

Paint Valley Local School District  
Ross County, Ohio

Single Audit

July 1, 2008 through June 30, 2009  
Fiscal Years Audited Under GAGAS: 2009



**Balestra, Harr & Scherer, CPAs, Inc.**

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528 South West St, P.O. Box 687, Piketon, Ohio 45661 Phone: 740.289.4131 Fax: 740.289.3639  
800 Gallia Street, Suite 38, Portsmouth, OH 45662 Phone: 740.876.9121 Fax: 800.210.2573





Mary Taylor, CPA  
Auditor of State

Board of Education  
Paint Valley Local School District  
7454 US Route 50  
Bainbridge, Ohio 45612

We have reviewed the *Independent Auditor's Report* of the Paint Valley Local School District, Ross County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2008 through June 30, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

February 23, 2010

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

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### Independent Auditor's Report

Members of the Board  
Paint Valley Local School District  
7454 U.S. Route 50  
Bainbridge, OH 45612

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2009, and the respective changes in financial position thereof, and the budgetary comparison for the General Fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2009 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

Members of the Board  
Paint Valley Local School District  
Independent Auditor's Report  
Page 2

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements. The accompanying schedule of federal awards receipts and expenditures is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the schedule of federal awards receipts and expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Balestra, Harr & Scherer, CPAs, Inc.

December 28, 2009

**Paint Valley Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2009*  
*(Unaudited)*

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Paint Valley Local School District (the "School District") discussion and analysis of the annual financial report provides a review of the financial performance for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

**FINANCIAL HIGHLIGHTS**

- The School District's assets exceeded its liabilities at June 30, 2009 by \$21,220,657.
- The School District's net assets of governmental activities increased \$304,262.
- General revenues accounted for \$8,224,105 in revenue or 72 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,127,583 or 28 percent of total revenues of \$11,351,688.
- The School District had \$11,047,426 in expenses related to governmental activities; \$3,127,583 of these expenses was offset by program specific charges for services and sales, grants and contributions.

**USING THIS ANNUAL FINANCIAL REPORT**

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

The Statement of Net Assets and Statement of Activities provide information about the activities of the School District as a whole and present a longer-term view of the School 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 School District's most significant funds with all other non-major funds presented in total in one column.

**REPORTING THE SCHOOL DISTRICT AS A WHOLE**

The analysis of the School District as a whole begins with the Statement of Net Assets and the Statement of Activities. These statements provide information that will help the reader to determine whether the School District is financially improving or declining as a result of the year's financial activities. These statements include all assets and liabilities 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.

**Paint Valley Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2009*  
*(Unaudited)*

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These two statements report the School District's net assets and changes to those assets. This change informs the reader whether the School 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 School 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 Assets and the Statement of Activities, the School District has only one kind of activity.

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

## **REPORTING THE SCHOOL DISTRICT'S MOST SIGNIFICANT FUNDS**

### **Fund Financial Statements**

The analysis of the School District's funds begins on page 7. Fund financial statements provide detailed information about the School District's major funds – not the School 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 School District is meeting legal responsibilities for use of grants. The School District's major funds are the General Fund, the Permanent Improvement Fund, and the Classroom Facilities Fund.

**Governmental Funds.** Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using 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 School 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 Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

**Proprietary Funds.** The School District's only proprietary fund is an internal service fund. Since the internal service fund operates on a break-even, cost-reimbursement basis, the School 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 School District's only internal service fund accounts for the self-insurance program for employee vision, health care, and dental insurance.

**Fiduciary Funds.** Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. 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 School District's fiduciary funds are an agency fund, which is used to maintain financial activity of the School District's student managed activities, and a private purpose trust fund, which is used to maintain the financial activity of the School District's scholarship funds.

**Paint Valley Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2009*  
*(Unaudited)*

**THE SCHOOL DISTRICT AS A WHOLE**

As stated previously, the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2009 compared to 2008.

Table 1  
Net Assets

	Governmental Activities	
	2009	2008
<b>Assets</b>		
Current and Other Assets	\$ 8,394,921	\$ 7,762,898
Capital Assets, Net	17,370,446	18,142,307
Total Assets	25,765,367	25,905,205
<b>Liabilities</b>		
Current and Other Liabilities	2,802,873	3,144,232
Long-Term Liabilities	1,741,837	1,838,612
Total Liabilities	4,544,710	4,982,844
<b>Net Assets</b>		
Invested in Capital Assets, Net of Related Debt	16,025,597	16,706,334
Restricted	2,499,118	2,296,072
Unrestricted	2,695,942	1,919,955
Total Net Assets	\$ 21,220,657	\$ 20,922,361

Total net assets of the School District as a whole increased \$298,296. Total assets decreased \$139,838. This decrease is comprised of an increase in current and other assets of \$632,023 and a decrease of capital assets, net of \$771,861. Current and other assets increased primarily due to an increase in unrestricted and restricted cash and cash equivalents of \$754,732, which was partially offset by a decrease in taxes receivable of \$251,485. Cash and cash equivalents increased due to higher revenues received than expenses disbursed. Taxes receivable decreased due to a decrease in expected taxes for the subsequent year. Capital assets decreased as a result of depreciation expense in excess of additions. Total liabilities decreased \$438,134. This decrease is comprised of a decrease in current and other liabilities of \$341,359 and a decrease in long-term liabilities of \$96,775. Current and other liabilities decreased primarily due to decreases in deferred revenue, which is directly related to the decrease in taxes receivable, and a decrease in claims payable, which resulted from a decrease in actuarially-determined IBNR amounts. Long-term liabilities decreased due to principal payments on the School District's bond and lease obligations.

**Paint Valley Local School District**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2009  
(Unaudited)

Table 2 shows the changes in net assets for the fiscal years ended June 30, 2009 and 2008.

Table 2  
Change in Net Assets

	Governmental Activities	
	2009	2008
Revenues		
Program Revenues:		
Charges for Services and Sales	\$ 779,194	\$ 682,949
Operating Grants & Contributions	2,348,389	2,152,080
Capital Grants & Contributions	-	15,697
Total Program Revenues	<u>3,127,583</u>	<u>2,850,726</u>
General Revenues:		
Property Taxes	1,726,900	1,710,447
Grants and Entitlements, Not Restricted to Specific Programs	6,400,368	6,533,967
Gain on Sale of Capital Assets	-	105,171
Gifts and Donations, Not Restricted to Specific Programs	4,353	-
Investment Earnings	73,766	172,570
Miscellaneous	18,718	18,579
Total General Revenues	<u>8,224,105</u>	<u>8,540,734</u>
Total Revenues	11,351,688	11,391,460
Program Expenses		
Instruction		
Regular	4,853,880	5,141,254
Special	1,444,313	1,339,243
Vocational	1,469	2,659
Other	772,527	681,664
Support Services		
Pupils	330,896	309,703
Instructional Staff	256,216	135,461
Board of Education	180,083	218,691
Administration	618,924	539,240
Fiscal	282,796	283,274
Operation and Maintenance of Plant	1,040,005	1,040,323
Pupil Transportation	579,628	647,933
Central	-	2,080
Operation of Non-Instructional Services	325,866	303,837
Extracurricular Activities	275,094	261,274
Interest and Fiscal Charges	91,695	92,748
Total Expenses	<u>11,053,392</u>	<u>10,999,384</u>
Increase in Net Assets	298,296	392,076
Net Assets at Beginning of Year	20,922,361	20,530,285
Net Assets at End of Year	<u>\$ 21,220,657</u>	<u>\$ 20,922,361</u>

**Paint Valley Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2009*  
*(Unaudited)*

Charges for services and sales increased \$96,245 due to an increase in open enrollment revenues. Operating grants and contributions increased \$196,309 due to an increase in federal grants, particularly early childhood education, special education, and Title I grant programs. Investment earnings decreased \$98,804 due to a decrease in interest rates. Regular and other instruction expenses decreased \$287,374 and \$90,863, respectively, due mainly to a decrease in salaries and benefits. Special instruction and instructional staff increased \$105,070 and \$120,755, respectively, as a direct result of increased funding in the early childhood education, special education, and Title I grant programs. Pupil transportation decreased \$68,305 due to a decrease in insurance and gasoline costs.

**Governmental Activities**

Charges for services and sales comprised 7 percent of revenue for governmental activities, while operating grants and contributions comprised 21 percent of revenue for governmental activities of the School District for fiscal year 2009. Property taxes and grants and entitlements, not restricted to specific programs also represent significant portions of revenues, comprising 15 percent and 56 percent, respectively.

As indicated by governmental program expenses, instruction is emphasized. Regular instruction comprised 44 percent of governmental program expenses with special instruction comprising 13 percent of governmental expenses. Operation and maintenance of plant support services also represents a significant portion of expenses, comprising 9 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  
 Governmental Activities

	2009		2008	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 7,072,189	\$ 5,320,224	\$ 7,164,820	\$ 5,513,211
Support Services	3,288,548	2,517,883	3,176,705	2,574,021
Operation of Non-Instructional Services	325,866	(24,557)	303,837	(35,126)
Extracurricular Activities	275,094	21,653	261,274	23,282
Interest and Fiscal Charges	91,695	90,606	92,748	73,270
<b>Total Expenses</b>	<b>\$ 11,053,392</b>	<b>\$ 7,925,809</b>	<b>\$ 10,999,384</b>	<b>\$ 8,148,658</b>

**THE SCHOOL DISTRICT'S FUNDS**

Governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$11,312,476 and expenditures and other financing uses of \$10,715,979. Of the School District's major funds, the net change in fund balance for the year was most significant in the General Fund.

The fund balance of the General Fund increased by \$531,973. This increase was due to the School District having revenues in excess of expenditures. Property taxes and tuition and fees increased. Intergovernmental revenues decreased. Expenditures were reasonably consistent. The fund balance of the Permanent Improvement Fund increased \$86,173. Revenues were reasonably consistent and expenditures decreased from the prior year. The fund balance of the Classroom Facilities Fund decreased \$50,175. Revenues decreased and expenditures, namely capital outlay, increased.

**Paint Valley Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2009*  
*(Unaudited)*

**General Fund Budgeting Highlights**

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

During 2009 there were several revisions to the General Fund budget. In part, these revisions increased estimated revenues by \$1,208,567 and appropriations by \$1,208,566. The increase in estimated resources was due to open enrollment revenues and intergovernmental revenues being higher than originally anticipated. The increase in appropriations was due to the addition of contingencies expenditures to address unanticipated expenditures that might arise during the year. Actual appropriations plus encumbrances were below final budgeted numbers due to the School District overbudgeting contingencies expenditures and due to lower than expected expenditures for 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 \$2,351,948.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of fiscal year 2009 the School District had \$17,370,446 invested in its capital assets. Table 4 shows the fiscal year 2009 balances compared to 2008.

Table 4  
 Capital Assets  
 (Net of Accumulated Depreciation)

	Governmental Activities	
	2009	2008
Land	\$ 35,188	\$ 35,188
Construction in Progress	60,293	-
Land Improvements	660,752	704,722
Buildings and Building Improvements	15,619,308	16,291,336
Furniture and Equipment	685,574	773,253
Vehicles	236,921	264,734
Infrastructure	72,410	73,074
Totals	\$ 17,370,446	\$ 18,142,307

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, 2009 the School District had three outstanding capital leases and one outstanding bond. The capital leases were for fitness equipment and copiers. The bond was for the School District receiving a loan through the Ohio School Facilities Commission. The outstanding lease and bond amounts totaled \$54,849 and \$1,290,000, respectively. See Note 14 to the basic financial statements for more detailed information regarding debt.

**Paint Valley Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2009*  
*(Unaudited)*

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**CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT**

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

**Paint Valley Local School District**  
*Statement of Net Assets*  
*June 30, 2009*

	Governmental Activities
<b>ASSETS:</b>	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 5,670,629
Cash and Cash Equivalents with Fiscal Agents	614,082
Intergovernmental Receivable	202,108
Taxes Receivable	1,738,130
Noncurrent Assets:	
Restricted Assets:	
Equity in Pooled Cash and Cash Equivalents	169,972
Non-Depreciable Capital Assets	95,481
Depreciable Capital Assets, net	17,274,965
<i>Total Assets</i>	<i>25,765,367</i>
<b>LIABILITIES:</b>	
Current Liabilities:	
Accounts Payable	43,936
Accrued Wages and Benefits	820,065
Contracts Payable	4,638
Intergovernmental Payable	243,349
Matured Compensated Absences Payable	5,064
Early Retirement Incentive	18,172
Deferred Revenue	1,472,648
Claims Payable	195,001
Noncurrent Liabilities:	
Long-Term Liabilities:	
Due Within One Year	144,492
Due in More Than One Year	1,597,345
<i>Total Liabilities</i>	<i>4,544,710</i>
<b>NET ASSETS:</b>	
Invested in Capital Assets, Net of Related Debt	16,025,597
Restricted for Debt Service	180,661
Restricted for Capital Outlay	1,796,433
Restricted for Other Purposes	518,690
Restricted - Permanent Fund	
Expendable	334
Nonexpendable	3,000
Unrestricted	2,695,942
<i>Total Net Assets</i>	<i>\$ 21,220,657</i>

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

**Paint Valley Local School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2009

	<u>Program Revenues</u>			Net (Expense) Revenue and Changes in Net Assets
	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	
<b>Governmental Activities:</b>				
<b>Instruction:</b>				
Regular	\$ 4,853,880	\$ 251,637	\$ 423,831	\$ (4,178,412)
Special	1,444,313	60,982	965,999	(417,332)
Vocational	1,469	76	-	(1,393)
Other	772,527	49,440	-	(723,087)
<b>Support Services:</b>				
Pupils	330,896	18,226	39,631	(273,039)
Instructional Staff	256,216	7,195	123,616	(125,405)
Board of Education	180,083	11,525	-	(168,558)
Administration	618,924	38,732	-	(580,192)
Fiscal	282,796	17,651	536	(264,609)
Operation and Maintenance of Plant	1,040,005	55,464	50,799	(933,742)
Pupil Transportation	579,628	34,966	372,324	(172,338)
Operation of Non-Instructional Services	325,866	87,483	262,940	24,557
Extracurricular Activities	275,094	144,728	108,713	(21,653)
Interest and Fiscal Charges	91,695	1,089	-	(90,606)
<i>Total Governmental Activities</i>	<u>\$ 11,053,392</u>	<u>\$ 779,194</u>	<u>\$ 2,348,389</u>	<u>(7,925,809)</u>
<b>General Revenues:</b>				
Property Taxes Levied for:				
General Purposes				1,480,459
Permanent Improvements				99,356
Classroom Facilities Maintenance				26,702
Debt Service				120,383
Grants and Entitlements not Restricted to Specific Programs				6,400,368
Gifts and Donations not Restricted to Specific Programs				4,353
Investment Earnings				73,766
Miscellaneous				18,718
<i>Total General Revenues</i>				<u>8,224,105</u>
<i>Change in Net Assets</i>				298,296
<i>Net Assets Beginning of Year</i>				<u>20,922,361</u>
<i>Net Assets End of Year</i>				<u>\$ 21,220,657</u>

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

**Paint Valley Local School District**  
*Balance Sheet*  
*Governmental Funds*  
*June 30, 2009*

	General	Permanent Improvement	Classroom Facilities	All Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>					
Equity in Pooled Cash and Cash Equivalents	\$ 2,408,874	\$ 782,996	\$ 970,290	\$ 638,476	\$ 4,800,636
Interfund Receivable	16,970	-	-	-	16,970
Intergovernmental Receivable	-	-	-	202,108	202,108
Taxes Receivable	1,490,061	99,696	-	148,373	1,738,130
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	169,972	-	-	-	169,972
<i>Total Assets</i>	<u>\$ 4,085,877</u>	<u>\$ 882,692</u>	<u>\$ 970,290</u>	<u>\$ 988,957</u>	<u>\$ 6,927,816</u>
<b>LIABILITIES:</b>					
Accounts Payable	\$ 41,656	\$ 86	\$ -	\$ 2,194	\$ 43,936
Accrued Wages and Benefits	674,064	-	-	146,001	820,065
Contracts Payable	-	-	4,638	-	4,638
Interfund Payable	-	-	-	16,970	16,970
Intergovernmental Payable	211,729	-	-	31,620	243,349
Matured Compensated Absences Payable	5,064	-	-	-	5,064
Early Retirement Incentive	18,172	-	-	-	18,172
Deferred Revenue	1,332,253	89,395	-	232,450	1,654,098
<i>Total Liabilities</i>	<u>2,282,938</u>	<u>89,481</u>	<u>4,638</u>	<u>429,235</u>	<u>2,806,292</u>
<b>FUND BALANCES:</b>					
Reserved:					
Reserved for Encumbrances	185,242	12,975	32,465	6,797	237,479
Reserved for Contributions	-	-	-	3,000	3,000
Reserved for Property Taxes	157,808	10,301	-	16,114	184,223
Reserved for Textbooks and Instructional Materials	169,972	-	-	-	169,972
Unreserved, Undesignated, Reported in:					
General Fund	1,289,917	-	-	-	1,289,917
Special Revenue Funds	-	-	-	338,802	338,802
Debt Service Funds	-	-	-	161,803	161,803
Capital Projects Funds	-	769,935	933,187	32,872	1,735,994
Permanent Funds	-	-	-	334	334
<i>Total Fund Balances</i>	<u>1,802,939</u>	<u>793,211</u>	<u>965,652</u>	<u>559,722</u>	<u>4,121,524</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 4,085,877</u>	<u>\$ 882,692</u>	<u>\$ 970,290</u>	<u>\$ 988,957</u>	<u>\$ 6,927,816</u>

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

**Paint Valley Local School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 June 30, 2009*

<b>Total Governmental Fund Balances</b>		\$ 4,121,524
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		17,370,446
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Taxes	81,260	
Intergovernmental	100,190	
Total	181,450	181,450
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 are included in governmental activities in the statement of net assets.		1,289,074
Long-term liabilities, including bonds, capital lease obligations, and the long-term portion of compensated absences are not due and payable in the current period and therefore are not reported in the funds.		
Compensated Absences	(396,988)	
Capital Lease Obligations	(54,849)	
General Obligation Bonds	(1,290,000)	
Total	(1,741,837)	(1,741,837)
<b>Net Assets of Governmental Activities</b>		<b>\$ 21,220,657</b>

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

**Paint Valley Local School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2009*

	General	Permanent Improvement	Classroom Facilities	All Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>					
Property Taxes	\$ 1,466,961	\$ 98,386	\$ -	\$ 145,876	\$ 1,711,223
Intergovernmental	7,158,259	18,614	-	1,522,468	8,699,341
Interest	61,331	-	12,285	150	73,766
Tuition and Fees	555,489	-	-	-	555,489
Rent	740	-	-	-	740
Extracurricular Activities	-	-	-	136,339	136,339
Gifts and Donations	4,353	-	-	9,000	13,353
Customer Sales and Services	-	-	-	86,626	86,626
Miscellaneous	18,313	-	-	405	18,718
<i>Total Revenues</i>	<u>9,265,446</u>	<u>117,000</u>	<u>12,285</u>	<u>1,900,864</u>	<u>11,295,595</u>
<b>EXPENDITURES:</b>					
<b>Current:</b>					
<b>Instruction:</b>					
Regular	3,935,734	-	14,126	482,482	4,432,342
Special	951,632	-	-	573,257	1,524,889
Vocational	1,185	-	-	-	1,185
Other	772,527	-	-	-	772,527
<b>Support Services:</b>					
Pupils	282,637	-	-	46,096	328,733
Instructional Staff	113,112	-	-	143,782	256,894
Board of Education	180,083	-	-	-	180,083
Administration	620,394	-	-	-	620,394
Fiscal	274,363	2,466	1,137	3,386	281,352
Operation and Maintenance of Plant	862,901	-	-	59,086	921,987
Pupil Transportation	543,431	-	-	-	543,431
Operation of Non-Instructional Services	13,398	-	-	305,971	319,369
Extracurricular Activities	131,087	-	-	126,448	257,535
Capital Outlay	-	28,361	47,197	-	75,558
<b>Debt Service:</b>					
Principal	11,124	-	-	80,000	91,124
Interest and Fiscal Charges	22,984	-	-	68,711	91,695
<i>Total Expenditures</i>	<u>8,716,592</u>	<u>30,827</u>	<u>62,460</u>	<u>1,889,219</u>	<u>10,699,098</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>548,854</u>	<u>86,173</u>	<u>(50,175)</u>	<u>11,645</u>	<u>596,497</u>
<b>OTHER FINANCING SOURCES AND USES:</b>					
Transfers In	-	-	-	16,881	16,881
Transfers Out	(16,881)	-	-	-	(16,881)
<i>Total Other Financing Sources and Uses</i>	<u>(16,881)</u>	<u>-</u>	<u>-</u>	<u>16,881</u>	<u>-</u>
<i>Net Change in Fund Balances</i>	531,973	86,173	(50,175)	28,526	596,497
<i>Fund Balances at Beginning of Year</i>	<u>1,270,966</u>	<u>707,038</u>	<u>1,015,827</u>	<u>531,196</u>	<u>3,525,027</u>
<i>Fund Balances at End of Year</i>	<u>\$ 1,802,939</u>	<u>\$ 793,211</u>	<u>\$ 965,652</u>	<u>\$ 559,722</u>	<u>\$ 4,121,524</u>

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

**Paint Valley Local School District**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2009*

<b>Net Change in Fund Balances - Total Governmental Funds</b>		\$ 596,497
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>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 outlays in the current period.</p>		
Capital Asset Additions	101,558	
Current Year Depreciation	<u>(873,419)</u>	
Total		(771,861)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Taxes	15,677	
Intergovernmental	<u>40,416</u>	
Total		56,093
<p>Repayments of bond principal are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net assets and does not result in an expense in the statement of activities.</p>		
		80,000
<p>Repayments of capital leases obligations are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net assets and does not result in an expense in the statement of activities.</p>		
		11,124
<p>The internal service fund used by management to charge the costs of insurance to individual funds 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.</p>		
		320,792
<p>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.</p>		
Decrease in Compensated Absences	<u>5,651</u>	
Total		<u>5,651</u>
<b>Net Change in Net Assets of Governmental Activities</b>		<b>\$ 298,296</b>

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

**Paint Valley Local School District**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget and Actual (Budgetary Basis)*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2009*

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Total Revenues and Other Financing Sources	\$ 8,071,688	\$ 9,280,255	\$ 9,280,255	\$ -
Total Expenditures and Other Financing Uses	<u>10,086,815</u>	<u>11,295,381</u>	<u>8,947,882</u>	<u>2,347,499</u>
Net Change in Fund Balance	(2,015,127)	(2,015,126)	332,373	2,347,499
Fund Balance at Beginning of Year	1,830,929	1,830,929	1,830,929	-
Prior Year Encumbrances Appropriated	<u>188,646</u>	<u>188,646</u>	<u>188,646</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 4,448</u>	<u>\$ 4,449</u>	<u>\$ 2,351,948</u>	<u>\$ 2,347,499</u>

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

**Paint Valley Local School District**  
*Statement of Net Assets*  
*Governmental Activities*  
*Internal Service Fund*  
*June 30, 2009*

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	<u>Internal Service Fund</u>
ASSETS:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 869,993
Cash and Cash Equivalents with Fiscal Agents	<u>614,082</u>
<i>Total Assets</i>	<u>1,484,075</u>
LIABILITIES:	
Current Liabilities:	
Claims Payable	<u>195,001</u>
<i>Total Liabilities</i>	<u>195,001</u>
NET ASSETS:	
Unrestricted	<u>1,289,074</u>
<i>Total Net Assets</i>	<u>\$ 1,289,074</u>

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

**Paint Valley Local School District**  
*Statement of Revenues, Expenses and Changes in Fund Net Assets*  
*Governmental Activities*  
*Internal Service Fund*  
*For the Fiscal Year Ended June 30, 2009*

	<u>Internal Service Fund</u>
<hr/>	
OPERATING REVENUES:	
Charges for Services	<u>\$ 1,479,502</u>
<i>Total Operating Revenues</i>	<u>1,479,502</u>
OPERATING EXPENSES:	
Purchased Services	190,390
Claims	<u>968,320</u>
<i>Total Operating Expenses</i>	<u>1,158,710</u>
<i>Change in Net Assets</i>	320,792
<i>Net Assets at Beginning of Year</i>	<u>968,282</u>
<i>Net Assets at End of Year</i>	<u><u>\$ 1,289,074</u></u>

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

**Paint Valley Local School District**  
*Statement of Cash Flows*  
*Governmental Activities*  
*Internal Service Fund*  
For the Fiscal Year Ended June 30, 2009

	Internal Service Fund
<b><i>Increase in Cash and Cash Equivalents</i></b>	
<i>Cash Flows from Operating Activities:</i>	
Cash Received from Customers	\$ 1,479,502
Cash Payments for Claims	(1,062,052)
Cash Payments for Purchased Services	(190,390)
<i>Net Cash Provided by Operating Activities</i>	227,060
Increase in Cash and Cash Equivalents	227,060
Cash and Cash Equivalents at Beginning of Year	1,257,015
Cash and Cash Equivalents at End of Year	\$ 1,484,075
 <i>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</i>	
Operating Income	\$ 320,792
 <i>Changes in Liabilities:</i>	
Decrease in Claims Payable	(93,732)
<i>Net Cash Provided by Operating Activities</i>	\$ 227,060

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

**Paint Valley Local School District**  
*Statement of Fiduciary Net Assets*  
*Fiduciary Funds*  
*June 30, 2009*

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	Private Purpose Trust Fund	Agency Fund
	<u>          </u>	<u>          </u>
ASSETS:		
Equity in Pooled Cash and Cash Equivalents	<u>\$      7,606</u>	<u>\$      43,584</u>
LIABILITIES:		
Undistributed Monies		<u>\$      43,584</u>
NET ASSETS:		
Held in Trust for Scholarships	<u>\$      7,606</u>	

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

**Paint Valley Local School District**  
*Statement of Changes in Fiduciary Net Assets*  
*Fiduciary Fund*  
*For the Fiscal Year Ended June 30, 2009*

	Private Purpose Trust Fund
ADDITIONS:	
Gifts and Contributions	\$ 1,500
Miscellaneous	7,581
<i>Total Additions</i>	9,081
DEDUCTIONS:	
Payments in Accordance with Trust Agreements	10,582
<i>Total Deductions</i>	10,582
Change in Net Assets	(1,501)
Net Assets Beginning of Year	9,107
Net Assets End of Year	\$ 7,606

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

**Paint Valley Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

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

The School District was established in 1956 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 121 square miles. It is located in Ross County, and includes all of the Villages of Bainbridge and Bourneville and portions of Paxton, Paint and Twin Townships. It is staffed by 38 non-certificated employees and 81 certificated full-time teaching personnel who provide services to 1,094 students and other community members. The School District currently operates 3 instructional buildings and 1 bus garage.

*Reporting Entity:*

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

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

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

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

The School District is associated with three jointly governed organizations: South Central Ohio Computer Association, Pickaway-Ross County Career and Technical Center, and Great Seal Education Network of Tomorrow. The School District is also associated with a claim 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**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the 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 School District's accounting policies are described below.

**A. Basis Of Presentation - Fund Accounting**

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

*Government-wide Financial Statements* The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for the fiduciary funds.

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department, and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program; 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 School 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 School District.

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

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

*Governmental funds:*

Governmental funds are those through which most governmental functions of the School 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 liabilities is reported as fund balance. The following are the School District's major governmental funds:

General Fund – The General Fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund.

**Paint Valley Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis of Presentation - Fund Accounting (continued)

Classroom Facilities Fund – The Classroom Facilities Fund is a fund provided to account for monies received and expended in connection with contracts entered into by the School District and the Ohio School Facilities Commission for the building and equipping of classroom facilities.

Permanent Improvement Fund – The Permanent Improvement Fund is used to account for all the transactions related to the acquiring, constructing, or improving of such permanent improvements.

*Proprietary Fund Type:*

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

*Internal Service Fund* - The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund accounts for the self-insurance program for employee vision, health care, and dental insurance. Internal service fund operating activity is eliminated to avoid overstatement of revenues and expenses.

*Fiduciary Fund Type:*

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. The School 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 School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. 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 School District's agency fund is used to maintain financial activity of the School District's student managed activities, and its private purpose trust fund is used to maintain the financial activity of the School District's scholarship funds.

B. 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 associated with the operation of the School District are included on the statement of net assets. The statement of activities accounts for increases (i.e., revenues) and decreases (i.e., expenses) in total net assets.

*Fund Financial Statements* All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities 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**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Measurement Focus and Basis of Accounting (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 decreased (i.e., expenses) in total net assets. The statement of cash flows provides information about how the School 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 bases of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

***Revenues-Exchange and Non-exchange Transactions***

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

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

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

***Deferred Revenue***

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

Property taxes for which there is an enforceable legal claim as of June 30, 2009, but which were levied to finance fiscal year 2010 operations, have been recorded as deferred revenue. Under the modified accrual basis of accounting, receivables that will not be collected within the available period have also been reported as deferred revenue.

**Paint Valley Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Measurement Focus and Basis of Accounting (continued)

***Expenses/Expenditures***

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, except for (1) principal and interest on general long-term debt, which is recorded when due, and (2) the costs of accumulated unpaid vacation, personal leave and sick leave are reported as fund liabilities upon the occurrence of employee resignations and retirements. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

C. 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 School 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.

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

D. Cash and Cash Equivalents

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

During fiscal year 2009, investments were limited to STAROhio 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.

**Paint Valley Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Cash and Cash Equivalents (continued)

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2009. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2009.

The School District participates in a claims servicing pool that pays employee health insurance claims on the School District's behalf. The balance of the School District's funds held by the claims administrator and the fiscal agent at June 30, 2009 is presented as "Cash and Cash Equivalents with Fiscal Agents" on the financial statements.

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 2009 amounted to \$61,331. The Classroom Facilities Major Capital Projects Fund and Lunchroom Non-major Special Revenue Fund received \$12,285 and \$150, respectively.

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

E. Capital Assets

The School 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 assets but are not reported in the fund financial statements.

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

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

**Paint Valley Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Compensated Absences

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for all employees after 10 years of current service with the School 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.

G. 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, compensated absences and 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 a liability in the government-wide financial statements.

H. Interfund 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.

I. Restricted Assets

Restricted assets in the General Fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets represent unexpended amounts required by statute to be set-aside by the School District for the purchase of textbooks and instructional materials. See Note 17 for additional information regarding set-asides.

J. Fund Balance Reserves

The School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves are established for contributions, encumbrances, property taxes, and textbooks and instructional materials. The reserve for property taxes represents taxes recognized as revenue under accounting principles generally accepted in the United States of America but not available for appropriations under State statute.

**Paint Valley Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. 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.

L. 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 assets.

M. Net Assets

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

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

Of the School District's \$2,499,118 in restricted net assets, none is restricted by enabling legislation.

N. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the School 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.

NOTE 3 – ACCOUNTABILITY

Accountability

At June 30, 2009, the Pay to Participate, Early Childhood Education, High Schools That Work, Poverty Based Aid, Title VI-B, and Class Size Reduction Special Revenue Funds had deficit fund balances of \$119, \$4,066, \$2,592, \$43,919, \$1,191, and \$7,811, 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.

**Paint Valley Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

While the School 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 reservation of fund balance (GAAP basis).

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

Net Change in Fund Balance

	<u>General Fund</u>
GAAP Basis	\$ 531,973
Revenue Accruals	14,809
Expenditure Accruals	12,489
Encumbrances	<u>(226,898)</u>
Budget Basis	<u>\$ 332,373</u>

**NOTE 5 - DEPOSITS AND INVESTMENTS**

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

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current 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 which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

**Paint Valley Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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

1. United States treasury notes, bills, bonds, or other obligations of or securities issued by the United States treasury or any other obligation guaranteed as to the payment of principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations of or securities issued by any federal government agency or instrumentality, including, but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. Interim deposits in the eligible institutions applying for interim money as provided in section 135.08 of the 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 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 School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public money deposited with the institution.

**Paint Valley Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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

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

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

*Deposits* Custodial credit risk is the risk that in the event of a bank failure, the School 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 Corporation (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 School 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, 2009, the School District's bank balance of \$290,069 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, 2009, the School District had the following investments and maturities:

	Carrying/Fair Value	Weighted Average Maturity (Years)
STAR Ohio	<u>\$ 5,768,200</u>	<u>&lt; 1 year</u>
Total Investment	<u><u>\$ 5,768,200</u></u>	

*Interest rate risk* – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The School District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio. The School District has no investment policy.

*Credit risk* – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The School District limits their investments to STAROhio and certificates of deposit. Investments in STAROhio were rated AAAm by Standard & Poor's. The School District has no investment policy.

*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 School District invests only in investments that are allowable per the Ohio Revised Code. The School District has invested 100 percent in STAROhio. The School District has no investment policy.

*Custodial credit risk* – Custodial credit risk is the risk that in the event of the failure of the counterparty, the School 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 School District's securities are either insured and registered in the name of the School District or at least registered in the name of the School District. The School District has no investment policy.

**Paint Valley Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2009

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at eighty-eight percent of true value (with certain exceptions) and on real property at thirty-five percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31. Tangible personal property assessments are six and one quarter percent of true value.

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

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

Ohio House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces revenue lost by the School District due to the phasing out of the tax. In calendar years 2006 through 2010, the School District will be fully reimbursed at the level of calendar year 2004 assessed values for the lost revenue. In calendar years 2011 through 2017, the reimbursements will be phased out.

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

	2008 Second- Half Collections		2009 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 75,762,690	93.89%	\$ 75,738,590	94.19%
Public Utility	3,433,290	4.25%	3,655,840	4.55%
Tangible Personal Property	1,496,860	1.86%	1,011,980	1.26%
Total Assessed Value	<u>\$ 80,692,840</u>	<u>100.00%</u>	<u>\$ 80,406,410</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$ 34.70		\$ 34.70	

**Paint Valley Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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NOTE 6 - PROPERTY TAXES (continued)

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

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2009. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2009, was \$157,808 in the General Fund, \$2,874 in the Non-major Classroom Facilities Maintenance Special Revenue Fund, \$13,240 in the Non-major Debt Service Fund, and \$10,301 in the Major Permanent Improvement Capital Projects Fund.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2009 consisted of property taxes, interfund activity, 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>
Non-Major Funds	
Early Childhood Education	\$ 23,929
High Schools That Work	6,300
Special Education, Title VI-B	35,976
Title I	131,127
Title II-A	<u>4,776</u>
Total Intergovernmental Receivable	<u>\$ 202,108</u>

**Paint Valley Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2009

**NOTE 8 - CAPITAL ASSETS**

A summary of the changes in capital assets during fiscal year 2009 follows:

	Balance at 6/30/2008	Additions	Deletions	Balance at 6/30/2009
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$ 35,188	\$ -	\$ -	\$ 35,188
Construction in Progress	-	60,293	-	60,293
Total Capital Assets, Not Being Depreciated	<u>35,188</u>	<u>60,293</u>	<u>-</u>	<u>95,481</u>
Capital Assets, Being Depreciated				
Land Improvements	1,121,027	-	-	1,121,027
Buildings and Building Improvements	22,654,760	-	-	22,654,760
Furniture and Equipment	1,395,542	8,000	-	1,403,542
Vehicles	1,236,468	26,000	-	1,262,468
Infrastructure	95,231	7,265	-	102,496
Textbooks	357,341	-	-	357,341
Total Capital Assets, Being Depreciated	<u>26,860,369</u>	<u>41,265</u>	<u>-</u>	<u>26,901,634</u>
Accumulated Depreciation				
Land Improvements	(416,305)	(43,970)	-	(460,275)
Buildings and Building Improvements	(6,363,424)	(672,028)	-	(7,035,452)
Furniture and Equipment	(622,289)	(95,679)	-	(717,968)
Vehicles	(971,734)	(53,813)	-	(1,025,547)
Infrastructure	(22,157)	(7,929)	-	(30,086)
Textbooks	(357,341)	-	-	(357,341)
Total Accumulated Depreciation	<u>(8,753,250)</u>	<u>(873,419)</u>	<u>-</u>	<u>(9,626,669)</u>
Total Capital Assets Being Depreciated, Net	<u>18,107,119</u>	<u>(832,154)</u>	<u>-</u>	<u>17,274,965</u>
Governmental Activities Capital Assets, Net	<u>\$ 18,142,307</u>	<u>\$ (771,861)</u>	<u>\$ -</u>	<u>\$ 17,370,446</u>

Depreciation expense was charged to governmental functions as follows:

<i>Instruction:</i>	
Regular	\$661,859
Vocational	284
<i>Support Services:</i>	
Administration	13,716
Operation and Maintenance of Plant	114,258
Pupil Transportation	59,260
Operation of Non-Instructional Services	6,483
Extracurricular Activities	17,559
Total	<u>\$873,419</u>

**Paint Valley Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

**NOTE 9 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2009, the School 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)	\$28,249,386
Automobile Liability (comprehensive and collision – \$1,000 deductible - buses, \$500 deductible – all other automobiles)	3,000,000
General Liability	
Per occurrence	2,000,000
Total per year	4,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. For fiscal year 2009, the School District reviewed its insurance policies and adjusted certain coverages as it deemed appropriate.

For fiscal year 2009, the School District participated in the Ohio School Boards Association Workers Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the Equity Pooling Fund. This equity pooling arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

Medical/surgical and dental insurance is offered to employees through a self-insurance internal service fund. The School District is a member the Ross County School Employees Insurance Consortium, a claims servicing pool (Note 16), consisting of eleven school districts within Ross County and its surrounding area, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. The claims liability of \$195,001 reported in the internal service fund at June 30, 2009 is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claims adjustments expenses and does not include other allocated or unallocated claims adjustment expenses.

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

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2008	\$ 286,605	\$ 989,845	\$ 987,717	\$ 288,733
2009	288,733	968,320	1,062,052	195,001

**Paint Valley Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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**NOTE 10- DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org), under *Employers/Audit Resources*.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, 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 2009, the allocation to pension and death benefits is 9.09 percent. The remaining 4.91 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Fund. The School District's contributions to SERS for the fiscal years ended June 30, 2009, 2008 and 2007 were \$109,049, \$126,233, and \$165,994, respectively; 55% has been contributed for fiscal year 2009 and 100% for the fiscal years 2008 and 2007. \$48,550 represents the unpaid contribution for fiscal year 2009.

**B. State Teachers Retirement System**

State Teachers Retirement System of Ohio (STRS Ohio) is a cost-sharing, multiple-employer public employee retirement system.

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

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

**Paint Valley Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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**NOTE 10- DEFINED BENEFIT PENSION PLANS** (continued)

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

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

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

A DB or Combined Plan member with five or more years’ credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB 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.

**Paint Valley Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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**NOTE 10- DEFINED BENEFIT PENSION PLANS** (continued)

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

For the fiscal years ended June 30, 2009, 2008, and 2007, plan members were required to contribute 10 percent of their annual covered salaries. For these fiscal years, the School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS Ohio, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008, and 2007 were \$583,655, \$606,699, and \$593,290, respectively; 84% has been contributed for the fiscal year 2009 and 100% for the fiscal years 2008 and 2007. \$94,699 represents the unpaid contribution for fiscal year 2009 and is recorded as a liability within the respective funds.

STRS Ohio issues a stand-alone financial report. Copies of STRS Ohio's Comprehensive Annual Financial Report can be requested by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2009, one member of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages paid.

**NOTE 11 - POSTEMPLOYMENT BENEFITS**

**A. 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 benefit 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 3307 of the 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.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting [www.strsoh.org](http://www.strsoh.org) or by requesting a copy by calling toll-free 1-888-227-7877.

Under Ohio law, funding for post-employment health care may be deducted from 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, 2009, 2008 and 2007. The 14 percent employer contribution rate is the maximum rate established under Ohio law. For the School District, these amounts equaled \$45,498, \$46,353, and \$45,755 for fiscal years 2009, 2008, and 2007, respectively.

**Paint Valley Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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NOTE 11 - POSTEMPLOYMENT BENEFITS (continued)

**B. School Employees Retirement System**

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

Medicare Part B Plan

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

The Retirement Board, acting with the advices of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal years 2009, 2008, and 2007 the actuarially required allocations were 0.75 percent, 0.66 percent, and 0.68 percent. The School District's contributions for the fiscal years ended June 30, 2009, 2008, and 2007, were \$9,676, \$9,574, and \$8,063, respectively, which equaled the required contributions for those years.

Health Care Plan

Ohio Revised Code 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 HMOs, PPOs, 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' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(3). 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, 2009, 2008, and 2007, the health care allocations were 4.16 percent, 4.18 percent, and 3.32 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 2009, the minimum compensation level was established at \$35,800. The surcharge added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. For the School District, the contributions assigned to health care, including the surcharge, during the 2009, 2008, and 2007 fiscal years equaled \$71,068, \$70,238, and \$150,973, respectively.

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.

**Paint Valley Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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NOTE 11 - POSTEMPLOYMENT BENEFITS (continued)

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS website at [www.ohsers.org](http://www.ohsers.org) under *Employers/Audit Resources*.

NOTE 12 - EMPLOYEE BENEFITS

A. Compensated Absences

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

B. Life and Accident Insurance

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

C. Retirement Incentive

The School 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 School 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 School 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:

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

**Paint Valley Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

NOTE 12 - EMPLOYEE BENEFITS (continued)

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 assets.

NOTE 13 - CAPITAL LEASES - LESSEE DISCLOSURE

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

The gross amount of capital leases being disclosed in Note 8 under furniture and equipment totals \$533,393.

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, 2009.

Fiscal Year Ending June 30,	<u>Amount</u>
2010	\$ 32,762
2011	28,202
2012	<u>17,354</u>
Total	78,318
Less Amount Representing Interest	<u>(23,469)</u>
Present Value of Net Minimum Lease Payments	<u><u>\$ 54,849</u></u>

NOTE 14 - LONG-TERM OBLIGATIONS

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

	<u>Principal Outstanding 06/30/08</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding 06/30/09</u>	<u>Due in One Year</u>
School Improvement General Obligation Bonds 5.25%	\$ 1,370,000	\$ -	\$ 80,000	\$ 1,290,000	\$ 75,000
Capital Leases	65,973	-	11,124	54,849	19,739
Compensated Absences	<u>402,639</u>	<u>396,988</u>	<u>402,639</u>	<u>396,988</u>	<u>49,753</u>
Total Long-Term Obligations	<u><u>\$ 1,838,612</u></u>	<u><u>\$ 396,988</u></u>	<u><u>\$ 493,763</u></u>	<u><u>\$ 1,741,837</u></u>	<u><u>\$ 144,492</u></u>

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

**Paint Valley Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2009

**NOTE 14 - LONG-TERM OBLIGATIONS** (continued)

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

Capital leases will be paid from the General 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 School District's overall legal debt margin was \$6,108,380 with an unvoted debt margin of \$80,406.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2009, are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$75,000	\$64,642	\$139,642
2011	85,000	60,443	145,443
2012	90,000	55,849	145,849
2013	95,000	51,171	146,171
2014	95,000	46,527	141,527
2015-2019	575,000	148,850	723,850
2020-2022	275,000	14,429	289,429
Totals	<u>\$1,290,000</u>	<u>\$441,911</u>	<u>\$1,731,911</u>

**NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS**

*South Central Ohio Computer Association* - The School District is a participant in the South Central Ohio Computer Association (SCOCA) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Highland, Adams, Pickaway, Gallia, Pike, Scioto, Brown, Ross, Jackson, Vinton and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each of the participating member counties, two school treasurers, plus one representative from the fiscal agent. The School District paid SCOCA \$78,702 for services provided during the year. Financial information can be obtained from their fiscal agent, the Pike County CTC District Treasurer, at P.O. Box 577, 23365 St. Rt. 124, 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.

**Paint Valley Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS (continued)

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

NOTE 16 - CLAIMS SERVICING AND INSURANCE PURCHASING POOLS

*Ross County School Employees Insurance Consortium* - The School District is a member of the Ross County School Employees Insurance Consortium (the Consortium), a claims servicing pool consisting of eleven school districts within Ross County and its surrounding area. The Consortium provides medical/surgical, dental, vision, or life insurance through a third party administrator, Professional Risk Management Co., depending on which coverage the individual member district chooses. The Consortium business and affairs are managed by a Council consisting of one representative for each participating school. The participating school districts pay an administrative fee to the fiscal agent to cover the costs of administering the Consortium. To obtain financial information, write to the Ross-Pike Educational Service District, 475 Western Avenue, Chillicothe, Ohio 45601.

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

NOTE 17 - SET-ASIDE CALCULATIONS AND FUND RESERVES

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

**Paint Valley Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

**NOTE 17 - SET-ASIDE CALCULATIONS AND FUND RESERVES (continued)**

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

	Textbooks	Capital Acquisition
Set-aside Reserve Balance as of June 30, 2008	\$ 133,589	\$ -
Current Year Set-aside Requirement	153,364	153,364
Current Year Offsets	-	(299,356)
Current Year Disbursements	(116,981)	-
Total	169,972	(145,992)
Set-aside Balance Carried Forward to Future Fiscal Years	\$ 169,972	\$ -

The School District had offsets and qualifying disbursements during the year that reduced the set-aside amount below zero in the capital acquisition reserve. This extra amount may be carried forward and used to reduce the set-aside requirements of future years.

**NOTE 18 - INTERFUND ACTIVITY**

**Interfund Payables/Receivables**

As of June 30, 2009, receivables and payables that resulted from various interfund transactions were as follows:

	Interfund Receivable	Interfund Payable
Major Fund:		
General Fund	\$ 16,970	\$ -
Special Revenue Funds, Non-Major:		
High Schools That Work	-	6,300
Title VI-B	-	10,670
Total Non-Major Special Revenue Funds	-	16,970
Totals	\$ 16,970	\$ 16,970

During the year, the School District's General Fund made advances to other funds in anticipation of intergovernmental grant revenue.

**Paint Valley Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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NOTE 18 - INTERFUND ACTIVITY (continued)

**Interfund Transfers**

During the fiscal year ended June 30, 2009, transfers that resulted from various interfund transactions were as follows:

	<u>Transfer From</u>	<u>Transfer To</u>
Major Fund:		
General Fund	\$ 16,881	\$ -
Non-Major Funds		
Pay to Participate Fund	-	9,703
Athletic Department Fund	-	7,178
Total	<u>\$ 16,881</u>	<u>\$ 16,881</u>

During the year, the School District's General Fund made transfers to the Pay to Participate and Athletic Department Funds to cover expenditures incurred by these funds not covered by fees.

NOTE 19 - CONTINGENCIES

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2009.

Litigation

The School District is not party to legal proceedings.

Paint Valley Local School District  
 Ross County  
 Schedule of Federal Awards Receipts and Expenditures  
 For the Fiscal Year Ended June 30, 2009

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>United States Department of Agriculture</b>						
<i>Passed through Ohio Department of Education</i>						
<i>Nutrition Cluster:</i>						
School Breakfast Program	O5PU	10.553	\$ 65,741	\$ -	\$ 65,741	\$ -
National School Lunch Program	LLP4	10.555	163,667	22,956	163,667	22,956
Total Nutrition Cluster			229,408	22,956	229,408	22,956
<b>Total United States Department of Agriculture</b>			229,408	22,956	229,408	22,956
<b>United States Department of Education</b>						
<i>Passed through Ohio Department of Education</i>						
Title 1 Grants to Local Educational Agencies	C1S1	84.010	333,897	-	286,627	-
Special Education - Grants to States	6BSF	84.027	228,077	-	240,274	-
FEMA	N/A	97.036	-	-	10,218	-
Safe and Drug-Free Schools and Communities - State Grants	DRS1	84.186	5,068	-	5,068	-
School Improvement Grants	T1S1	84.377	60,000	-	60,000	-
State Grants for Innovative Programs	C2S1	84.298	1,968	-	1,131	-
Education Technology State Grants	TJS1	84.318	2,857	-	2,857	-
Improving Teacher Quality State Grants	TRS1	84.367	81,716	-	83,265	-
<b>Total United States Department of Education</b>			713,583	-	689,440	-
<b>Total Federal Financial Assistance</b>			<u>\$ 942,991</u>	<u>\$ 22,956</u>	<u>\$ 918,848</u>	<u>\$ 22,956</u>

See accompanying notes to the schedule of federal awards receipts and expenditures

**Paint Valley Local School District**  
*Notes to the Schedule of Federal Awards Receipts and Expenditures*  
*For the Fiscal Year Ended June 30, 2009*

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**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B – NATIONAL SCHOOL LUNCH AND BREAKFAST PROGRAMS**

Federal funds received from the National School Lunch and Breakfast Programs were commingled with state subsidy and local revenue from the sale of meals. It was assumed that federal dollars were expended first.

**NOTE C – FOOD DONATION**

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 (expenditures) is reported in the Schedule at the entitlement value of the commodities received as assessed by the U.S. Department of Agriculture.



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Paint Valley Local School District (the School District) as of and for the year ended June 30, 2009, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 28, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

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

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

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

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

Members of the Board

Paint Valley Local School District

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Page 2

### **Compliance and Other Matters**

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect the 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 we must report under *Government Auditing Standards*.

We noted certain non-compliance and other matter reported to the School District in a separate report dated December 28, 2009.

We intend this report solely for the information and use of the Board of Education, management and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.

December 28, 2009



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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

**Compliance**

We have audited the compliance of Paint Valley Local School District, Ross County, Ohio (the School District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that apply to its major federal program for the year ended June 30, 2009. The summary of auditor's results section of the accompanying schedule of findings identifies the School District's major federal program. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2009.

**Internal Control Over Compliance**

The School District's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with the requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

Members of the Board

Paint Valley Local School District

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Page 2

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

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

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

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



Balestra, Harr & Scherer, CPAs, Inc.  
December 28, 2009

**Paint Valley Local School District**  
*Schedule of Findings*  
*OMB Circular A-133 Section .505*  
*June 30, 2009*

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

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



### Independent Auditor's Report on Applying Agreed-Upon Procedures

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

To the Board of Education:

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

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

1. We noted the Board adopted an anti-harassment policy at its meeting on August 20, 2007.
2. We read the policy, noting it included the following requirements from the Ohio Rev. Code Section 3313.666(B)
  - 1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
  - 2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.66;
  - 3) A procedure for reporting prohibited incidents;
  - 4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
  - 5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the “Family Educational Rights and Privacy Act of 1974,” 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
  - 6) A procedure for documenting any prohibited incident that is reported;

- 7) A procedure for responding to and investigating any reported incident;
- 8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- 9) A disciplinary procedure for any student's rights under the first amendment to the Constitution of the United State;
- 10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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

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



Balestra, Harr & Scherer, CPAs, Inc.

December 28, 2009



**Mary Taylor, CPA**  
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**  
**MARCH 9, 2010**