Ended June 30, 2003

	<i>GOVERNMENTAL FUND TYPES</i>				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<i>Revenues:</i>					
Property Taxes	\$1,166,439	\$24,930	\$138,058	\$93,675	\$1,423,102
Intergovernmental	6,711,742	1,113,784	19,214	129,675	7,974,415
Interest	47,080	9	0	34,489	81,578
Tuition and Fees	12,196	0	0	0	12,196
Rent	156	0	0	0	156
Extracurricular Activities	0	156,794	0	0	156,794
Gifts and Donations	0	3,120	0	0	3,120
Customer Services	3,773	147,616	0	0	151,389
Miscellaneous	120,132	12,531	0	0	132,663
<i>Total Revenues</i>	<u>8,061,518</u>	<u>1,458,784</u>	<u>157,272</u>	<u>257,839</u>	<u>9,935,413</u>
<i>Expenditures:</i>					
Current:					
Instruction:					
Regular	3,709,522	462,917	0	40,054	4,212,493
Special	966,611	450,551	0	0	1,417,162
Other	364,117	0	0	0	364,117
Support Services:					
Pupils	231,338	128,565	0	0	359,903
Instructional Staff	202,356	9,175	0	0	211,531
Board of Education	181,096	0	0	0	181,096
Administration	529,359	17,211	0	0	546,570
Fiscal	223,750	2,877	3,293	2,312	232,232
Operation and Maintenance of Plant	897,584	0	0	0	897,584
Pupil Transportation	680,360	0	0	0	680,360
Central	0	5,714	0	0	5,714
Operation of Non-Instructional Services:					
Services	7,122	342,241	0	0	349,363
Extracurricular Activities	127,964	108,830	0	0	236,794
Capital Outlay	137,156	218,901	0	294,455	650,512
Debt Service:					
Principal Retirement	18,547	5,466	55,000	0	79,013
Interest and Fiscal Charges	10,173	958	89,318	0	100,449
<i>Total Expenditures</i>	<u>8,287,055</u>	<u>1,753,406</u>	<u>147,611</u>	<u>336,821</u>	<u>10,524,893</u>
Excess of Revenues Over (Under) Expenditures	<u>(225,537)</u>	<u>(294,622)</u>	<u>9,661</u>	<u>(78,982)</u>	<u>(589,480)</u>
<i>Other Financing Sources (Uses):</i>					
Operating Transfers - In	0	43,959	0	0	43,959
Operating Transfers - Out	(43,959)	0	0	0	(43,959)
Inception of Capital Lease	137,156	218,901	0	0	356,057
<i>Total Other Financing Sources (Uses)</i>	<u>93,197</u>	<u>262,860</u>	<u>0</u>	<u>0</u>	<u>356,057</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(132,340)</u>	<u>(31,762)</u>	<u>9,661</u>	<u>(78,982)</u>	<u>(233,423)</u>
Fund Balances at Beginning of Year - as Restated - Note 20	<u>1,190,035</u>	<u>314,074</u>	<u>143,088</u>	<u>1,670,264</u>	<u>3,317,461</u>
Fund Balances at End of Year	<u>\$1,057,695</u>	<u>\$282,312</u>	<u>\$152,749</u>	<u>\$1,591,282</u>	<u>\$3,084,038</u>

See Accompanying Notes to the General Purpose Financial Statements.

PAIN VALLEY LOCAL SCHOOL DISTRICT
 Combined Statement of Revenues, Expenditures and
 Changes in Fund Balances - Budget and Actual (Budget Basis)
 All Governmental Fund Types
 For the Fiscal Year Ended June 30, 2003

	<i>GENERAL FUND</i>			<i>SPECIAL REVENUE FUNDS</i>		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<i>Revenues:</i>						
Property Taxes	\$1,145,347	\$1,145,347	\$0	\$24,461	\$24,461	\$0
Intergovernmental	6,710,942	6,710,942	0	1,072,699	1,072,699	0
Interest	47,080	47,080	0	9	9	0
Tuition and Fees	12,312	12,312	0	0	0	0
Rent	156	156	0	0	0	0
Extracurricular Activities	0	0	0	156,794	156,794	0
Gifts and Donations	0	0	0	3,120	3,120	0
Customer Services	3,773	3,773	0	147,616	147,616	0
Miscellaneous	36,938	36,938	0	12,531	12,531	0
<i>Total Revenues</i>	<i>7,956,548</i>	<i>7,956,548</i>	<i>0</i>	<i>1,417,230</i>	<i>1,417,230</i>	<i>0</i>
<i>Expenditures:</i>						
<i>Current:</i>						
<i>Instruction:</i>						
Regular	3,994,667	3,777,488	217,179	579,305	486,427	92,878
Special	1,208,265	965,855	242,410	447,055	436,066	10,989
Vocational	5,297	1,612	3,685	0	0	0
Adult Continuing	875	0	875	0	0	0
Other	704,463	413,035	291,428	0	0	0
<i>Support Services:</i>						
Pupils	231,650	220,898	10,752	153,474	133,270	20,204
Instructional Staff	213,728	200,893	12,835	18,229	15,030	3,199
Board of Education	316,684	211,835	104,849	0	0	0
Administration	591,229	562,847	28,382	17,941	17,221	720
Fiscal	251,544	230,033	21,511	3,519	2,879	640
Operation and Maintenance of Plant	1,121,096	967,806	153,290	139,500	13,450	126,050
Pupil Transportation	872,267	775,290	96,977	2,240	2,240	0
Central	0	0	0	10,842	5,713	5,129
<i>Operation of Non-Instructional Services:</i>						
Extracurricular Activities	9,773	7,149	2,624	344,445	342,145	2,300
Capital Outlay	173,329	131,024	42,305	140,257	117,206	23,051
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
<i>Total Expenditures</i>	<i>9,694,867</i>	<i>8,465,765</i>	<i>1,229,102</i>	<i>1,856,807</i>	<i>1,571,647</i>	<i>285,160</i>
Excess of Revenues Over (Under) Expenditures	(1,738,319)	(509,217)	1,229,102	(439,577)	(154,417)	285,160
<i>Other Financing Sources (Uses):</i>						
Refund of Prior Year Expenditures	81,879	81,879	0	0	0	0
Refund of Prior Year Receipts	(20)	(20)	0	(5,682)	(5,682)	0
Advances - In	0	0	0	3,750	3,750	0
Advances - Out	(3,750)	(3,750)	0	0	0	0
Operating Transfers - In	0	0	0	43,959	43,959	0
Operating Transfers - Out	(43,959)	(43,959)	0	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<i>34,150</i>	<i>34,150</i>	<i>0</i>	<i>42,027</i>	<i>42,027</i>	<i>0</i>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,704,169)	(475,067)	1,229,102	(397,550)	(112,390)	285,160
Fund Balances at Beginning of Year	1,302,854	1,302,854	0	360,490	360,490	0
Prior Year Encumbrances Appropriated	401,315	401,315	0	37,060	37,060	0
Fund Balances at End of Year	\$0	\$1,229,102	\$1,229,102	\$0	\$285,160	\$285,160

See Accompanying Notes to the General Purpose Financial Statements.

<i>DEBT SERVICE FUND</i>			<i>CAPITAL PROJECTS FUNDS</i>		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$135,423	\$135,423	\$0	\$91,999	\$91,999	\$0
19,214	19,214	0	129,675	129,675	0
0	0	0	34,489	34,489	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
154,637	154,637	0	256,163	256,163	0
0	0	0	67,562	56,319	11,243
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
4,338	3,294	1,044	5,159	2,312	2,847
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	1,876,580	359,554	1,517,026
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
55,747	55,000	747	0	0	0
226,500	89,318	137,182	0	0	0
286,585	147,612	138,973	1,949,301	418,185	1,531,116
(131,948)	7,025	138,973	(1,693,138)	(162,022)	1,531,116
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
(131,948)	7,025	138,973	(1,693,138)	(162,022)	1,531,116
131,948	131,948	0	1,453,169	1,453,169	0
0	0	0	239,969	239,969	0
\$0	\$138,973	\$138,973	\$0	\$1,531,116	\$1,531,116

PAINT VALLEY LOCAL SCHOOL DISTRICT
Statement of Revenues,
Expenses and Changes in Retained Earnings/Fund Balance
Proprietary Fund Type and Nonexpendable Trust Funds
For the Fiscal Year Ended June 30, 2003

	<i>Proprietary Fund Type</i>	<i>Fiduciary Fund Type</i>	Totals (Memorandum Only)
	Internal Service	Nonexpendable Trust	
<i>Operating Revenues:</i>			
Charges for Services	\$1,131,115	\$0	\$1,131,115
Interest	0	166	166
<i>Total Operating Revenues</i>	<u>1,131,115</u>	<u>166</u>	<u>1,131,281</u>
<i>Operating Expenses:</i>			
Purchased Services	167,679	0	167,679
Claims	742,589	0	742,589
Other Operating Expenses	0	150	150
<i>Total Operating Expenses</i>	<u>910,268</u>	<u>150</u>	<u>910,418</u>
Operating Income/(Loss)	220,847	16	220,863
Retained Earnings (Deficit)/Fund Balance at Beginning of Year - as Restated - Note 20	<u>(221,745)</u>	<u>3,173</u>	<u>(218,572)</u>
Retained Earnings (Deficit)/Fund Balance at End of Year	<u>(\$898)</u>	<u>\$3,189</u>	<u>\$2,291</u>

See Accompanying Notes to the General Purpose Financial Statements.

PAINT VALLEY LOCAL SCHOOL DISTRICT

Statement of Revenues, Expenses and
Changes in Fund Equity - Budget and Actual (Budget Basis)
Proprietary Fund Type and Nonexpendable Trust Funds
For the Fiscal Year Ended June 30, 2003

	<i>PROPRIETARY FUND TYPE</i>			<i>FIDUCIARY FUND TYPE</i>		
	<i>INTERNAL SERVICE FUND</i>		Variance Favorable (Unfavorable)	<i>NONEXPENDABLE TRUST FUNDS</i>		Variance Favorable (Unfavorable)
	Revised Budget	Actual		Revised Budget	Actual	
<i>Revenues:</i>						
Charges for Services	\$201,050	\$201,050	\$0	\$0	\$0	\$0
Interest	0	0	0	166	166	0
<i>Total Revenues</i>	<u>201,050</u>	<u>201,050</u>	<u>0</u>	<u>166</u>	<u>166</u>	<u>0</u>
<i>Expenses:</i>						
Purchased Services	225,260	82,977	142,283	0	0	0
Other	0	0	0	3,339	150	3,189
<i>Total Expenses</i>	<u>225,260</u>	<u>82,977</u>	<u>142,283</u>	<u>3,339</u>	<u>150</u>	<u>3,189</u>
Excess of Revenues Over (Under) Expenses	(24,210)	118,073	142,283	(3,173)	16	3,189
Fund Equity at Beginning of Year	23,852	23,852	0	3,173	3,173	0
Prior Year Encumbrances Appropriated	358	358	0	0	0	0
Fund Equity at End of Year	<u>\$0</u>	<u>\$142,283</u>	<u>\$142,283</u>	<u>\$0</u>	<u>\$3,189</u>	<u>\$3,189</u>

See Accompanying Notes to the General Purpose Financial Statements.

PAIN VALLEY LOCAL SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Fund Type and Nonexpendable Trust Funds
For the Fiscal Year Ended June 30, 2003

	<i>Proprietary Fund Type</i>	<i>Fiduciary Fund Type</i>	Totals (Memorandum Only)
	Internal Service	Nonexpendable Trust	
<i>Increase (Decrease) in Cash and Cash Equivalents:</i>			
<u><i>Cash Flows from Operating Activities:</i></u>			
Cash Received from Quasi-External Transactions with Other Funds	\$1,131,115	\$0	\$1,131,115
Cash Payments to Suppliers for Goods and Services	(167,679)	0	(167,679)
Cash Payments for Claims	(847,127)	0	(847,127)
Cash Payments for Other Operating Expenses	0	(150)	(150)
Net Cash Provided By/(Used for) Operating Activities	116,309	(150)	116,159
<u><i>Cash Flows from Noncapital Financing Activities:</i></u>			
Short-Term Loans to Other Governments	16,750	0	16,750
Net Cash Provided By Noncapital Financing Activities	16,750	0	16,750
<u><i>Cash Flows from Investing Activities:</i></u>			
Interest	0	166	166
Net Increase (Decrease) in Cash and Cash Equivalents	133,059	16	133,075
Cash and Cash Equivalents at Beginning of Year	24,210	3,173	27,383
Cash and Cash Equivalents at End of Year	<u>\$157,269</u>	<u>\$3,189</u>	<u>\$160,458</u>
<u><i>Reconciliation of Operating Income/(Loss) to Net Cash Provided by/Used for Operating Activities:</i></u>			
Operating Income/(Loss)	\$220,847	\$16	\$220,863
<i>Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided by/(Used) for Operating Activities:</i>			
Interest Reported as Operating Income	0	(166)	(166)
Changes in Assets and Liabilities:			
Decrease in Claims Payable *	(104,538)	0	(104,538)
Total Adjustments	(104,538)	(166)	(104,704)
Net Cash Provided by/(Used for) Operating Activities	<u>\$116,309</u>	<u>(\$150)</u>	<u>\$116,159</u>
<u><i>Reconciliation of Cash and Cash Equivalents of Nonexpendable Trust Funds to Balance Sheet</i></u>			
Cash and Cash Equivalents - All Fiduciary Funds		\$26,522	
Cash and Cash Equivalents - Agency Funds		23,333	
Cash and Cash Equivalents - Nonexpendable Trust Funds		<u>\$3,189</u>	

See Accompanying Notes to the General Purpose Financial Statements.

Legend

*As restated-See footnote 20

Paint Valley Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Paint 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 statute and/or federal guidelines.

The School District was established in 1956 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 121 square miles. It is located in Ross County, and includes all of the Villages of Bainbridge and Bourneville and portions of Paxton, Paint and Twin Townships. It is staffed by 44 non-certificated employees, 85 certificated full-time teaching personnel and 4 administrative employees who provide services to 1,215 students and other community members. The School District currently operates 3 instructional buildings and 1 bus garage.

Reporting Entity:

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

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. The School District has no component units.

The following entities which perform activities within the District's boundaries for the benefit of its residents are excluded from the accompanying financial statements because the School District is not financially accountable for these entities nor are they fiscally dependent on the School District.

- < Parent Teacher Organization
- < Ross-Pike Educational Service District

The School District is associated with four jointly governed organizations: South Central Ohio Computer Association, Pickaway-Ross County Joint Vocational School, and Great Seal Education Network of Tomorrow and the Pilasco-Ross Special Education Regional Resource Center. The School District is also associated with a claims servicing pool and an insurance purchasing pool: the Ross County School Employees Insurance Consortium and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 15 and 16 to the general purpose financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Paint Valley Local School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary and nonexpendable trust fund activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

Paint Valley Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis Of Presentation - Fund Accounting

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

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

Governmental Fund Types:

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in the proprietary fund and nonexpendable trust funds) are accounted for through governmental funds.

The following are the School District's governmental fund types:

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

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trust or major capital projects) that are legally restricted to expenditure for specified purposes.

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

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

Proprietary Fund Type:

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

Internal Service Fund - The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis.

Paint Valley Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis of Presentation - Fund Accounting (continued)

Fiduciary Fund Type:

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include a non-expendable trust fund and agency funds. Non-expendable trust funds are accounted for in essentially the same manner as proprietary funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups:

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the School District.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary or trust funds.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds and non-expendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund type and non-expendable trust fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year for which taxes are levied. (See Note 6) Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Paint Valley Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Measurement Focus and Basis of Accounting (continued)

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, interest, tuition, grants, student fee and rentals.

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 operations, have been recorded as deferred revenue.

Under the modified accrual basis of accounting, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types and the non-expendable trust fund. Revenues are recognized in the accounting period which they are earned, and expenses are recognized at the time they are incurred.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The Self-Insurance Internal Service Fund has only the dental insurance portion of the fund budgeted and shown as part of the School District's cash activity; the medical insurance activity is handled by a fiscal agent and is therefore not budgeted. The primary level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Budgetary allocations at the function and object level within all funds are made by the School District Treasurer.

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Ross County Budget Commission for rate determination.

Paint Valley Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Budgetary Process (continued)

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year.

The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect amounts in the final amended certificate issued during fiscal year 2003. Before year end, the School District requested and received an amended certificate of estimated resources that reflected actual revenue for the fiscal year.

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, two supplemental appropriations were legally enacted; however, these amendments were not significant.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds and the self insurance fund, consistent with statutory provisions.

Encumbrances:

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

Lapsing of Appropriations:

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

D. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

Paint Valley Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Cash and Cash Equivalents (continued)

During fiscal year 2003, investments were limited to STAR Ohio and certificates of deposit. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2003. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2003.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2003 amounted to \$47,080. The special revenue, capital projects, and nonexpendable trust funds also received \$9, \$34,489, and \$166, respectively.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents.

E. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2003, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

F. Fixed Assets

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District maintains a capitalization threshold of five hundred dollars. The School District does not have any proprietary fixed assets. Donated fixed assets are recorded at their fair market values as of the date received.

General Fixed Assets (infrastructure) consisting of a sewage system is capitalized, as this asset is of value to the School District. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

The District does not capitalize interest for fixed assets acquired from governmental funds. There have been no debt-financed proprietary fund fixed asset acquisitions.

Assets in the general fixed assets account group are not depreciated.

G. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method.

The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy.

Paint Valley Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Compensated Absences (continued)

The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The School District records a liability for accumulated unused sick leave for all employees after 15 years of current service with the School District. For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group.

H. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year-end are considered not to have been paid with current available financial resources. Bonds, capital leases and long-term loans are reported as a liability of the general long-term obligations account group until due.

I. Interfund Transactions

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

Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

J. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets represent unexpended amounts required by statute to be set-aside by the School District for the purchase of textbooks and budget stabilization. See Note 18 for additional information regarding set-asides.

K. Fund Balance Reserves

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

The reserve for property taxes represents taxes recognized as revenue under accounting principles generally accepted in the United States of America but not available for appropriations under State statute.

Paint Valley Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Fund Designation

The School District designated \$138,718 for budget stabilization. See Note 18 for additional information regarding the budget stabilization set aside reserve.

M. Estimates

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

N. Total Columns on General Purpose Financial Statements

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

NOTE 3 - ACCOUNTABILITY

At June 30, 2003, the Disadvantaged Pupil Impact Aid, the Title I, and the Lunchroom Special Revenue Funds, and the Self-insurance Internal Service Fund had deficit fund balances/retained earnings of \$22,962, \$8,278, \$28,931, and \$898, respectively, which were created by the application of accounting principles generally accepted in the United States of America. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of accounting principles generally accepted in the United States of America (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis) - Internal Service Fund and Nonexpendable Trust Funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (Budget Basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (Budget Basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (Budget Basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type and non-expendable trust fund (GAAP basis).
4. The School District does not budget for the activities of the fiscal agent who collects and holds assets for the payment of medical claims. However, the activities of the fiscal agent are included in the internal service fund for GAAP reporting purposes.

Paint Valley Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

4 - BUDGETARY BASIS OF ACCOUNTING (continued)

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
All Governmental Fund Types

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	(\$132,340)	(\$31,762)	\$9,661	(\$78,982)
Revenue Accruals	(160,247)	(256,705)	(2,635)	(1,676)
Expenditure Accruals	201,074	231,897	(1)	(29,989)
Encumbrances	(383,554)	(55,820)	0	(51,375)
Budget Basis	<u>(\$475,067)</u>	<u>(\$112,390)</u>	<u>\$7,025</u>	<u>(\$162,022)</u>

Net Income/(Loss) Excess of Revenues
Over Expenses
Internal Service Fund and Nonexpendable Trust Funds

	Internal Service	Nonexpendable Trusts
GAAP Basis	\$220,847	\$16
Revenue Accruals	(930,065)	0
Expense Accruals	842,040	0
Encumbrances	(14,749)	0
Budget Basis	<u>\$118,073</u>	<u>\$16</u>

NOTE 5 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the School District into three categories.

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current two 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 accounts, including passbook accounts.

Paint Valley Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public money deposited with the institution.

Interim monies may be deposited or invested in the following securities:

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the 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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash on Hand At year end, the School District had \$50 in undeposited cash on hand which is included on the balance sheet of the School District as part of Equity in Pooled Cash and Cash Equivalents.

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

Paint Valley Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

Deposits At year end, the carrying amount of the School District's deposits was \$294,096 and the bank balance was \$487,335. Of the bank balance:

1. \$100,000 was covered by federal depository insurance; and
2. \$387,335 was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

Investments The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The School District's investments in STAR Ohio, an investment pool operated by the Ohio State Treasurer, are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Fair/Carrying Value
STAR Ohio	\$3,605,120

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

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

	Cash and Cash Equivalents/ Deposits	Investments
<i>GASB Statement No. 9</i>	\$3,899,266	\$0
Cash on Hand	(50)	0
STAR Ohio	(3,605,120)	3,605,120
<i>GASB Statement No. 3</i>	\$294,096	\$3,605,120

NOTE 6 - 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 located in the School District. Property tax revenue received during calendar 2003 for real and public utility property taxes represents collections of calendar 2002 taxes. Property tax payments received during calendar 2003 for tangible personal property (other than public utility property) are for calendar 2003 taxes.

Paint Valley Local School District
Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 6 - PROPERTY TAXES (continued)

2003 real property taxes are levied after April 1, 2003, on the assessed value as of January 1, 2003, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2003 public utility property taxes became a lien December 31, 2002, are levied after April 1, 2003 and are collected in 2004 with real property taxes.

2003 tangible personal property taxes are levied after April 1, 2002, on the value as of December 31, 2002. Collections are made in 2003. Tangible personal property assessments are twenty-five percent of true value.

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The assessed values upon which fiscal year 2003 taxes were collected are:

	2002 Second- Half Collections		2003 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$54,239,940	91.76%	\$55,360,630	90.56%
Public Utility	21,540	0.05%	20,840	0.04%
Tangible Personal Property	4,844,390	8.19%	5,747,280	9.40%
Total Assessed Value	\$59,105,870	100.00%	\$61,128,750	100.00%
Tax rate per \$1,000 of assessed valuation	\$35.50		\$35.50	

The School District receives property taxes from Ross 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, 2003, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2003. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2003, was \$110,314 in the General Fund, \$2,453 in the Classroom Facilities Maintenance Special Revenue Fund, \$13,775 in the Debt Service Fund, and \$8,793 in the Permanent Improvement Capital Projects Fund.

Paint Valley Local School District
Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 7 - RECEIVABLES

Receivables at June 30, 2003, consisted of property taxes, accounts (tuition and student fees), and intergovernmental. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables is as follows:

	Amounts
General Fund	\$14,933
Special Revenue Funds:	
Goals 2000	3,750
Title I	57,370
Drug Free	<u>1,799</u>
Total Special Revenue	<u>62,919</u>
 Total Intergovernmental Receivables	 <u>\$77,852</u>

NOTE 8 - FIXED ASSETS

A summary of the changes in general fixed assets during fiscal year 2003 follows:

Asset Category	Balance at 6/30/02	Additions	Deletions	Balance at 6/30/03
Land and Improvements	\$1,216,316	\$0	\$0	\$1,216,316
Buildings and Improvements	22,968,891	29,887	0	22,998,778
Infrastructure	91,010	6,222	0	97,232
Furniture, Fixtures and Equipment	2,113,420	614,295	0	2,727,715
Vehicles	<u>921,688</u>	<u>122,880</u>	<u>0</u>	<u>1,044,568</u>
Totals	<u>\$27,311,325</u>	<u>\$773,284</u>	<u>\$0</u>	<u>\$28,084,609</u>

NOTE 9-INTERFUND ACTIVITY

At June 30, 2003, receivables and payables that resulted from various interfund transactions were as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 3,750	
Special Revenue Fund: High Schools that Work	<u> </u>	<u>\$ 3,750</u>
Total All Funds:	<u>\$ 3,750</u>	<u>\$ 3,750</u>

Paint Valley Local School District
Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 10 - RISK MANAGEMENT

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. The School District contracted with various insurance companies to provide insurance coverage.

Coverage is as follows:

Building and Contents-replacement cost	\$30,200,461
Inland Marine Coverage	180,000
Automobile Liability	1,000,000
Uninsured Motorists	1,000,000
General Liability	
Per occurrence	1,000,000
Total per year	3,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant change in coverage from last year.

For fiscal year 2003, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 16). 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. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

Medical/surgical and dental insurance is offered to employees through a self-insurance internal service fund. The School District is a member the Ross County School Employees Insurance Consortium, a claims servicing pool, consisting of eighteen school districts within Ross County and its surrounding area, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. The claims liability of \$91,473 reported in the internal service fund at June 30, 2003 is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claims adjustment expenses and does not include other allocated or unallocated claims adjustment expenses.

Changes in claims activity for the fiscal year follows:

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2001	\$144,544	\$1,053,802	\$986,666	\$211,680
2002	211,680	806,231	821,900	*196,011
2003	*196,011	742,589	847,127	91,473

*Restated – See Note 20

Paint Valley Local School District
Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614)222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$35,378, \$36,370, and \$49,765, respectively; 42 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. \$49,748 representing the unpaid contribution for fiscal year 2003, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides basic retirement, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371 or by calling (614)222-4090.

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's contributions for pension obligations to STRS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$422,686, \$333,092, and \$329,647 respectively; 84 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. \$81,257 represents the unpaid contribution for fiscal year 2003 and is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2003, one member of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 12 - POSTEMPLOYMENT BENEFITS

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

Paint Valley Local School District
Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 12 - POSTEMPLOYMENT BENEFITS (continued)

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2003, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$36,946 for fiscal year 2003.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2002, (the latest information available) the balance in the Fund was \$3.011 million. For the year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000 and STRS had 105,300 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2003, employer contributions to fund health care benefits were 8.54 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2003 fiscal year equaled \$138,351. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2002 (the latest information available), were \$182,946,777 and the target level was 274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 participants currently receiving health care benefits.

NOTE 13 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 200 days for all personnel. Upon retirement, payment is made for thirty percent of accrued, but unused sick leave credit to a maximum of 60 days.

B. Early Retirement Incentive

The School District has an Early Retirement Incentive program. Participation is open to any employees who are within the retirement range established by SERS or STRS. The School District will buy two years of service credit for these employees if the incentive is taken when the employee becomes eligible under the program. The liability at June 30, 2003 in the amount of \$14,554 has been recorded as an early retirement incentive liability in the general fund.

C. Life and Accident Insurance

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Cairnstone, Inc.

Paint Valley Local School District
Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 14 - CAPITAL LEASES - LESSEE DISCLOSURE

During fiscal year 2003, the School District entered into leases for a copier and playground equipment. In previous fiscal years, the School District entered into capital leases for equipment and furniture and fixtures. Each lease meets the criteria of a capital lease as defined by *Statement of Financial Accounting Standards No. 13, Accounting for Leases*, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statement

General fixed assets consisting of equipment and furniture and fixtures have been capitalized in the general fixed assets account group in the amount of \$356,057. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 2003 totaled \$24,013 in the governmental funds.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2003.

Fiscal Year Ending June 30,	GLTDG
2004	\$117,412
2005	117,412
2006	110,988
2007	37,485
2008	14,773
Total	398,070
Less: Amount Representing Interest	(44,335)
Present Value of Net Minimum Lease Payments	\$353,735

The changes in the School District's long-term obligations during fiscal year 2003 were as follows:

	Principal Outstanding 6/30/02	Additions	Deductions	Principal Outstanding 6/30/03
School Improvement General Obligation Bonds 5.25%	1,750,000	0	55,000	1,695,000
Capital Leases	21,691	356,057	24,013	353,735
Pension Obligations	65,197	88,829	65,197	88,829
Compensated Absences	299,137	16,280	0	315,417
Total General Long-Term Obligations	\$2,136,025	\$461,166	\$144,210	\$2,452,981

On July 10, 1998, the School District issued long-term general obligation bonds in the amount of \$1,945,800, as a result of the School District being approved for a \$15,430,564 school facilities loan through the State Department of Education for the construction of an education complex. The 5.25% bonds will be retired in December 2021. As a requirement of the loans, the School District was required to pass a 3.7 mill levy. The 3.7 mill levy, of which .25 mill was to be used for the retirement of the loan and .25 mill was to be used for maintenance, with the balance of 3.2 mills to be used for the retirement of the long-term bonds issued, will be in effect for twenty-three years.

Paint Valley Local School District
Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 14 - LONG-TERM OBLIGATIONS (continued)

The Paint Valley Local School District has been notified by the Ohio School Facilities Commission that they will not be responsible for repaying the \$15,430,564 classroom facilities loan to the State because the School District's adjusted valuation per pupil (currently 437 out of 611 schools) was less than the state-wide median adjusted valuation per pupil. In lieu of the repayment, the School District must set aside the funds that would have been used for repayment for facilities maintenance. As part of this process, the School District must submit a maintenance plan to the Ohio School Facilities Commission every five years until the twenty-three year period expires. If the School District's adjusted valuation per pupil increases above the state-wide median adjusted valuation during the twenty-three year period, the School District may become responsible for repayment of a portion of the State's contribution.

Capital leases will be paid from the General and Special Revenue Funds. The pension obligation and compensated absences will be paid from the funds from which the employees' salaries are paid.

The School District's overall legal debt margin was \$3,806,588 with an unvoted debt margin of \$61,129.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2003, are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2004	\$60,000	\$86,299	\$146,299
2005	60,000	83,149	143,149
2006	65,000	79,868	144,868
2007	70,000	76,324	146,324
2008	70,000	72,649	142,649
2009-2013	425,000	300,817	725,817
2014-2018	545,000	177,828	722,828
Thereafter	400,000	31,980	431,980
Totals	<u>\$1,695,000</u>	<u>\$908,914</u>	<u>\$2,603,914</u>

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS

South Central Ohio Computer Association - The School District is a participant in the South Central Ohio Computer Association (SCOCA) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Highland, Adams, Pike, Scioto, Brown, Ross, Jackson, Vinton and Lawrence Counties. The 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 school districts. The governing board of SCOCA consists of two representatives from each of the participating member counties, two school treasurers, plus one representative from the fiscal agent. The School District paid SCOCA \$65,141 for services provided during the year. Financial information can be obtained from their fiscal agent, the Vern Riffe Career Technology Center District Treasurer, at P.O. Box 577, 23365 St. Rt. 124, Piketon, Ohio 45661.

Pickaway-Ross County Career Technology Center - The Pickaway-Ross County Career Technology Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of eleven representatives from the various City and County Boards within Pickaway and Ross Counties, each of which possesses its own budgeting and taxing authority. The School District did not have any financial transaction with the Joint Vocational School during the fiscal year. The School District paid \$1,188 for services provided during the year. To obtain financial information write to the Pickaway-Ross County Joint Vocational School, Ben Vanhorn, who serves as Treasurer, at 895 Crouse Chapel Road, Chillicothe, Ohio 45601.

Paint Valley Local School District
Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS (continued)

Great Seal Education Network of Tomorrow - The Great Seal Education Network of Tomorrow is a regional council of governments (the "Council") consisting of twelve city, local, and joint vocational school districts, two educational service centers and the Ohio University-Chillicothe Campus for the purpose of promoting the use of advanced telecommunications and technology to provide enhanced educational opportunities to the communities of Ross and Pickaway Counties. The Council is operated under the direction of a Board of Directors consisting of one representative (the superintendent or another person appointed by the board of education) of each of the members, each of which possess its own budgeting and taxing authority. The School District did not pay for any services provided during the year. To obtain financial information, write to the Ohio University-Chillicothe Campus, who acts as fiscal agent, at 571 West Fifth Street, Chillicothe, Ohio 45601.

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

Pilasco-Ross is governed by a board composed of superintendents of participating schools, parents of children with disabilities, representatives of chartered nonpublic schools, representatives of county boards of MR/DD, Shawnee State University, and the Southeast Regional Professional Development Center whose terms rotate every year. The degree of control exercised by any participating school district is limited to its representation on the Board. The School District's Superintendent is a member of the Pilasco-Ross Board. Financial information can be obtained by contacting the fiscal agent, Jim Tordiff, Treasurer, at Dawson-Bryant Local School District, 222 Lane Street, Coal Grove, Ohio 45638.

NOTE 16 - CLAIMS SERVICING AND INSURANCE PURCHASING POOLS

Ross County School Employees Insurance Consortium - The School District is a member of the Ross County School Employees Insurance Consortium (the "Consortium"), a claims servicing pool consisting of fourteen school districts within Ross County and its surrounding area. The Consortium provides medical/surgical, dental, vision, or life insurance through a third party administrator, Professional Risk Management Co., depending on which coverages the individual member district chooses. The Consortium's business and affairs are managed by a Council consisting of one representative for each participating school. The participating school districts pay an administrative fee to the fiscal agent to cover the costs of administering the Consortium. To obtain financial information, write to the Westfall Local School District, 19463 Pherson Pike, Williamsport, Ohio 43164-9745.

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

NOTE 17 - SCHOOL FUNDING

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient.

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

Paint Valley Local School District
Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 18 - SET-ASIDE CALCULATIONS AND FUND RESERVES

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

For fiscal year ended June 30, 2003, the School District's budget reserve set-aside, consisted of monies received from the Bureau of Workers' Compensation which must be retained for budget stabilization or spent for specified purposes. The School District designated \$138,718, which has been recorded as a fund designation in the General fund and will be used in accordance with Section 5705.13 Revised Code.

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

	Textbooks	Capital Acquisition	Budget Stabilization
Set-aside Reserve Balance as of June 30, 2002	\$305,533	\$0	\$34,850
Current Year Set-aside Requirement	133,972	133,972	0
Current Year Offsets	(83,280)	(140,495)	0
Set-Aside Balance Carried Forward to Future Fiscal Years	\$356,225	(\$6,523)	\$34,850
Set-aside Reserve Balance as of June 30, 2003	\$356,225	\$0	\$34,850

Amounts of qualifying disbursements presented in the table were limited to those necessary to reduce the year-end balance to zero. Although the School District may have had additional offsets and qualifying disbursements for capital acquisitions during the year, and this extra amount may be used to reduce the set-aside requirements of future years, the School District has decided to not carry over such negative balances to the next year.

NOTE 19 - CONTINGENCIES

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2003.

Litigation

The School District is currently party to legal proceedings. The School District's management is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of the School District.

Paint Valley Local School District
Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 20 - RESTATEMENT OF FUND BALANCES

Restatement of Fund Balance. Accounting errors were noted in the Special Revenue Fund and the Internal Service Fund This had the following effect on fund balance as they were previously reported as of June 30, 2002.

	Special Revenue	Internal Service
Fund Balance at June 30, 2002	\$315,025	\$(401,123)
Restatement Amount	(951)	179,378
Adjusted Fund Balance at July 1, 2002	\$314,074	\$(221,745)

Paint Valley Local School District
Ross County

Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2003

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>United States Department of Agriculture</u>						
<i>Passed through Ohio Department of Education</i>						
<i>Nutrition Cluster:</i>						
Food Distribution Program	N/A	10.550	\$0	\$18,514	\$0	\$18,514
National School Breakfast Program	049510-05PU	10.553	26,997	0	26,997	0
National School Lunch Program	049510-LLP4	10.555	109,029	0	109,029	0
Total United States Department of Agriculture - Nutrition Cluster			136,026	18,514	136,026	18,514
<u>United States Department of Education</u>						
<i>Passed through Ohio Department of Education</i>						
Drug Free Schools	049510-DRS1	84.186	6,700	0	13,804	0
Eisenhower Grant	049510-MSS1	84.281	951	0	9,175	0
Title I	049510-C1S1/049510-C1SD	84.010	262,190	0	304,895	0
Title VI-B	049510-6BSF/049510-6BSD	84.027	220,702	0	219,456	0
Technology Literacy Challenge Fund Grants	049510-TJS1	84.318	7,692	0	5,330	0
School Renovation Grants	049510-ATS2	84.352	34,648	0	29,963	0
Rural Education Achievement Program	049510-RUS1	84.358	24,080	0	24,080	0
Class Size Reduction	049510-TRS1	84.367	78,003	0	69,482	0
Innovative Education Program Strategy	049510-C2S1	84.298	7,426	0	5,740	0
Total United States Department of Education			642,392	0	681,925	0
<u>United States Department of Labor</u>						
<i>Passed through Ohio Department of Education</i>						
Making School Work Grant	WKBE 2001/2002	17.249	21,250	0	26,587	0
Total Federal Financial Assistance			\$799,668	\$18,514	\$844,538	\$18,514

N/A=Not Available

See accompanying notes to schedule of federal awards expenditures.

PAINT VALLEY LOCAL SCHOOL DISTRICT
ROSS COUNTY
JUNE 30, 2003

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B- FOOD DISTRIBUTIONS

Non-monetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2003, the District had no significant food commodities inventory.

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**Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

Members of the Board
Paint Valley Local School District
7454 State Route 50
Bainbridge, Ohio 45612

We have audited the financial statements of the Paint Valley Local School District, Ross County, as of and for the year ended June 30, 2003, and have issued our report thereon dated November 7, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Paint Valley Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Members of the Board
Paint Valley Local School District
Bainbridge, Ohio 45612

Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in
Accordance With *Government Auditing Standards*
Page 2

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

BALESTRA, HARR & SCHERER, CPAs Inc.
BALESTRA, HARR & SCHERER, CPAs, Inc.

November 7, 2003

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**Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance
in Accordance With OMB Circular A-133**

Members of the Board
Paint Valley Local School District
7454 State Route 50
Bainbridge, Ohio 45612

Compliance

We have audited the compliance of the Paint Valley Local School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2003. Paint Valley Local School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Paint Valley Local School District's management. Our responsibility is to express an opinion on Paint Valley Local School District's compliance based on our audit.

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

In our opinion, Paint Valley Local School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2003.

Internal Control Over Compliance

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

Members of the Board
Paint Valley Local School District
Bainbridge, Ohio 45612

Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in
Accordance With OMB Circular A-133
Page 2

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

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

BALESTRA, HARR & SCHERER , CPAs, Inc.
BALESTRA, HARR & SCHERER, CPAs, Inc.

November 7, 2003

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505**

**PAINT VALLEY LOCAL SCHOOL DISTRICT
ROSS COUNTY
JUNE 30, 2003**

1. SUMMARY OF AUDITOR'S RESULTS

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505**

**PAINT VALLEY LOCAL SCHOOL DISTRICT
ROSS COUNTY
JUNE 30, 2003**

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

Finding Number	None
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3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	None
CFDA Title and Number	
Federal Award Number/Year	
Federal Agency	
Pass-Through Agency	



**Auditor of State
Betty Montgomery**

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PAINT VALLEY LOCAL SCHOOL DISTRICT

ROSS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 30, 2003**