

**PAINT VALLEY LOCAL SCHOOL DISTRICT
ROSS COUNTY, OHIO**

FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2013

WOLF, ROGERS, DICKEY & CO.
Certified Public Accountants



Dave Yost • Auditor of State

Board of Education
Paint Valley Local School District
7454 U.S. Route 50
Bainbridge, Ohio 45612

We have reviewed the *Independent Auditors' Report* of the Paint Valley Local School District, Ross County, prepared by Wolf, Rogers, Dickey & Co., for the audit period July 1, 2012 through June 30, 2013. 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

December 18, 2015

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**Paint Valley Local School District
Ross County, Ohio**

**For the Year Ended
June 30, 2013**

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**Paint Valley Local School District
Ross County, Ohio**

**For the Year Ended
June 30, 2013**

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Wolf, Rogers, Dickey & Co.

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Independent Auditors' Report

Paint Valley Local School District
Ross County, Ohio
7454 U.S. Route 50
Bainbridge, Ohio 45612

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, discretely presented component unit, each major fund, and the aggregate remaining fund information of Paint Valley Local School District, Ross County, Ohio (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Paint Valley Local School District, Ross County, Ohio as of June 30, 2013, and the respective changes in financial position thereof and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

As discussed in Note 20 to the financial statements, during the year ended June 30, 2013, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 62 *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65 *Items Previously Reported as Assets and Liabilities*. We did not modify our opinion regarding this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Schedule of Federal Award Receipts and Expenditures presents 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 also not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Accounting Standards*, we have also issued our report dated March 21, 2014, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions by laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on

Paint Valley Local School District
Ross County
Independent Auditor's Report, continued

Other Reporting Required by Government Auditing Standards, continued

internal control testing over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Wolf, Rogers, Dickey & Co.
Certified Public Accountants

March 21, 2014

Paint Valley Local School District, Ross County, Ohio
Management's Discussion and Analysis
For the Year Ended June 30, 2013
Unaudited

The Paint Valley Local School District (the District) discussion and analysis of the annual financial report provides a review of the financial performance for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key highlights for 2013 are as follows:

- The District's assets exceeded liabilities at June 30, 2013 by \$17,058,572.
- The District's net assets of governmental activities decreased \$1,233,707.
- General revenues accounted for \$8,860,064 in revenue or 82 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,000,190 or 18 percent of total revenues of \$10,860,254.
- The District had \$12,093,961 in expenses related to governmental activities; \$2,000,190 of these expenses was offset by program specific charges for services and sales, grants and contributions.

Using the Basic Financial Statements

This annual report consists of a series of financial statements. These statements are presented so that the reader can understand the District's financial situation as a whole and also give a detailed view of the District's financial activities.

The Statement of Net Position and Statement of Activities provide information about the activities of the District as a whole and present a longer-term view of the District's finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as the amount of funds available for future spending. The fund financial statements also look at the District's most significant funds with all other non-major funds presented in total in one column.

Reporting the District as a Whole

The analysis of the District as a whole begins with the Statement of Net Position and the Statement of Activities. These statements provide information that will help the reader to determine whether the District is financially improving or declining as result of the year's financial activities. These statements include all assets, liabilities and deferred inflows/outflows of resources using the accrual basis of accounting similar to the accounting used by private sector companies. All current year revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes to that position. This change informs the reader whether the District's financial position, as a whole, has improved or diminished. In evaluating the overall financial health, the user of these financial statements needs to take into account non-financial factors that also impact the District's financial well-being. Some of these factors include the condition of capital assets, and required educational support services to be provided.

In the Statement of Net Position and the Statement of Activities, the District has only one kind of activity:

Governmental Activities – Most of the District's programs and services are reported here including instruction and support services.

Paint Valley Local School District, Ross County, Ohio
Management's Discussion and Analysis, continued
For the Year Ended June 30, 2013
Unaudited

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's funds begins on page 7. Fund financial statements provide detailed information about the District's major fund – not the District as a whole. Some funds are required by State law and bond covenants. Other funds may be established by the Treasurer with approval from the Board to help control, manage and report money received for a particular purpose or to show that the District is meeting legal responsibilities for the use of grants. The District's major fund is the General Fund.

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

Proprietary Funds – The District's only proprietary fund is an internal service fund. Since the internal service fund operates on a break-even, cost-reimbursement basis, the District reports it as a proprietary fund using the full accrual basis of accounting. Since the internal service fund exclusively benefits governmental functions, it has been included with governmental activities in the government-wide financial statements. The District's only internal service fund accounts for the self-insurance program for employee vision and dental insurance.

Fiduciary Funds – Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In accordance with GASB 34, fiduciary funds are not included in government-wide statements.

The District's fiduciary funds are an agency fund, which is used to maintain financial activity of the District's student managed activities, and a private purpose trust fund, which is used to maintain the financial activity of the District's scholarship funds.

The District as a Whole

As stated previously, the Statement of Net Position provides the perspective of the District as a whole. Table 1 provides a summary of the District's net position for 2013 compared to 2012.

(Table 1)
Net Position

	<u>Governmental Activities</u>	
	<u>2013</u>	<u>2012*</u>
Assets		
Current and other assets	\$ 5,047,982	6,194,059
Capital assets, net	<u>16,037,943</u>	<u>16,495,761</u>
Total assets	\$ <u>21,085,925</u>	<u>22,689,820</u>

Paint Valley Local School District, Ross County, Ohio
Management's Discussion and Analysis, continued
For the Year Ended June 30, 2013
Unaudited

The District as a Whole, continued

Liabilities		
Current and other liabilities	\$ 1,130,545	1,197,974
Long-term liabilities	<u>1,308,217</u>	<u>1,576,249</u>
Total liabilities	\$ <u>2,438,762</u>	<u>2,774,223</u>
Deferred Inflows of Resources		
Property taxes not levied to finance current year operations	<u>1,588,591</u>	<u>1,623,318</u>
Total deferred inflows of resources	\$ <u>1,588,591</u>	<u>1,623,318</u>
Net Position		
Net investment in capital assets	14,901,367	15,256,992
Restricted	869,171	1,132,499
Unrestricted	<u>1,288,034</u>	<u>1,902,788</u>
Total net position	\$ <u>17,058,572</u>	<u>18,292,279</u>

*As restated, see Note 20 for additional information.

Total net position of the District as a whole decreased by \$1,233,707. Total assets decreased \$1,603,895. Cash and cash equivalents decreased due to an increase in expenditures. Capital assets decreased as a result of depreciation and deletions in excess of additions. Current and other liabilities decreased primarily as a result of decreases in accrued wages and benefits. The decrease to long-term liabilities is due to current year principal payments and lower compensated absences balances.

Paint Valley Local School District, Ross County, Ohio
Management's Discussion and Analysis, continued
For the Year Ended June 30, 2013
Unaudited

The District as a Whole, continued

Table 2 shows the changes in net position for the fiscal years ended June 30, 2013 and 2012.

(Table 2)
Changes in Net Position

	<u>Governmental Activities</u>	
	<u>2013</u>	<u>2012</u>
Revenues		
<i>Program Revenues</i>		
Charges for services and sales	\$ 853,904	912,052
Operating grants and contributions	1,121,286	1,412,476
Capital grants and contributions	<u>25,000</u>	<u>-</u>
Total program revenues	<u>2,000,190</u>	<u>2,324,528</u>
<i>General Revenues</i>		
Property taxes	1,796,987	1,575,387
Grants and entitlements, not restricted to specific programs	7,012,288	7,211,441
Gain on sale of capital assets	-	7,500
Gifts and donations, not restricted to specific programs	1,350	-
Investment earnings	3,253	3,981
Miscellaneous	<u>46,186</u>	<u>65,983</u>
Total general revenues	<u>8,860,064</u>	<u>8,864,292</u>
Total revenues	<u>10,860,254</u>	<u>11,188,820</u>
Program Expenses		
Instruction:		
Regular	5,235,075	5,379,733
Special	1,746,563	1,717,022
Vocational	2,208	4,152
Other	1,169,481	1,118,615
Support Services:		
Pupils	302,358	326,128
Instructional staff	156,336	156,492
Board of Education	76,382	184,713
Administration	636,687	695,764
Fiscal	341,884	323,480
Operation and maintenance of plant	1,081,947	1,041,420
Pupil transportation	601,910	684,167
Central	57,185	17,455
Operation of non-instructional services	388,642	380,497
Extracurricular activities	262,814	356,130
Interest and fiscal charges	<u>34,489</u>	<u>38,383</u>
Total expenses	<u>12,093,961</u>	<u>12,424,151</u>
Decrease in net position	(1,233,707)	(1,235,331)
Net position at beginning of year—as restated (Note 20)	<u>18,292,279</u>	<u>19,527,610</u>
Net position at end of year	<u>\$ 17,058,572</u>	<u>18,292,279</u>

Paint Valley Local School District, Ross County, Ohio
Management's Discussion and Analysis, continued
For the Year Ended June 30, 2013
Unaudited

The District as a Whole, continued

Operating grants and contributions decreased due to a decrease in the State Fiscal Stabilization and Title I revenues which were partially offset by an increase in the Education Jobs program receipts. Property taxes increased as a direct result of changes in deferred inflows of resources which occurred in 2012 which impacted the 2013 versus 2012 comparison. Grants and entitlements not restricted decreased due to decreased state foundation receipts.

Governmental Activities

Charges for services and sales comprised 8 percent of revenue for governmental activities, while operating grants and contributions comprised 10 percent of revenue for governmental activities of the District for fiscal year 2013. Property taxes and grants and entitlements, not restricted to specific programs also represent significant portions of revenues, comprising 17 percent and 65 percent, respectively.

As indicated by governmental program expenses, instruction is emphasized. Regular instruction comprised 44 percent of governmental expenses with special instruction comprising 15 percent of governmental expenses. Operation and maintenance of plant support services also represents a significant portion of expenses, comprising 8 percent of total expenses.

The Statement of Activities shows the cost of program services and the charges for services and sales, grants and contributions offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by unrestricted State entitlements and other general revenues.

(Table 3)
Total and Net Cost of Program Services

	<u>Governmental Activities</u>			
	<u>2013</u>		<u>2012</u>	
	<u>Total Cost</u>	<u>Net Cost of</u>	<u>Total Cost</u>	<u>Net Cost of</u>
	<u>of Services</u>	<u>Services</u>	<u>of Services</u>	<u>Services</u>
Instruction	\$ 8,153,327	7,080,977	8,219,522	6,835,996
Support Services	3,254,689	2,949,844	3,429,619	3,104,333
Operation of non-instructional services	388,642	(26,294)	380,497	(8,361)
Extracurricular activities	262,814	55,282	356,130	129,876
Interest and fiscal charges	34,489	33,962	38,383	37,779
Total expenses	\$ <u>12,093,961</u>	<u>10,093,771</u>	<u>12,424,151</u>	<u>10,099,623</u>

The District's Funds

Governmental funds are accounted for using the modified accrual basis for accounting. All governmental funds had total revenues of \$10,863,296 and expenditures of \$11,864,088. The net change in fund balance for the year was most significant in the General Fund.

The fund balance of the General Fund decreased by \$623,990. This decrease was due primarily to an increase to overall expenditures, while revenues decreased slightly.

Paint Valley Local School District, Ross County, Ohio
Management's Discussion and Analysis, continued
For the Year Ended June 30, 2013
Unaudited

General Fund Budgeting Highlights

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

During 2013 there were several revisions to the General Fund budget. In part, these revisions decreased estimated revenues by \$183,234. Final appropriations were more than original budgeted numbers due to the District's higher than expected expenditures salaries and benefits. The Treasurer has been given the authority by the Board of Education to make line item adjustments within the budget. The General Fund's ending unobligated cash balance was \$844,880.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2013 the District had \$16,037,943 invested in its capital assets. Table 4 shows the fiscal year 2013 balances compared to 2012.

(Table 4)
Capital Assets
 (Net of Accumulated Depreciation)

	<u>Governmental Activities</u>	
	<u>2013</u>	<u>2012</u>
Land	\$ 186,696	35,188
Construction in progress	211,000	-
Land improvements	409,206	542,546
Buildings and building improvements	13,998,531	14,688,075
Furniture and equipment	706,903	859,056
Vehicles	467,476	315,947
Infrastructure	<u>58,131</u>	<u>54,949</u>
Total	<u>\$ 16,037,943</u>	<u>16,495,761</u>

Changes in capital assets from the prior year resulted from additions and depreciation expense. See Note 8 to the basic financial statements for more detailed information related to capital assets.

Debt

At June 30, 2013 the District had one outstanding capital lease and one outstanding refunding bond. The capital lease is for copiers. The refunding bond was for the purpose of refunding the District loan through the Ohio School Facilities Commission. The outstanding lease and refunding bond amounts (excluding premium and accretion) totaled \$116,928 and \$890,000, respectively. See Note 14 to the basic financial statements for more detailed information regarding debt.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the District's financial condition and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Kristin O'Dell, Treasurer, Paint Valley Local School District, 7454 U.S. Route 50, Bainbridge, Ohio 45612.

**Paint Valley Local School District
Ross County, Ohio
Statement of Net Position
June 30, 2013**

	<u>Governmental Activities</u>
Assets:	
Current assets:	
Equity in pooled cash and cash equivalents	\$ 3,061,616
Accounts receivable	6,713
Intergovernmental receivable	141,749
Taxes receivable	1,837,904
Noncurrent assets:	
Non-depreciable capital assets	397,696
Depreciable capital assets, net	<u>15,640,247</u>
Total assets	<u>21,085,925</u>
Liabilities:	
Current liabilities:	
Accounts payable	19,836
Accrued wages and benefits	661,241
Contracts payable	185,000
Accrued interest payable	1,720
Intergovernmental payable	196,297
Matured compensated absences payable	56,637
Claims payable	9,814
Noncurrent liabilities:	
Long-term liabilities:	
Due within one year	296,663
Due in more than one year	<u>1,011,554</u>
Total liabilities	<u>2,438,762</u>
Deferred Inflows of Resources -	
Property taxes not levied to finance current year operations	<u>1,588,591</u>
Total deferred inflows of resources	<u>1,588,591</u>
Net Position:	
Invested in capital assets	14,901,367
Restricted for debt service	220,823
Restricted for capital outlay	290,595
Restricted for classroom facilities maintenance	225,077
Restricted for other purposes	129,302
Restricted – permanent fund:	
Expendable	374
Nonexpendable	3,000
Unrestricted	<u>1,288,034</u>
Total net assets	<u>\$ 17,058,572</u>

The notes to the basic financial statements are an integral part of this statement.

Paint Valley Local School District
Ross County, Ohio
Statement of Activities
For the Year Ended June 30, 2013

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Capital Grants</u>	<u>Revenue and</u>
		<u>Services and</u>	<u>Grants and</u>	<u>and</u>	<u>Changes in Net</u>
		<u>Sales</u>	<u>Contributions</u>	<u>Contributions</u>	<u>Assets</u>
Governmental Activities:					
Instruction:					
Regular	\$ 5,235,075	288,690	80,061	-	(4,866,324)
Special	1,746,563	78,590	544,970	-	(1,123,003)
Vocational	2,208	132	-	-	(2,076)
Other	1,169,481	79,907	-	-	(1,089,574)
Supportive Services:					
Pupils	302,358	20,697	-	-	(281,661)
Instructional staff	156,336	9,305	18,758	-	(128,273)
Board of Education	76,382	5,228	-	-	(71,154)
Administration	636,687	41,878	-	-	(594,809)
Fiscal	341,884	22,933	650	-	(318,301)
Operation and maintenance of plant	1,081,947	58,514	28,983	-	(994,450)
Pupil transportation	601,910	37,179	31,806	25,000	(507,925)
Central	57,185	3,914	-	-	(53,271)
Operation of non-instructional services	388,642	70,263	344,673	-	26,294
Extracurricular activities	262,814	136,147	71,385	-	(55,282)
Interest and fiscal charges	<u>34,489</u>	<u>527</u>	<u>-</u>	<u>-</u>	<u>(33,962)</u>
Total Governmental Activities	\$ <u>12,093,961</u>	<u>853,904</u>	<u>1,121,286</u>	<u>25,000</u>	<u>(10,093,771)</u>
General Revenues:					
Property taxes levied for:					
General purposes					1,541,901
Permanent improvements					100,828
Classroom facilities maintenance					27,214
Debt service					127,044
Grants and entitlements not restricted to specific programs					7,012,288
Gifts and donations not restricted to specific programs					1,350
Investment earnings					3,253
Miscellaneous					<u>46,186</u>
Total General Revenues					<u>8,860,064</u>
					(1,233,707)
Change in Net Assets					<u>(1,233,707)</u>
Net Position Beginning of Year					<u>18,292,279</u>
Net Position End of Year					\$ <u>17,058,572</u>

The notes to the basic financial statements are an integral part of this statement.

Paint Valley Local School District
Ross County, Ohio
Balance Sheet
Governmental Funds
June 30, 2013

	<u>General</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Equity in pooled cash and cash equivalents	\$ 2,012,488	964,576	2,977,064
Accounts receivable	6,713	-	6,713
Intergovernmental receivable	85,301	56,448	141,749
Taxes receivable	<u>1,577,327</u>	<u>260,577</u>	<u>1,837,904</u>
Total assets	\$ <u>3,681,829</u>	<u>1,281,601</u>	<u>4,963,430</u>
Liabilities			
Accounts payable	19,836	-	19,836
Accrued wages and benefits	589,453	71,788	661,241
Contracts payable	-	185,000	185,000
Intergovernmental payable	164,755	31,542	196,297
Matured compensated absences payable	<u>56,637</u>	<u>-</u>	<u>56,637</u>
Total liabilities	<u>830,681</u>	<u>288,330</u>	<u>1,119,011</u>
Deferred Inflows of Resources			
Property taxes not levied to finance current year operations	1,363,614	224,977	1,588,591
Unavailable revenue – delinquent taxes	62,442	10,410	72,852
Unavailable revenue – grants	<u>-</u>	<u>16,310</u>	<u>16,310</u>
Total deferred inflows of resources	<u>1,426,056</u>	<u>251,697</u>	<u>1,677,753</u>
Fund Balances			
Nonspendable	-	3,000	3,000
Restricted	-	754,096	754,096
Committed	2,947	-	2,947
Assigned	81,888	-	81,888
Unassigned	<u>1,340,257</u>	<u>(15,522)</u>	<u>1,324,735</u>
Total fund balances	<u>1,425,092</u>	<u>741,574</u>	<u>2,166,666</u>
Total liabilities, deferred inflows of resources, and fund balances	\$ <u>3,681,829</u>	<u>1,281,601</u>	<u>4,963,430</u>

The notes to the basic financial statements are an integral part of this statement.

Paint Valley Local School District
Ross County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2013

Total Governmental Fund Balances		\$ 2,166,666
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		16,037,943
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Taxes	\$ 72,852	
Intergovernmental	<u>16,310</u>	
Total		89,162
An internal service fund is used by management to charge the cost of insurance to individuals. The assets and liabilities of the internal service fund is included in governmental activities in the statement of net position.		74,738
Accrued interest payable on long-term debt is not reported in the funds.		(1,720)
Long-term liabilities, including bonds, capital lease obligations, and long-term portion of compensated absences are not due and payable in the current period and therefore are not reported in the funds.		
Capital lease obligation	(116,928)	
Compensated absences	(237,003)	
General obligation refunding serial bonds	(845,000)	
General obligation refunding capital appreciation bonds	(45,000)	
Accreted debt from capital appreciation bonds	(24,638)	
Premium from refunding bonds	<u>(39,648)</u>	
Total		<u>(1,308,217)</u>
Net Position of Governmental Activities		\$ <u>17,058,572</u>

The notes to the basic financial statements are an integral part of this statement.

Paint Valley Local School District
Ross County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds
For the Year Ended June 30, 2013

	<u>General</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Property taxes	\$ 1,543,130	255,205	1,798,335
Intergovernmental	7,000,234	1,160,034	8,160,268
Interest	3,242	11	3,253
Tuition and fees	659,006	-	659,006
Rent	250	-	250
Extracurricular activities	37,386	87,385	124,771
Gifts and donations	1,350	-	1,350
Customer sales and services	-	69,877	69,877
Miscellaneous	<u>42,469</u>	<u>3,717</u>	<u>46,186</u>
Total revenues	9,287,067	1,576,229	10,863,296
Expenditures:			
Current:			
Instruction:			
Regular	4,209,567	96,175	4,305,742
Special	1,187,957	639,212	1,827,169
Vocational	1,924	-	1,924
Other	1,167,350	-	1,167,350
Support services:			
Pupils	302,412	-	302,412
Instructional staff	147,427	19,094	166,521
Board of Education	76,382	-	76,382
Administration	614,233	-	614,233
Fiscal	344,143	6,860	351,003
Operation and maintenance of plant	852,292	126,517	978,809
Pupil transportation	544,491	-	544,491
Central	57,185	-	57,185
Operation of non-instructional services	5,638	377,600	383,238
Extracurricular activities	166,197	77,627	243,824
Capital outlay	179,852	472,381	652,233
Debt service:			
Principal	46,311	115,000	161,311
Interest and fiscal charges	<u>7,696</u>	<u>22,565</u>	<u>30,261</u>
Total expenditures	<u>9,911,057</u>	<u>1,953,031</u>	<u>11,864,088</u>
Net change in fund balances	(623,990)	(376,802)	(1,000,792)
Fund balances at beginning of year	<u>2,049,082</u>	<u>1,118,376</u>	<u>3,167,458</u>
Fund balances at end of year	\$ <u>1,425,092</u>	<u>741,574</u>	<u>2,166,666</u>

The notes to the basic financial statements are an integral part of this statement.

Paint Valley Local School District
Ross County, Ohio
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2013

Net Change in Fund Balances – Total Governmental Funds		\$ (1,000,792)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital asset additions in the current period.		
Capital asset additions (Excludes \$25,000 in donated capital assets)	\$ 488,362	
Current year depreciation	<u>(971,180)</u>	
Total		(482,818)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	(1,348)	
Intergovernmental	<u>(1,694)</u>	
Total		(3,042)
The amortization of premium from the sale of bonds is recorded as a reduction of liability in the statement of net position, but does not result in an expenditure in the governmental funds.		5,664
Repayment of capital lease obligations are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net position and does not result in an expense in the statement of activities.		46,311
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces liabilities in the statement of net position and does not result in an expense in the statement of activities.		115,000
The internal service fund used by management to charge the costs of insurance to individuals is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue of the internal service fund is allocated among the governmental activities.		(15,223)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Decrease in compensated absences	111,085	
Decrease in interest payable	136	
Increase in accreted debt	<u>(10,028)</u>	
Total		<u>101,193</u>
Net Change in Net Assets of Governmental Activities		\$ <u>(1,233,707)</u>

The notes to the basic financial statements are an integral part of this statement.

Paint Valley Local School District
Ross County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual (Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with <u>Final</u>
	<u>Original</u>	<u>Final</u>		
<u>Budget</u>				
Total receipts and other financing sources	\$ 9,401,536	9,218,302	9,252,147	33,845
Total disbursements and other financing sources	<u>9,395,976</u>	<u>10,038,678</u>	<u>10,038,678</u>	-
Net change in fund balance	5,560	(820,376)	(786,531)	(33,845)
Fund balance at beginning of year	1,593,926	1,593,926	1,593,926	-
Prior year encumbrances appropriated	<u>37,485</u>	<u>37,485</u>	<u>37,485</u>	-
Fund balance at end of year	\$ <u>1,636,971</u>	<u>811,035</u>	<u>844,880</u>	<u>(33,845)</u>

The notes to the basic financial statements are an integral part of this statement.

**Paint Valley Local School District
Ross County, Ohio
Statement of Net Position – Governmental Activities
Internal Service Fund
June 30, 2013**

Assets

Current assets -

Equity in pooled cash and cash equivalents

\$ 84,552

Total assets

84,552

Liabilities

Current liabilities -

Claims payable

9,814

Total liabilities

9,814

Net Position

Unrestricted

74,738

Total net assets

\$ 74,738

The notes to the basic financial statements are an integral part of this statement.

Paint Valley Local School District
Ross County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Net Position –
Governmental Activities
Internal Service Fund
For the Fiscal Year Ended June 30, 2013

Operating Receipts -	
Charges for services	\$ <u>75,660</u>
Total operating receipts	<u>75,660</u>
Operating Disbursements -	
Claims	<u>90,883</u>
Total operating disbursements	<u>90,883</u>
Change in net position	(15,223)
Net position at beginning of year	<u>89,961</u>
Net position at end of year	\$ <u>74,738</u>

The notes to the basic financial statements are an integral part of this statement.

Paint Valley Local School District
Ross County, Ohio
Statement of Cash Flows – Governmental Activities
Internal Service Fund
For the Fiscal Year Ended June 30, 2013

Decrease in Cash and Cash Equivalents	
Cash Flows from Operating Activities:	
Cash received from customers	\$ 75,660
Cash payments for claims	<u>(81,069)</u>
Net cash used for operating activities	<u>(5,409)</u>
Decrease in cash and cash equivalents	(5,409)
Cash and cash equivalents at beginning of year	<u>89,961</u>
Cash and cash equivalents at end of year	\$ <u>84,552</u>
<i>Reconciliation of Operating Loss to Net Cash Used for Operating Activities</i>	
Operating loss	(15,223)
Changes in liabilities -	
Increase in claims payable	<u>9,814</u>
Net cash used for operating activities	\$ <u>(5,409)</u>

The notes to the basic financial statements are an integral part of this statement.

Paint Valley Local School District
Ross County, Ohio
Statement of Fiduciary Net Position – Fiduciary Funds
June 30, 2013

	Private Purpose Trust Fund	Agency Fund
Assets		
Equity in pooled cash and cash equivalents	\$ <u>20,893</u>	\$ <u>36,454</u>
Liabilities		
Undistributed monies		\$ <u>36,454</u>
Net Position		
Held in trust for scholarships	\$ <u>20,893</u>	

The notes to the basic financial statements are an integral part of this statement.

Paint Valley Local School District
Ross County, Ohio
Statement of Changes in Fiduciary Net Position – Fiduciary Fund
For the Fiscal Year Ended June 30, 2013

	<u>Private Purpose Trust Fund</u>
Additions:	
Gifts and contributions	\$ 4,397
Miscellaneous	<u>6,622</u>
Total additions	11,019
Deductions -	
Payments in accordance with trust agreements	<u>7,008</u>
Total deductions	<u>7,008</u>
Change in net assets	4,011
Net assets at beginning of year	<u>16,882</u> ✓
Net assets at end of year	\$ <u>20,893</u>

The notes to the basic financial statements are an integral part of this statement.

Paint Valley Local School District
Ross County, Ohio
Notes to the Basic Financial Statements
June 30, 2013

(1) Description of the District and Reporting Entity

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

The District was established in 1956 through the consolidation of existing land areas and school districts. The 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 29 non-certificated employees and 66 certificated full-time teaching personnel who provide services to 1,044 students and other community members. The District currently operates three instructional buildings and one bus garage.

Reporting Entity:

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. The 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 District is not financially accountable for these entities nor are they fiscally dependent on the District.

- Parent Teacher Organization
- Athletic Boosters and Band Boosters
- Ross-Pike Educational Service District

The District is associated with three jointly governed organizations: South Central Ohio Computer Association Council of Governments, Pickaway-Ross County Career and Technical Center, and Great Seal Education Network of Tomorrow. The District is also associated with a public entity shared risk 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 basic financial statements.

Paint Valley Local School District
Ross County, Ohio
Notes to the Basic Financial Statements, continued
June 30, 2013

(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 more significant of the District's accounting policies are described below.

Basis of Presentation – Fund Accounting

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

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for the fiduciary funds.

The statement of net assets presents the financial condition of the governmental activities of the District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department, and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program; and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements

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

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds used by the District can be classified using three categories: governmental, proprietary and fiduciary.

Governmental Funds

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

Paint Valley Local School District
Ross County, Ohio
Notes to the Basic Financial Statements, continued
June 30, 2013

(2) Summary of Significant Accounting Policies, continued

Governmental Funds, continued

General – The General Fund is the general fund of the District and is used to account for all financial resources not accounted for and reported in another fund. The General Fund is available to the District for any purpose provided it is expended or transferred according to the school laws of Ohio.

Proprietary Funds

Proprietary funds are used to account for the District's ongoing activities which are similar to those found in the private sector. The following is the 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 District on a cost reimbursement basis. The District's only internal service fund accounts for the self-insurance program for employee vision and dental insurance. In the statement of activities internal service fund operating activity is eliminated to avoid overstatement of revenues and expenses.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. The District's fiduciary funds are an agency fund and a private purpose trust fund. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements

The District's agency fund is used to maintain financial activity of the District's student managed activities, and its private purpose trust fund is used to maintain the financial activity of the District's scholarship funds.

Measurement Focus and Basis of Accounting

Government-wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities and deferred inflows/outflows of resources associated with the operation of the District are included on the statement of net position. The statement of activities accounts for increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

Fund Financial Statements

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

Paint Valley Local School District
Ross County, Ohio
Notes to the Basic Financial Statements, continued
June 30, 2013

(2) Summary of Significant Accounting Policies, continued

Fund Financial Statements, continued

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

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. Government-wide financial statements and fund financial statements of the proprietary and fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of unavailable revenue, and in the presentation of expenses versus expenditures.

Revenues-Exchange and Non-exchange Transactions

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

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal yearend: property taxes available as an advance, interest, miscellaneous, and grants.

Deferred Outflows and Deferred Inflows of Revenue

As more fully described in Note 21 to the basic financial statements, the District has implemented both GASB Statement No. 63 and GASB Statement No. 65, effective for fiscal year 2013. Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditures/expenses) until then. The District did not have any deferred outflows as of June 30, 2013. The District also reports a deferred inflow of resources which represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenues) until that time. For the District these amounts consist of taxes and intergovernmental receivables which are not collected in the available period. The difference between deferred inflows on the Statement of Net Position and the Balance Sheet is due to monies not received during the available period. These were reported as revenues on the Statement of Activities and not recorded as deferred inflows on the Statement of Net Position.

Paint Valley Local School District
Ross County, Ohio
Notes to the Basic Financial Statements, continued
June 30, 2013

(2) Summary of Significant Accounting Policies, continued

Budgetary Process

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer maintains budgetary information at the fund and object level and has the authority to allocate appropriations at the function and object level without resolution by the Board.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statement reflect the amounts in the amended certificate in effect when the permanent appropriations for the fiscal year were passed. The amounts reported as the final budgeted amounts in the budgetary statement reflect the amounts in the amended certificate in effect when the final appropriations for the fiscal year were passed.

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

Cash and Cash Equivalents

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

During fiscal year 2013, investments were limited to State Treasury Asset Reserve of Ohio (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 District has invested funds in the STAR Ohio during fiscal year 2013. 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, 2013.

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 2013 amounted to \$3,242. All other Governmental Funds received \$11.

For purposes of the statement of cash flows and for presentation on the balance sheet and the statement of net position, 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 District are considered to be cash equivalents.

Paint Valley Local School District
Ross County, Ohio
Notes to the Basic Financial Statements, continued
June 30, 2013

(2) Summary of Significant Accounting Policies, continued

Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<u>Description</u>	<u>Estimated Lives</u>
Land improvements	5 years
Buildings and building improvements	20-50 years
Furniture and equipment	8-20 years
Vehicles	10 years
Infrastructure	50 years
Textbooks	5-15 years

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 District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the 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 District's termination policy. The District records a liability for accumulated unused sick leave for all employees after 10 years of current service with the District.

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due to each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employee will be paid.

Paint Valley Local School District
Ross County, Ohio
Notes to the Basic Financial Statements, continued
June 30, 2013

(2) Summary of Significant Accounting Policies, continued

Accrued Liabilities and Long-Term Liabilities

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 special termination benefits that will be paid from governmental funds are reported as a liability in the fund statements to the extent that they will not be paid with current available expendable financial resources. The entire bonds and capital leases liabilities are reported as liabilities in the government-wide financial statements.

Inter-fund Transactions

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

Fund Balance

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

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

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

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

Assigned – The assigned fund balance classification amounts are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by policies of the District Board of Education.

Paint Valley Local School District
Ross County, Ohio
Notes to the Basic Financial Statements, continued
June 30, 2013

(2) Summary of Significant Accounting Policies, continued

Fund Balance, continued

Unassigned – The unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

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.

Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “Interfund Receivables” and “Interfund Payables.” These amounts are eliminated in the governmental activities column of the statement of net position.

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulation of other governments. Net position restricted for other purposes include activities for food service operations and federal and state grants restricted to expenditures for specified purposes.

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

Of the District’s \$869,171 in restricted net position, none is restricted by enabling legislation.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the District, these revenues are charges for services for self-insurance programs. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the fund.

Paint Valley Local School District
Ross County, Ohio
Notes to the Basic Financial Statements, continued
June 30, 2013

(2) Summary of Significant Accounting Policies, continued

Bond Issuance Costs/Bond Premium and Discount

On the government-wide financial statements, bond issuance costs are expensed in the year the costs are incurred.

Bond premiums are deferred and amortized over the term of the bonds. Bond premiums are presented as an addition to the face amount of the bonds. Capital appreciation bond discounts are accreted over the term of the bonds.

On the fund financial statements, issuance costs, and bond premiums are recognized in the current period.

(3) Accountability

At June 30, 2013, the Early Childhood Education, Title VI-B, and Class Size Reduction Funds, had deficit fund balances of \$3,775, \$7,074, and \$4,673, 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.

(4) Budgetary Basis of Accounting

While the District is reporting financial position, results of operations, and changes in fund balances 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 Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis) – General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

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

1. Revenues are recorded when received in cash (Budget Basis) as opposed to when susceptible to accrual (GAAP Basis).
2. Expenditures are recorded when paid in cash (Budget Basis) as opposed to when the liability is incurred (GAAP Basis).
3. Encumbrances are treated as expenditures (Budget Basis) rather than as a restriction, commitment, or assignment of fund balance (GAAP Basis).
4. Funds treated as General Fund equivalents on the GAAP Basis are not included on the budget basis.

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements.

Paint Valley Local School District
Ross County, Ohio
Notes to the Basic Financial Statements, continued
June 30, 2013

(4) Budgetary Basis of Accounting, continued

Net Change in Fund Balance

	<u>General Fund</u>
GAAP basis	\$ (623,990)
Revenue accruals	17,465
Expenditure accruals	(196,182)
Perspective Difference -	
Activity of funds reclassified	
for GAAP reporting purposes	73,200
Encumbrances	(57,024)
Budget basis	\$ <u>(786,531)</u>

(5) Deposits and Investments

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

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

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

Interim monies are those monies that are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

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

1. United States Treasury bills, bonds, notes or other obligations or securities issued by the United States treasury, or any other obligation guaranteed as a principal and interest by the United States;
2. Bonds, notes, debentures, or other obligation 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 the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;

Paint Valley Local School District
Ross County, Ohio
Notes to the Basic Financial Statements, continued
June 30, 2013

(5) Deposits and Investments, continued

5. Interim deposits in the eligible institutions applying for interim money as provided in section 135.08 of the Ohio Revised Code;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time;
9. Linked deposits as authorized by ordinance adopted pursuant to section 135.80 of the Revised Code;
10. Commercial paper notes issued by any entity that is defined in division (D) of section 1705.01 of the Revised Code and has assets exceeding five hundred million dollars, and to which notes are rated at the time of the purchase in the highest classification established by at least two standard rating services; the aggregate value of the notes does not exceed ten percent of the aggregate value of the outstanding commercial paper of the issuing corporation; the notes mature no later than one hundred eighty days after purchase; and
11. Bankers' acceptances of banks that are members of the Federal Deposit Insurance Corporation to which both the obligations are eligible for purchase by the Federal Reserve System and the obligations mature no later than one hundred eighty days after purchase.

Protection of the 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.

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

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

Cash on Hand

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

Paint Valley Local School District
Ross County, Ohio
Notes to the Basic Financial Statements, continued
June 30, 2013

(5) Deposits and Investments, continued

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Insurance Company (FDIC) or by any other agency of instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The District's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

As of June 30, 2013, the District's bank balance of \$438,303 was either covered by FDIC or collateralized by the financial institutions' public entity deposit pools in the manner described above.

Investments

As of June 30, 2013, the District had the following investments and maturities:

	Carrying/Fair Value	Weighted Average Maturity (Years)
STAR Ohio	\$ <u>2,938,778</u>	< 1 year
Total investments	\$ <u>2,938,778</u>	

The District has no investment policy that addresses interest rate, credit, concentration of credit or custodial credit risks beyond State statute requirements.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District limits their investments to STAR Ohio and certificates of deposit. Investments in STAR Ohio were rated AAAM by Standard & Poor's.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District invests only in investments that are allowable per the Ohio Revised Code. The District has invested 100 percent in STAR Ohio.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the District's securities are either insured and registered in the name of the District or at least registered in the name of the District.

Paint Valley Local School District
Ross County, Ohio
Notes to the Basic Financial Statements, continued
June 30, 2013

(6) Property Taxes

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

Property taxes include amounts levied against all real, public utility (used in business) located in the District. Real property tax revenue received in calendar year 2013 represents collections of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed value listed as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received during calendar year 2013 represents the collection of 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien on December 31, 2011, were levied after April 1, 2012, and are collected in 2013 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The assessed values upon which fiscal year 2013 taxes were collected are:

	<u>2012 Second- Half Collections</u>		<u>2013 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 80,724,720	94.87%	80,960,260	94.83%
Public utility	<u>4,361,810</u>	<u>5.13%</u>	<u>4,413,450</u>	<u>5.17%</u>
Total assessed value	\$ <u>85,086,530</u>	<u>100.00%</u>	<u>85,373,710</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$ 34.70		34.70	

The District receives property taxes from Ross County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2013 are available to finance fiscal year 2013 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, 2013. 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 unavailable revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2013, was \$151,271 in the General Fund, \$2,691 in the Non-major Classroom Facilities Maintenance Special Revenue Fund, \$12,853 in the Non-major Debt Service Fund, and \$9,646 in the Non-major Permanent Improvement Capital Projects Fund.

Paint Valley Local School District
Ross County, Ohio
Notes to the Basic Financial Statements, continued
June 30, 2013

(7) Receivables

Receivables at June 30, 2013 consisted of accounts, property taxes, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

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

	<u>Total</u>
General fund	\$ 85,301
Non-major funds:	
Lunchroom fund	3,845
Professional development fund	77
Athletic fund	6
Ed jobs fund	381
Title VI-B fund	14,216
Chapter I/Title I fund	31,774
Class size reduction fund	4,552
Goals 2000 grant fund	<u>1,597</u>
Total non-major funds	<u>56,448</u>
Total intergovernmental receivable	\$ <u>141,749</u> ✓

(8) Capital Assets

A summary of the changes in capital assets during fiscal year 2013 follows:

	<u>*Balance at</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u>
	<u>6/30/2012</u>			<u>6/30/2013</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 178,810	7,886	-	186,696
Construction in progress	-	<u>211,000</u>	-	<u>211,000</u>
Total capital assets, not being depreciated	178,810	218,886	-	397,696
Capital assets, being depreciated:				
Land improvements	992,355	58,352	-	1,050,707
Buildings and building improvements	23,935,369	-	-	23,935,369
Furniture and equipment	1,885,243	-	-	1,885,243
Vehicles	1,241,304	223,374	-	1,464,678
Infrastructure	109,792	12,750	-	122,542
Textbooks	<u>357,341</u>	-	-	<u>357,341</u>
Total capital assets, being depreciated	28,521,404	294,476	-	28,815,880
Accumulated depreciation:				
Land improvements	(593,431)	(48,070)	-	(641,501)
Buildings and building improvements	(9,181,251)	(755,587)	-	(9,936,838)
Furniture and equipment	(1,092,230)	(86,110)	-	(1,178,340)
Vehicles	(925,357)	(71,845)	-	(997,202)
Infrastructure	(54,843)	(9,568)	-	(64,411)
Textbooks	<u>(357,341)</u>	-	-	<u>(357,341)</u>
Total accumulated depreciation	<u>(12,204,453)</u>	<u>(971,180)</u>	-	<u>(13,175,633)</u>

Paint Valley Local School District
Ross County, Ohio
Notes to the Basic Financial Statements, continued
June 30, 2013

(8) Capital Assets, continued

Total accumulated depreciation	(12,204,453)	(971,180)	-	(13,175,633)
Total capital assets, being depreciated, net	<u>16,316,951</u>	(676,704)	-	<u>15,640,247</u>
Governmental activities capital assets, net	\$ <u>16,495,761</u>	(457,818)	-	<u>16,037,943</u>

*Certain reclassifications were made to beginning balances. These reclassifications had no effect on beginning net position.

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 756,807
Special	2,631
Vocational	284
Support Services:	
Administration	24,901
Operation and maintenance of plant	100,603
Pupil transportation	58,771
Operation of non-instructional services	8,193
Extracurricular activities	<u>18,990</u>
Total	\$ <u>971,180</u>

(9) Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2013, the District contracted with the Ohio School Plan for property, fleet, and liability insurance coverage.

Coverages provided by the Ohio School Plan are as follows:

Building and contents – replacement cost (\$1,000 deductible)	\$ 35,242,324
Automobile liability (comprehensive and collision - \$1,000 deductible – buses, \$500 deductible – all other vehicles)	3,000,000
General liability	
Per occurrence	3,000,000
Total per year	5,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. For fiscal year 2013, the District reviewed its insurance policies and adjusted certain coverages as it deemed appropriate.

For fiscal year 2013, the 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 District by virtue of its grouping and representation with other participants in the GRP. The workers compensation experience of the participating Districts is calculated as one experience and a common premium rate is applied to all 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

Paint Valley Local School District
Ross County, Ohio
Notes to the Basic Financial Statements, continued
June 30, 2013

(9) Risk Management, continued

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 ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to Districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

The District is a member of the Ross County School Employees Insurance Consortium, a shared risk pool (Note 16), consisting of seven Districts within Ross County. The intent of the Consortium is to achieve the benefit of a reduced health insurance premium for the District by virtue of its grouping and representation with other participants in the Consortium.

The District is self-insured for vision and dental insurance through Professional Risk Management. The claims liability of \$9,814 reported in the Internal Service Fund as of June 30, 2013 is based upon an estimate made by the Treasurer based upon an analysis of claims paid after fiscal year end.

Changes in claims activity for the past two fiscal years are as follows:

	<u>Balance at</u> <u>Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Balance at</u> <u>End of Year</u>
2012	\$ -	91,191	91,191	-
2013	-	90,883	81,069	9,814

(10) Defined Benefit Pension Plans

School Employees Retirement System

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits; annual cost-of-living adjustment; 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 can be obtained on SERS' website, www.ohsers.org, under *Employers/Audit Resources*.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the system. For fiscal year 2013, the allocation to pension and death benefits is 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's contributions to SERS for the fiscal years ended June 30, 2013, 2012, and 2011 were \$146,615, \$148,793, and \$171,797, respectively; 65 percent has been contributed for fiscal year 2013 and 100 percent for the fiscal years 2012 and 2011. The unpaid contribution for fiscal year 2013 is \$56,637 and is recorded as a liability within the respective funds.

State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system.

Paint Valley Local School District
Ross County, Ohio
Notes to the Basic Financial Statements, continued
June 30, 2013

(10) Defined Benefit Pension Plans, continued

State Teachers Retirement System, continued

Plan Options, continued

STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the State or any political subdivision thereof.

Plan Options

New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment choices. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit”, the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary.

The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation of every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

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

Combined Plan Benefits - Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying 1% of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined Plan

Paint Valley Local School District
Ross County, Ohio
Notes to the Basic Financial Statements, continued
June 30, 2013

(10) Defined Benefit Pension Plans, continued

State Teachers Retirement System, continued

Plan Options, continued

payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

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

Benefits are increased annually by 3% of the original base amount for Defined Benefit Plan participants.

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

A Defined Benefit or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the Defined Benefit Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

For the fiscal years ended June 30, 2013, 2012, and 2011, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The District's contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012, and 2011 were \$584,284, \$710,328, and \$541,391, respectively; 87 percent of the required contribution has been made for fiscal year 2013 and 100 percent of the required contribution has been made for fiscal years 2012 and 2011. \$74,765 represents the unpaid contribution for fiscal year 2013 and is recorded as a liability within the respective funds.

STRS Ohio issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, Ohio 43215-3771 or by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

Paint Valley Local School District
Ross County, Ohio
Notes to the Basic Financial Statements, continued
June 30, 2013

(10) Defined Benefit Pension Plans, continued

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, 2013, no members of the Board of Education had elected Social Security. The Board's liability is 6.2 percent of wages paid.

(11) Postemployment Benefits

State Teachers Retirement System

STRS Ohio administers a pension plan that is comprised of: a defined benefit plan; a self-directed defined contribution plan; and a combined plan which is a hybrid of the defined and defined contribution plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the defined benefit or combined plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Pursuant to Section 3307 of the Ohio Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

Under Ohio law, funding for post-employment health care may be deducted from the employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2013, 2012, and 2011. The 14 percent employer contribution rate is the maximum rate established under Ohio law. For the District, these amounts equaled \$43,493, \$50,193, and \$45,325, for fiscal years 2013, 2012, and 2011, respectively, which equaled the required allocation for each year.

School Employees Retirement System

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

Medicare Part B Plan – The Medicare Part B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code Section 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2013 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal years 2013, 2012, and 2011, the actuarially required allocations were 0.74 percent, 0.75 percent, and 0.76 percent. For the District, contributions for the years ended June 30, 2013, 2012, and 2011, were \$11,063, \$10,939, and \$11,242, which equaled the required contributions for those years.

Paint Valley Local School District
Ross County, Ohio
Notes to the Basic Financial Statements, continued
June 30, 2013

(11) Postemployment Benefits, continued

School Employees Retirement System, continued

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

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

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e).

Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. At June 30, 2013, 2012, and 2011, the health care allocations were 0.16 percent, 0.55 percent, and 1.43 percent, respectively. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the minimum compensation level was established at \$20,525. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. For the District, the amounts assigned to health care, including the surcharge, during the 2013, 2012, and 2011 fiscal years equaled \$15,484, \$33,674, and \$33,377, respectively, which equaled the required allocation for each year.

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

The financial reports of SERS' Health Care and Medicare Part B plans are included in its Comprehensive Annual Financial Report. The report can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

(12) Employee Benefits

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 225 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.

Paint Valley Local School District
Ross County, Ohio
Notes to the Basic Financial Statements, continued
June 30, 2013

(12) Employee Benefits, continued

Life and Accident Insurance

The District provides life insurance and accidental death and dismemberment insurance to most employees through The Hartford Insurance Company. The District has elected to provide employee medical/surgical benefits, vision and prescription drug benefits through the Ross County School Employees Insurance Consortium. The employees share the cost of the monthly premium with the Board. The premium varies per employee depending on the terms of the union contract.

Retirement Incentive

The District has a retirement incentive program. Participation is open to classified employees and administrators who have at least ten years of consecutive service with the District immediately preceding retirement and 1) have at least thirty years of service credit, or 2) have completed twenty years of service credit and are eligible for retirement under one of the State Retirement Systems. Participation is also open to certified employees who have at least ten years of consecutive service with the District immediately preceding retirement and 1) have at least thirty years of service credit, or 2) have completed twenty-five years of service credit and are eligible for retirement under one of the State Retirement Systems. The employee must submit a written notice of retirement by June 1 for classified employees and administrators and June 15 for certified employees, with the effective date prior to the beginning of the following school year.

The incentive payment is a percentage of the employee's final salary (excluding supplemental contracts) based on total service credit as follows:

<u>Years of Service (Classified/ Administrators)</u>	<u>Years of Service (Certified)</u>	<u>Percent of Final Salary</u>
20/30	30	35%
21/31	31	25%
22/32	32	15%
23/33	33	10%
24/34	34	5%

Upon proof of retirement, an employee may choose to receive payment within 120 days. Retirement incentive payments are classified as liabilities in the fund financial statements only to the extent they are due for payment during the current year. Payments are classified as "Early Retirement Incentive" in the balance sheet and statement of net position. There was no liability as of June 30, 2013.

(13) Capital Leases – Lessee Disclosure

In previous fiscal years, the District entered into capital leases for copiers, equipment, furniture and fixtures. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds.

Paint Valley Local School District
Ross County, Ohio
Notes to the Basic Financial Statements, continued
June 30, 2013

(13) Capital Leases – Lessee Disclosure, continued

The capital assets acquired by the leases have been capitalized in the statement of net position for governmental activities in the amount of \$220,144 which is equal to the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded on the statement of net position for governmental activities. Principal payments in fiscal year 2013 totaled \$46,311 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, 2013.

Fiscal Year Ending June 30,	<u>Amount</u>
2014	\$ 49,853
2015	49,853
2016	<u>24,909</u>
Total	124,615
Less amount representing interest	<u>(7,687)</u>
Present value of net minimum lease payments	<u>\$ 116,928</u>

(14) Long-Term Obligations

The changes in the District's long-term obligations during fiscal year 2013 were as follows:

	<u>Principal Outstanding 6/30/12</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding 6/30/13</u>	<u>Due in One Year</u>
School Improvement Refunding Bonds 1% - 3.15%:					
Serial bonds	\$ 960,000	-	115,000	845,000	110,000
Capital appreciation bond	45,000	-	-	45,000	-
Accretion	14,610	10,028	-	24,638	-
Premium	45,312	-	5,664	39,648	-
Capital leases	163,239	-	46,311	116,928	45,029
Compensated absences	<u>348,088</u>	<u>606,721</u>	<u>717,806</u>	<u>237,003</u>	<u>141,634</u>
Total long-term obligations	<u>\$ 1,576,249</u>	<u>616,749</u>	<u>884,781</u>	<u>1,308,217</u>	<u>296,663</u>

On July 10, 1998, the District issued long-term general obligation bonds in the amount of \$1,945,800, as a result of the District being approved for \$15,430,564 school facilities loan through the State Department of Education for the construction of an education complex. As a requirement of the loans, the 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. The 5.25% bonds were refunded in a prior fiscal year.

Paint Valley Local School District
Ross County, Ohio
Notes to the Basic Financial Statements, continued
June 30, 2013

(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 District's adjusted valuation per pupil was less than the state-wide median adjusted valuation per pupil. In lieu of the repayment, the District must set aside the funds that would have been used for repayment for facilities maintenance. As part of this process, the District must submit a maintenance plan to the Ohio School Facilities Commission every five years until the twenty-three year period expires. If the District's adjusted valuation per pupil increases above the state-wide median adjusted valuation during the twenty-three year period, the District may become responsible for repayment of a portion of the State's contribution.

On August 3, 2010, the District issued \$1,215,000 in refunding bonds for the purpose of repaying the classroom facilities improvement bonds issued in 1998. The refunding bonds consisted of \$1,170,000 in serial bonds and \$45,000 in capital appreciation bonds. The serial bonds were issued for a ten year period with a final maturity in December 2020. The capital appreciation bonds will mature in 2016. The refunding bonds are being repaid from the Debt Service Fund.

The capital appreciation bonds, issued at \$45,000, are not subject to prior redemption. The capital appreciation bonds will mature in fiscal year 2016. The maturity amount of the capital appreciation bonds is \$120,000. For fiscal year 2013, the capital appreciation bonds were accreted \$10,028. Total accretion as of June 30, 2013 was \$24,638.

Capital leases are being paid from the General Fund. The compensated absences will be paid from the funds from which the employees' salaries are paid, with the General Fund being the most significant fund.

The District's overall legal debt margin was \$6,996,329 with an unvoted debt margin of \$85,374.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2013, are as follows:

Year	Serial Bonds		Capital Appreciation	Total
	Principal	Interest	Principal	
2014	\$ 110,000	20,603	-	130,603
2015	115,000	18,353	-	133,353
2016	120,000	16,003	120,000	256,003
2017	120,000	82,402	-	202,402
2018	120,000	14,802	-	134,802
2019-2021	<u>260,000</u>	<u>23,588</u>	-	<u>283,588</u>
Totals	\$ <u>845,000</u>	<u>175,751</u>	<u>120,000</u>	<u>1,140,751</u>

The above amortization schedule for the Capital Appreciation Bonds does not agree with the amount outstanding on the previous page due to accretion of such bonds.

(15) Jointly Governed Organizations

South Central Ohio Computer Association Council of Governments

The District is a participant in the South Central Ohio Computer Association Council of Governments (SCOCA COG) which is an information technology center. SCOCA COG is a council of government providing information technology services to 58 public education entities, 58 non-public education entities, and public libraries from 24 Ohio counties. The organization was formed for the purpose of applying modern technology with the aid of

Paint Valley Local School District
Ross County, Ohio
Notes to the Basic Financial Statements, continued
June 30, 2013

(15) Jointly Governed Organizations, continued

South Central Ohio Computer Association, continued

computers and other electronic equipment to administrative and instructional functions among member Districts. The governing board of SCOCA COG consists of two representatives from each county elected by majority vote of all charter member Districts within each county, two treasurers elected by majority vote of all charter member Districts, and one representative from the fiscal agent. The District paid SCOCA COG \$145,479 for services provided during the year. Financial information for SCOCA COG can be obtained from their fiscal office located at Pike County Career Technology Center, at P.O. Box 577, 175 Beaver Creek, Piketon, Ohio 45661.

Pickaway-Ross County Career and Technical Center (CTC)

The Pickaway-Ross County CTC 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. To obtain financial information write to the Pickaway-Ross County CTC, Ben Vanhorn, who serves as treasurer, at 895 Crouse Chapel Road, Chillicothe, Ohio 45601.

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 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 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.

(16) Insurance Purchasing Pools

Ross County School Employees Insurance Consortium

The Ross County School Employees Insurance Consortium (the Consortium), a shared risk pool, currently operates to provide medical and dental insurance coverage to enrolled employees of the consortium members and to eligible dependents of those enrolled employees. Seven Districts within Ross County and its surrounding area have entered into an agreement with the Ross-Pike Educational Service District to form the Ross County School Employees Insurance Consortium. The overall objectives of the Consortium are to formulate and administer a program of medical and dental insurance for the benefit of the Consortium members' employees and their dependents, to obtain lower costs for insurance coverage, and to secure cost control by implementing a program of comprehensive loss control. The Consortium's business and affairs are managed by a Council consisting of one representative for each participating school. The participating Districts pay an administrative fee to the fiscal agent to cover the costs of administering the Consortium.

Accordingly, the Ross County School Employee Insurance Consortium is not part of the District and its operations are not included as part of the reporting entity. To obtain financial information, write to the Ross-Pike Educational Service District, Erin Kirby, who serves as Treasurer, at 475 Western Avenue, Chillicothe, Ohio 45601.

**Paint Valley Local School District
Ross County, Ohio
Notes to the Basic Financial Statements, continued
June 30, 2013**

(16) Insurance Purchasing Pools, continued

Ohio School Boards Association Workers' Compensation Group Rating Plan

The 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 OSBA, or his designee, serves as coordinator of the program. Each year, the participating Districts pay an enrollment fee to the GRP to cover the costs of administering the program.

(17) Set-Aside Calculations and Fund Reserves

The District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the 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.

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

	<u>Capital Acquisition</u>
Set-aside reserve cash balance as of June 30, 2012	\$ -
Current year set-aside requirement	171,846
Current year offsets	<u>(171,846)</u>
Total	-
Set-aside reserve cash balance as of June 30, 2013	\$ <u>-----</u> -

The amount presented for Current Year Offset from Bond Proceeds is limited to an amount needed to reduce the reserve for capital improvements to zero. The District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods, which was \$0 at June 30, 2013.

(18) Contingencies

Grants

The 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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2013, if applicable, cannot be determined at this time.

Litigation

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

Paint Valley Local School District
Ross County, Ohio
Notes to the Basic Financial Statements, continued
June 30, 2013

(19) Fund Balances

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

<u>Fund Balances</u>	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:			
Scholarships	\$ <u> -</u>	<u> 3,000</u>	<u> 3,000</u>
Restricted for:			
Food service operations	-	83,972	83,972
Other purposes	-	34,039	34,039
Classroom maintenance	-	133,963	133,963
Debt services payments	-	215,548	215,548
Capital improvements	<u> -</u>	<u>286,574</u>	<u>286,574</u>
Total restricted	<u> -</u>	<u>754,096</u>	<u>754,096</u>
Committed to:			
Pay to participate	<u> 2,947</u>	<u> -</u>	<u> 2,947</u>
Assigned to:			
Other purposes	<u> 81,888</u>	<u> -</u>	<u> 81,888</u>
Unassigned (deficit)	<u>1,340,257</u>	<u>(15,522)</u>	<u>1,324,735</u>
Total Fund Balances	<u>\$ 1,425,092</u>	<u>741,574</u>	<u>2,166,666</u>

(20) Changes in Accounting Principles and Restatement of Balances

For 2013, the District implemented Governmental Accounting Standard Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

GASB Statement No. 62 incorporated into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure issued on or before November 30, 1989 which does not conflict with or contradict GASB pronouncements.

Paint Valley Local School District
Ross County, Ohio
Notes to the Basic Financial Statements, continued
June 30, 2013

(20) Changes in Accounting Principles and Restatement of Balances, continued

Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. GASB 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position.

Statement No. 65 provides guidance on how to properly classify items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources. In addition, guidance is provided on recognizing certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues).

The implementation of GASB Statement No. 62 had no effect on the financial statements.

The implementation of GASB Statement No. 63 and 65 had the following effect on beginning net position; beginning net position decreased from \$18,317,497 as of June 30, 2012 to \$18,292,279 as of July 1, 2012. The \$25,218 restatement is due to the removal of the remaining amount of bond issuance costs that had not yet been amortized.

(21) Subsequent Events

In July 2013, the Board approved a change order for up to \$118,000 for the TMI HB264 project for the Energy Conservation project.

Subsequent events have been evaluated through March 21, 2014, which is the date the financial statements were available to be issued.

**Paint Valley Local School District
Ross County, Ohio
Schedule of Receipts and Expenditures of Federal Awards
For the Year Ended June 30, 2013**

<u>Federal Grantor/Pass Through Grantor/Program Title:</u>	<u>Pass Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Federal Receipts</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>				
Passed through from the Ohio Department of Education:				
Nutrition Cluster:				
National School Lunch Program	3L60	10.555	\$ 208,011	\$ 208,011
National School Lunch Program – food commodities	N/A	10.550	18,856	18,856
School Breakfast Program	3L70	10.553	<u>88,121</u>	<u>88,121</u>
Total U.S. Department of Agriculture			314,988	314,988
<u>U.S. Department of Education</u>				
Passed through from the Ohio Department of Education:				
Title I, Part A Cluster - Grants to Local Education Agencies	3M00	84.010	361,162	364,802
Education Jobs Fund	3ET0	84.410	54,785	72,701
Special Education Cluster – Individuals with Disabilities Education Act (IDEA) -				
Special Education Grants to States	3M20	84.027	238,906	239,013
Improving Teacher Quality State Grants	3Y60	84.367	71,004	80,669
Rural Education Grants	3Y80	84.358	18,504	20,542
Title II – D Education Technology		84.318	<u>2,349</u>	<u>2,349</u>
Total U.S. Department of Education			<u>746,710</u>	<u>780,076</u>
Totals			\$ <u>1,061,698</u>	\$ <u>1,095,064</u>

Notes to the Schedule of Receipts and Expenditures of Federal Awards

Note 1: Basis of Presentation

The Schedule of Receipts and Expenditures of Federal Awards (the Schedule) presented above includes the federal grant activity of Paint Valley Local School District (the District). The information in the Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the support, revenue, expenses and changes in net assets or cash flows of the District.

Paint Valley Local School District
Ross County, Ohio
Schedule of Receipts and Expenditures of Federal Awards, continued
For the Year Ended June 30, 2013

Notes to the Schedule of Receipts and Expenditures of Federal Awards, continued

Note 2: Summary of Significant Accounting Policies

The accompanying Schedule reports the District's federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

Note 3: Food Commodities

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance is reported in the Schedule at the fair value of the commodities received as assessed by the U.S. Department of Agriculture.

Note 4: Subrecipients

Of the federal expenditures presented in the Schedule, no federal awards were provided to subrecipients.

Wolf, Rogers, Dickey & Co.

Certified Public Accountants
38 South Franklin Street
P. O. Box 352
Delaware, Ohio 43015-0352

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Independent Auditors' Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Required by *Government Auditing Standards*

Board of Education
Paint Valley Local School District
Ross County, Ohio
7454 U.S. Route 50
Bainbridge, Ohio 45612

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Paint Valley Local School District, Ross County, Ohio (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 21, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 or other matters that we must report under *Government Auditing Standards*.

Purpose of this Report

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

Wolf, Rogers, Dickey & Co.
Certified Public Accountants

Delaware, Ohio
March 21, 2014

Wolf, Rogers, Dickey & Co.

Certified Public Accountants
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Independent Auditors' Report On Compliance With Requirements That Could Have a Direct and Material Effect On Each Major Program And On Internal Control Over Compliance Required By OMB Circular A-133

Board of Education
Paint Valley Local School District
Ross County, Ohio
7454 U.S Route 50
Bainbridge, Ohio 45612

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Paint Valley Local School District's (the District's), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that could directly and materially affect the District's major federal program for the year ended June 30, 2013. The Summary of Audit Results in the accompanying Schedule of Findings identifies the District's major federal program.

Management's Responsibility

The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for each of the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, the District complied, in all material respects with the compliance requirements referred to above that could directly and materially affects its major federal program for the year ended June 30, 2013.

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

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

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

Wolf, Rogers, Dickey & Co.
Certified Public Accountants

Delaware, Ohio
March 21, 2014

Paint Valley Local School District
Ross County, Ohio
Schedule of Findings and Questioned Costs
OMB Circular A-133 §505
For the Year Ended June 30, 2013

I. Summary of Auditors' Results

- a. The auditors' report expresses an unqualified opinion related to financial statements of the District.
- b. No significant deficiencies or material weaknesses were noted during the audit of the financial statements.
- c. No instances of noncompliance material to the financial statements of the District were disclosed during the audit.
- d. No significant deficiencies or material weaknesses in internal control over major Federal award programs were disclosed.
- e. The auditors' report on compliance for the major Federal award programs for the District expresses an unqualified opinion.
- f. There were no reportable audit findings under Section 510(a) of OMB Circular A-133.
- g. Major programs: U.S. Department of Agriculture – Childhood Nutrition Cluster (CFDA numbers 10.550, 10.553 and 10.555)
- h. The threshold for distinguishing Type A and Type B programs was \$300,000.
- i. The School District was a low-risk auditee.

II. Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS

None

III. Federal Award Findings and Questioned Costs

None

Wolf, Rogers, Dickey & Co.

Certified Public Accountants
38 South Franklin Street
P. O. Box 352
Delaware, Ohio 43015-0352

Telephone: 740-362-9031
Fax: 740-363-7799

Independent Accountants' Report on Applying Agreed-Upon Procedures

Paint Valley Local School District
Ross County, Ohio
7454 U.S. Route 50
Bainbridge, Ohio 45612

To the Board of Education:

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

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

We noted the Board amended its anti-harassment policy at its meeting on November 7, 2012 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

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

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

Wolf, Rogers, Dickey & Co.
Certified Public Accountants

March 21, 2014



Dave Yost • Auditor of State

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
JANUARY 28, 2016**