

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

FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2012

WOLF, ROGERS, DICKEY & CO.
Certified Public Accountants



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Paint Valley Local School District, Ross County, prepared by Wolf, Rogers, Dickey & Co., for the audit period July 1, 2011 through June 30, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

April 12, 2013

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

**For the Year Ended
June 30, 2012**

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

**For the Year Ended
June 30, 2012**

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Wolf, Rogers, Dickey & Co.

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Independent Auditors' Report

Paint Valley Local School District
Ross County, OH

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Paint Valley Local School District, Ross County, Ohio (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Paint Valley Local School District, Ross County, Ohio as of June 30, 2012, 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 February 24, 2013, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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* and should be read in conjunction with this report in assessing the results of our audit

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The schedule of expenditures of federal awards provides additional information 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. The schedule of expenditures of federal awards is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subjected to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Wolf, Rogers, Dickey & Co.
Certified Public Accountants

February 24, 2013

Paint Valley Local School District, Ross County, Ohio
Management's Discussion and Analysis
For the Year Ended June 30, 2012
Unaudited

This discussion and analysis of Paint Valley Local School District's (the District) financial performance provides an overall review of the District's financial activities for the year ended June 30, 2012. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key highlights for 2012 are as follows:

- The District's assets exceeded liabilities at June 30, 2012 by \$18,317,497.
- The District's net assets of governmental activities decreased \$1,235,331.
- General revenues accounted for \$8,864,292 in revenue or 79 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,324,528 or 21 percent of total revenues of \$11,188,820.
- The District had \$12,424,151 in expenses related to governmental activities; \$2,324,528 of these expenses were offset by program specific charges for services and sales, grants and contributions.

Using the Basic Financial Statements

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

Report Components

The statement of net assets and the statement of activities provide information about the activities of the District as a whole and present a longer-term view of the District's finances.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the District as a way to segregate money whose use is restricted to a particular specified purpose. For governmental funds, these statements tell how services were financed in the short-term as well as the amount of funds available for future spending. The fund financial statements also look at the District's major funds with all other non-major funds presented in total in one column.

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

Paint Valley Local School District, Ross County, Ohio
Management's Discussion and Analysis, continued
For the Year Ended June 30, 2012
Unaudited

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

The analysis of the District as a whole begins with the Statement of Net Assets and the Statement of Activities. These statements demonstrate how the District did financially during 2012. 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.

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

In the statement of net assets and the statement of activities, the District only has one kind of activity:

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

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

Paint Valley Local School District, Ross County, Ohio
Management's Discussion and Analysis, continued
For the Year Ended June 30, 2012
Unaudited

Reporting the District's Most Significant Funds, continued

Fund Financial Statements, continued

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

Fiduciary Funds – Fiduciary fund reporting focuses on net 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 District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In accordance with GASB 34, fiduciary funds are not included in government-wide statements.

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

The District as a Whole

Table 1 provides a summary of the District's net assets for 2012 compared to 2011 on an accrual basis:

(Table 1)
Net Assets

	<u>Governmental Activities</u>	
	2012	2011
Assets		
Current and other assets	\$ 6,219,277	6,474,830
Capital assets, net	16,495,761	17,456,512
Total assets	\$ 22,715,038	23,931,342
Liabilities		
Current and other liabilities	\$ 2,821,292	2,519,591
Long-term liabilities	1,576,249	1,858,923
Total liabilities	\$ 4,397,541	4,378,514
Net Assets		
Invested in capital assets, net of related debt	\$ 15,282,210	16,090,019
Restricted	1,132,499	1,359,970
Unrestricted	1,902,788	2,102,839
Total net assets	\$ 18,317,497	19,552,828

Paint Valley Local School District, Ross County, Ohio
Management's Discussion and Analysis, continued
For the Year Ended June 30, 2012
Unaudited

The District as a Whole, continued

Total net assets of the District as a whole decreased \$1,235,331. Total assets decreased \$1,216,304. Cash and cash equivalents decreased due to an increase in expenditures. Capital assets decreased as a result of depreciation and deletions in excess of additions. Current and other liabilities increased primarily as a result of an increase in deferred revenues. The decrease to long-term liabilities is due to current year principal payments and lower compensated absences balances.

Table 2 reflects the changes in net assets in 2012 and 2011 for governmental activities.

(Table 2)
Changes in Net Assets

	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
Revenues		
<i>Program Revenues</i>		
Charges for services and sales	\$ 912,052	945,679
Operating grants and contributions	<u>1,412,476</u>	<u>1,611,245</u>
Total program revenues	<u>2,324,528</u>	<u>2,556,924</u>
<i>General Revenues</i>		
Property taxes	1,575,387	1,857,154
Grants and entitlements, not restricted to specific programs	7,211,441	6,769,809
Gain on sale of capital assets	7,500	-
Investment earnings	3,981	7,373
Miscellaneous	<u>65,983</u>	<u>12,467</u>
Total general revenues	<u>8,864,292</u>	<u>8,646,803</u>
Total revenues	<u>11,188,820</u>	<u>11,203,727</u>
Program Expenses		
Instruction:		
Regular	5,379,733	5,431,662
Special	1,717,022	1,955,752
Vocational	4,152	2,010
Other	1,118,615	958,986
Support Services:		
Pupils	326,128	325,007
Instructional staff	156,492	163,591
Board of Education	184,713	136,088
Administration	695,764	660,680
Fiscal	323,480	292,891
Operation and maintenance of plant	1,041,420	1,205,596
Pupil transportation	684,167	619,007
Central	17,455	-
Operation of non-instructional services	380,497	342,514
Extracurricular activities	356,130	369,757
Interest and fiscal charges	<u>38,383</u>	<u>73,252</u>
Total expenses	<u>12,424,151</u>	<u>12,536,793</u>
Change in net assets	\$ <u>(1,235,331)</u>	<u>(1,333,066)</u>

Paint Valley Local School District, Ross County, Ohio
Management's Discussion and Analysis, continued
For the Year Ended June 30, 2012
Unaudited

The District as a Whole, continued

Operating grants and contributions decreased due to a decrease in the State Fiscal Stabilization and Title I revenues which were partially offset by an increase in the Education Jobs program receipts. Property taxes decreased as a direct result of increased deferred revenues. Deferred revenues increased due to a decrease in the amount available for advance from the county auditor based upon the timing of receipts. Special instruction decreased partially due to a decrease in Title I receipts.

Governmental Activities

Charges for services and sales comprised 8 percent of revenue for governmental activities, while operating grants and contributions comprised 13 percent of revenue for governmental activities of the District for fiscal year 2012. Property taxes and grants and entitlements, not restricted to specific programs also represent significant portions of revenues, comprising 14 percent and 64 percent, respectively.

As indicated by governmental program expenses, instruction is emphasized. Regular instruction comprised 43 percent of governmental expenses. Operation and maintenance of plant support services also represents a significant portion of expenses, comprising 8 percent of total expenses.

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

(Table 3)
Total and Net Cost of Program Services

	<u>Governmental Activities</u>			
	<u>2012</u>		<u>2011</u>	
	<u>Total Cost</u>	<u>Net Cost of</u>	<u>Total Cost</u>	<u>Net Cost of</u>
	<u>of Services</u>	<u>Services</u>	<u>of Services</u>	<u>Services</u>
Instruction	\$ 8,219,522	6,835,996	8,348,410	7,076,322
Support Services	3,429,619	3,104,333	3,402,860	2,687,652
Operation of				
Non-instructional services	380,497	(8,361)	342,514	29,906
Extracurricular activities	356,130	129,876	369,757	114,518
Interest and fiscal charges	<u>38,383</u>	<u>37,779</u>	<u>73,252</u>	<u>71,471</u>
Total expenses	\$ <u>12,424,151</u>	<u>10,099,623</u>	<u>12,536,793</u>	<u>9,979,869</u>

The District's Funds

Governmental funds are accounted for using the modified accrual basis for accounting. All governmental funds had total revenues and other financing sources of \$11,192,467 and expenditures and other financing uses of \$11,733,970. The net change in fund balance for the year was most significant in the General Fund.

The fund balance of the General Fund decreased by \$495,229. This decrease was due primarily to an increase to overall expenditures, while revenues remained reasonably consistent.

The fund balance of the Permanent Improvement Fund increased by \$29,404. Total fund revenues were \$106,767, which was partially offset by total fund expenditures of \$77,363.

Paint Valley Local School District, Ross County, Ohio
Management's Discussion and Analysis, continued
For the Year Ended June 30, 2012
Unaudited

General Fund Budgeting Highlights

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

During 2012 there were several revisions to the General Fund budget. In part, these revisions increased estimated revenues by \$45,306. Final appropriations were below original budgeted numbers due to the District over-budgeting 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 \$1,593,926.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2012 the District had \$16,495,761 invested in its capital assets. Table 4 shows the fiscal year 2012 balances compared to 2011.

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

		<u>Governmental Activities</u>	
		<u>2012</u>	<u>2011</u>
Land	\$	35,188	35,188
Land improvements		542,546	572,812
Buildings and building improvements	14,688,075		15,476,699
Furniture and equipment		859,056	932,051
Vehicles		315,947	376,095
Infrastructure		<u>54,949</u>	<u>63,667</u>
Total	\$	<u>16,495,761</u>	<u>17,456,512</u>

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

Debt

At June 30, 2012 the District had one outstanding capital lease and one outstanding refunding bond. The capital lease is for copiers. The refunding bond was for the purpose of refunding the District loan through the Ohio School Facilities Commission. The outstanding lease and refunding bond amounts (excluding premium and accretion) totaled \$163,239 and \$1,005,000, respectively. See Note 14 to the basic financial statements for more detailed information regarding debt.

Contacting the District's Financial Management

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

Paint Valley Local School District
Ross County, Ohio
Statement of Net Assets
June 30, 2012

	<u>Governmental Activities</u>
Assets:	
Current assets:	
Equity in pooled cash and cash equivalents	\$ 4,081,457
Accrued interest receivable	11
Accounts receivable	11,516
Intergovernmental receivable	225,040
Taxes receivable	1,876,035
Unamortized bond issuance costs	25,218
Noncurrent assets:	
Non-depreciable capital assets	35,188
Depreciable capital assets, net	<u>16,460,573</u>
Total assets	<u>22,715,038</u>
Liabilities:	
Current liabilities:	
Accounts payable	21,714
Accrued wages and benefits	890,098
Accrued interest payable	1,856
Intergovernmental payable	230,431
Matured compensated absences payable	53,875
Deferred revenue	1,623,318
Noncurrent liabilities:	
Long-term liabilities:	
Due within one year	233,578
Due in more than one year	<u>1,342,671</u>
Total liabilities	<u>4,397,541</u>
Net Assets:	
Invested in capital assets, net of related debt	15,282,210
Restricted for debt service	212,434
Restricted for capital outlay	530,673
Restricted for classroom facilities maintenance	264,384
Restricted for other purposes	121,645
Restricted – permanent fund	
Expendable	264
Nonexpendable	3,099
Unrestricted	<u>1,902,788</u>
Total net assets	<u>\$ 18,317,497</u>

See accompanying notes to the basic financial statements

**Paint Valley Local School District
Ross County, Ohio
Statement of Activities
For the Year Ended June 30, 2012**

		Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets	
Governmental Activities:					
Instruction:					
Regular	\$ 5,379,733	304,325	326,063	(4,749,345)	
Special	1,717,022	71,867	595,078	(1,050,077)	
Vocational	4,152	277	-	(3,875)	
Other	1,118,615	79,574	6,342	(1,032,699)	
Supportive Services:					
Pupils	326,128	23,388	-	(302,740)	
Instructional staff	156,492	10,176	12,229	(134,087)	
Board of Education	184,713	13,247	-	(171,466)	
Administration	695,764	48,028	-	(647,736)	
Fiscal	323,480	22,689	638	(300,153)	
Operation and maintenance of plant	1,041,420	60,603	80,409	(900,408)	
Pupil transportation	684,167	42,869	9,758	(631,540)	
Central	17,455	1,252	-	(16,203)	
Operation of non-instructional services	380,497	83,397	305,461	8,361	
Extracurricular activities	356,130	149,756	76,498	(129,876)	
Interest and fiscal charges	38,383	604	-	(37,779)	
Total Governmental Activities	\$ <u>12,424,151</u>	<u>912,052</u>	<u>1,412,476</u>	<u>(10,099,623)</u>	
General Revenues:					
Property taxes levied for:					
General purposes				1,351,543	
Permanent improvements				87,805	
Classroom facilities maintenance				23,879	
Debt service				112,160	
Grants and entitlements not restricted to specific programs				7,211,441	
Investment earnings				3,981	
Gain on sale of capital assets				7,500	
Miscellaneous				<u>65,983</u>	
Total General Revenues				<u>8,864,292</u>	
Change in Net Assets				(1,235,331)	
Net Assets Beginning of Year				<u>19,552,828</u>	
Net Assets End of Year				\$ <u>18,317,497</u>	

See accompanying notes to the basic financial statements.

Paint Valley Local School District
Ross County, Ohio
Balance Sheet
Governmental Funds
June 30, 2012

	<u>General</u>	<u>Permanent Improvement</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in pooled cash and cash equivalents	\$ 2,815,206	504,918	671,372	3,991,496
Accrued interest receivable	11	-	-	11
Accounts receivable	11,516	-	-	11,516
Intergovernmental receivable	31,366	-	193,674	225,040
Taxes receivable	<u>1,607,333</u>	<u>107,464</u>	<u>161,238</u>	<u>1,876,035</u>
 Total assets	 \$ <u>4,465,432</u>	 <u>612,382</u>	 <u>1,026,284</u>	 <u>6,104,098</u>
Liabilities				
Accounts payable	21,714	-	-	21,714
Accrued wages and benefits	706,974	-	183,124	890,098
Intergovernmental payable	179,533	-	50,898	230,431
Matured compensated absences payable	53,875	-	-	53,875
Deferred revenue	<u>1,454,254</u>	<u>97,747</u>	<u>188,521</u>	<u>1,740,522</u>
 Total liabilities	 <u>2,416,350</u>	 <u>97,747</u>	 <u>422,543</u>	 <u>2,936,640</u>
Fund Balances				
Nonspendable	-	-	3,000	3,000
Restricted	-	514,635	612,575	1,127,210
Assigned	63,073	-	-	63,073
Unassigned	<u>1,986,009</u>	<u>-</u>	<u>(11,834)</u>	<u>1,974,175</u>
 Total fund balances	 <u>2,049,082</u>	 <u>514,635</u>	 <u>603,741</u>	 <u>3,167,458</u>
 Total liabilities and fund balances	 \$ <u>4,465,432</u>	 <u>612,382</u>	 <u>1,026,284</u>	 <u>6,104,098</u>

See accompanying notes to the basic financial statements.

Paint Valley Local School District
Ross County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2012

Total Governmental Fund Balances		\$ 3,167,458
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		16,495,761
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Taxes	\$ 74,200	
Intergovernmental	43,004	
Unamortized financing costs	<u>25,218</u>	
Total		142,422
An internal service fund is used by management to charge the cost of insurance to individuals. The assets and liabilities of the internal service fund is included in governmental activities in the statement of net assets.		89,961
Long-term liabilities, including bonds, capital lease obligations, and long-term portion of compensated absences are not due and payable in the current period and therefore are not reported in the funds.		
Capital lease obligation	(163,239)	
Compensated absences	(348,088)	
General obligation refunding serial bonds	(960,000)	
General obligation refunding capital appreciation bonds	(45,000)	
Accreted debt from capital appreciation bonds	(14,610)	
Premium from refunding bonds	<u>(45,312)</u>	
Total		<u>(1,576,249)</u>
Net Assets of Governmental Activities		\$ <u>18,317,497</u>

See accompanying notes to the basic financial statements.

Paint Valley Local School District
Ross County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds
For the Year Ended June 30, 2012

	<u>General</u>	<u>Permanent Improvement</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts:				
Property taxes	\$ 1,352,909	87,902	136,136	1,576,947
Intergovernmental	7,175,167	18,865	1,428,810	8,622,842
Interest	3,882	-	99	3,981
Tuition and fees	690,338	-	-	690,338
Rent	250	-	-	250
Extracurricular activities	42,373	-	94,772	137,145
Gifts and donations	-	-	2,285	2,285
Customer sales and services	1,475	-	82,844	84,319
Miscellaneous	<u>65,717</u>	<u>-</u>	<u>266</u>	<u>65,983</u>
Total receipts	<u>9,332,111</u>	<u>106,767</u>	<u>1,745,212</u>	<u>11,184,090</u>
Disbursements:				
Current:				
Instruction:				
Regular	4,259,527	50,913	384,238	4,694,678
Special	1,001,299	-	705,779	1,707,078
Vocational	3,868	-	-	3,868
Other	1,109,600	-	7,570	1,117,170
Support services:				
Pupils	347,446	-	-	347,446
Instructional staff	139,088	-	14,597	153,685
Board of Education	184,713	-	-	184,713
Administration	715,389	-	-	715,389
Fiscal	353,046	2,825	4,270	360,141
Operation and maintenance of plant	883,856	-	95,975	979,831
Pupil transportation	589,405	-	20,792	610,197
Central	17,455	-	-	17,455
Operation of non-instructional services	7,708	-	363,261	370,969
Extracurricular activities	175,865	-	91,307	267,172
Capital outlay	-	23,625	-	23,625
Debt service:				
Principal	37,278	-	110,000	147,278
Interest and fiscal charges	<u>8,420</u>	<u>-</u>	<u>23,978</u>	<u>32,398</u>
Total disbursements	<u>9,833,963</u>	<u>77,363</u>	<u>1,821,767</u>	<u>11,733,093</u>
Excess of receipts over (under) disbursements	<u>(501,852)</u>	<u>29,404</u>	<u>(76,555)</u>	<u>(549,003)</u>
Other financing sources and uses:				
Transfers in	-	-	877	877
Proceeds from sale of capital assets	7,500	-	-	7,500
Transfers out	<u>(877)</u>	<u>-</u>	<u>-</u>	<u>(877)</u>
Total other financing sources and uses	<u>6,623</u>	<u>-</u>	<u>877</u>	<u>7,500</u>
Net change in fund balances	\$ (495,229)	29,404	(75,678)	(541,503)

(continued)

See accompanying notes to the basic financial statements.

Paint Valley Local School District
Ross County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances, continued
Governmental Funds
For the Year Ended June 30, 2012

	<u>General</u>	<u>Permanent Improvement</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Net change in fund balances	\$ (495,229)	29,404	(75,678)	(541,503)
Fund balances at beginning of year	<u>2,544,311</u>	<u>485,231</u>	<u>679,419</u>	<u>3,708,961</u>
Fund balances at end of year	\$ <u>2,049,082</u>	<u>514,635</u>	<u>603,741</u>	<u>3,167,458</u>

See accompanying notes to the basic financial statements.

Paint Valley Local School District
Ross County, Ohio
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2012

Net Change in Fund Balances – Total Governmental Funds		\$ (541,503)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital asset additions in the current period.		
Capital asset additions	\$ 36,325	
Current year depreciation	<u>(997,076)</u>	
Total		(960,751)
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities a gain or loss is reported for each disposal.		
Proceeds from the sale of capital assets	(7,500)	
Gain on disposal of capital assets	<u>7,500</u>	
Total		-
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	(1,560)	
Intergovernmental	<u>(1,210)</u>	
Total		(2,770)
The amortization of premium from the sale of bonds is recorded as a reduction of liability in the statement of net assets, but does not result in an expenditure in the governmental funds.		
		5,664
The amortization of debt issuance costs are reported in the statement of activities but are not reported as expenditures in the governmental funds.		
		(3,152)
Repayment of capital lease 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.		
		37,278
Repayment of bond principal is an expenditure 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.		
		110,000

(continued)

See accompanying notes to the basic financial statements.

Paint Valley Local School District
Ross County, Ohio
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities, continued
For the Fiscal Year Ended June 30, 2012

The internal service fund used by management to charge the costs of insurance to individuals is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue of the internal service fund is allocated among the governmental activities. (9,916)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Decrease in compensated absences	\$ 138,316
Decrease in interest payable	87
Increase in accreted debt	<u>(8,584)</u>

Total	<u>129,819</u>
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Net Change in Net Assets of Governmental Activities	\$ <u>(1,235,331)</u>
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Paint Valley Local School District
Ross County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual (Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 2012

	<u>Budgeted Amounts</u>			<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
Total receipts and other financing sources	\$ 9,451,335	9,496,641	9,496,641	-
Total disbursements and other financing sources	<u>11,523,414</u>	<u>9,974,739</u>	<u>9,974,739</u>	<u>-</u>
Net change in fund balance	(2,072,079)	(478,098)	(478,098)	-
Fund balance at beginning of year	1,953,422	1,953,422	1,953,422	-
Prior year encumbrances appropriated	<u>118,602</u>	<u>118,602</u>	<u>118,602</u>	<u>-</u>
Fund balance at end of year	<u>\$ (55)</u>	<u>1,593,926</u>	<u>1,593,926</u>	<u>-</u>

See accompanying notes to the basic financial statements.

Paint Valley Local School District
Ross County, Ohio
Statement of Net Assets – Governmental Activities
Internal Service Fund
June 30, 2012

Assets:	
Current assets -	
Equity in pooled cash and cash equivalents	\$ <u>89,961</u>
Total assets	<u>89,961</u>
Net assets -	
Unrestricted	<u>89,961</u>
Total net assets	\$ <u>89,961</u>

See accompanying notes to the basic financial statements.

Paint Valley Local School District
Ross County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Net Assets –
Governmental Activities
Internal Service Fund
For the Fiscal Year Ended June 30, 2012

Operating Receipts -	
Charges for services	\$ <u>81,275</u>
Total operating receipts	<u>81,275</u>
Operating Disbursements -	
Claims	<u>91,191</u>
Total operating disbursements	<u>91,191</u>
Change in net assets	(9,916)
Net assets at beginning of year	<u>99,877</u>
Net assets at end of year	\$ <u>89,961</u>

See accompanying notes to the basic financial statements.

Paint Valley Local School District
Ross County, Ohio
Statement of Cash Flows – Governmental Activities
Internal Service Fund
For the Fiscal Year Ended June 30, 2012

Decrease in Cash and Cash Equivalents

Cash Flows from Operating Activities:

Cash received from customers	\$ 81,275
Cash payments for claims	<u>(91,191)</u>

Net cash used for operating activities	<u>(9,916)</u>
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Decrease in cash and cash equivalents	(9,916)
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Cash and cash equivalents at beginning of year	<u>99,877</u>
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Cash and cash equivalents at end of year	\$ <u>89,961</u>
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*Reconciliation of Operating Loss to Net Cash Used
for Operating Activities*

Operating loss	\$ <u>(9,916)</u>
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See accompanying notes to the basic financial statements.

**Paint Valley Local School District
 Ross County, Ohio
 Statement of Fiduciary Net Assets – Fiduciary Funds
 June 30, 2012**

	Private Purpose Trust Fund	Agency Fund
Assets -		
Equity in pooled cash and cash equivalents	\$ <u>16,882</u>	<u>36,010</u>
Liabilities -		
Undistributed monies		\$ <u>36,010</u>
Net assets -		
Held in trust for scholarships	\$ <u>16,882</u>	

See accompanying notes to the basic financial statements.

Paint Valley Local School District
Ross County, Ohio
Statement of Changes in Fiduciary Net Assets – Fiduciary Fund
For the Fiscal Year Ended June 30, 2012

	<u>Private Purpose Trust Fund</u>
Additions:	
Gifts and contributions	\$ 6,350
Miscellaneous	<u>7,676</u>
Total additions	14,026
Deductions -	
Payments in accordance with trust agreements	<u>10,719</u>
Total deductions	<u>10,719</u>
Change in net assets	3,307
Net assets at beginning of year	<u>13,575</u>
Net assets at end of year	\$ <u>16,882</u>

See accompanying notes to the basic financial statements.

Paint Valley Local School District
Notes to the Basic Financial Statements
June 30, 2012

(1) Reporting Entity

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

The District was established in 1956 through the consolidation of existing land areas and districts. The District serves an area of approximately 121 square miles. It is located in Ross County, and includes all of the Villages of Bainbridge and Bourneville and portions of Paxton, Paint and Twin Townships. It is staffed by 53 non-certificated employees and 75 certificated full-time teaching personnel who provide services to 1,017 students and other community members. The District currently operates three instructional buildings and a bus garage.

Reporting Entity:

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

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

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

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

The District is associated with three jointly governed organizations: South Central Ohio Computer Association, Pickaway-Ross County Career and Technical Center, and Great Seal Education Network of Tomorrow. The District is also associated with a public entity shared risk servicing pool and an insurance purchasing pool: the Ross County School Employees Insurance Consortium and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 15 and 16 to the basic financial statements.

(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

Paint Valley Local School District
Notes to the Basic Financial Statements, continued
June 30, 2012

(2) Summary of Significant Accounting Policies, continued

governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

Basis of Presentation

The 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 District as a whole. These statements include the financial activities of the primary government, except for the fiduciary funds.

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

Fund Financial Statements

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

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

Governmental Funds

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

Paint Valley Local School District
Notes to the Basic Financial Statements, continued
June 30, 2012

(2) Summary of Significant Accounting Policies, continued

Governmental Funds, continued

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

Permanent Improvement Fund – The Permanent Improvement Fund is used to account for all transactions related to the acquiring, constructing, or improving of such permanent improvements as are authorized by Chapter 5705 of the Ohio Revised Code.

Proprietary Funds

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

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

Fiduciary Funds

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

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

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 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

Paint Valley Local School District
Ross County, Ohio
Notes to the Basic Financial Statements, continued
June 30, 2012

(2) Summary of Significant Accounting Policies, continued

Basis of Accounting, continued

Fund Financial Statements, continued

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.

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

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. Government-wide financial statements and fund financial statements of the proprietary and fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of 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 District, available means expected to be received within sixty days of fiscal year end.

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

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

Deferred 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, 2012, but which were levied to finance fiscal year 2013 operations, have been recorded as deferred revenue. Under the modified accrual basis of

Paint Valley Local School District
Ross County, Ohio
Notes to the Basic Financial Statements, continued
June 30, 2012

(2) Summary of Significant Accounting Policies, continued

Basis of Accounting, continued

Deferred Revenue, continued

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

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The 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.

Budgetary Process

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

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

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

Cash and Investments

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

Paint Valley Local School District
Ross County, Ohio
Notes to the Basic Financial Statements, continued
June 30, 2012

(2) Summary of Significant Accounting Policies, continued

Cash and Investments, continued

During fiscal year 2012, investments were limited to State Treasury Asset Reserve of Ohio (STAR Ohio) and certificates of deposit. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

The District has invested funds in the STAR Ohio during fiscal year 2012. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2012.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive all allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2012 amounted to \$3,882. All other Governmental Funds received \$99.

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 District are considered to be cash equivalents.

Capital Assets

The District's only capital assets are general capital assets. General capital assets are those assets specifically related to governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net 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 District maintains a capitalization threshold of \$5,000. 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, 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
Ross County, Ohio
Notes to the Basic Financial Statements, continued
June 30, 2012

(2) Summary of Significant Accounting Policies, continued

Compensated Absences

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

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

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

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

Accrued Liabilities and Long-Term Liabilities

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However special termination benefits that will be paid from governmental funds are reported as a liability in the fund statements to the extent that they will not be paid with current available expendable financial resources. The entire bonds and capital leases liabilities are reported as a liability in the government-wide financial statements.

Inter-fund Receivables/Payables

On the fund financial statements, receivables and payables resulting from short-term inter-fund loans are classified as "Inter-fund Receivables" and "Inter-fund Payables." These amounts are eliminated in the governmental activities column of the statements of net assets.

Fund Balance Reserves

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

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

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

Paint Valley Local School District
Ross County, Ohio
Notes to the Basic Financial Statements, continued
June 30, 2012

(2) Summary of Significant Accounting Policies, continued

Fund Balance Reserves, continued

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

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

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

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

Inter-fund Transactions

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as inter-fund transfers. Inter-fund 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. Inter-fund transfers between governmental funds are eliminated in the governmental statement of activities.

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.

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 District or through external restrictions imposed by creditors, grantors, or laws or regulation of other

Paint Valley Local School District
Ross County, Ohio
Notes to the Basic Financial Statements, continued
June 30, 2012

(2) Summary of Significant Accounting Policies, continued

Net Assets, continued

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

Of the District's \$1,132,499 in restricted net assets, none is restricted by enabling legislation.

Operating Revenues and Expenses

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

Unamortized Bond Issuance Costs/Bond Premium and Discount

On the government-wide financial statements, bond issuance costs are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Unamortized bond issuance costs are recorded as an asset on the statements of net assets.

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

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

(3) Accountability

At June 30, 2012, the Professional Development, Early Childhood Education, and Education Job Special Revenue Funds had deficit fund balances of \$71, \$7,809, and \$3,954, respectively, which were created by the application of accounting principles generally accepted in the United States of America. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

(4) Budgetary Basis of Accounting

While the District is reporting financial position, results of operations, and changes in fund balances on the basis of accounting principles generally accepted in the United States of America (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis) – General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

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

1. Revenues are recorded when received in cash (Budget Basis) as opposed to when susceptible to accrual (GAAP Basis).

Paint Valley Local School District
Ross County, Ohio
Notes to the Basic Financial Statements, continued
June 30, 2012

(4) Budgetary Basis of Accounting, continued

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

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

Net Change in Fund Balance

	<u>General Fund</u>
GAAP basis	\$ (495,229)
Revenue accruals	212,571
Expenditure accruals	(165,885)
Perspective Difference -	
Activity of funds reclassified	
for GAAP reporting purposes	7,930
Encumbrances	<u>(37,485)</u>
 Budget basis	 \$ <u>(478,098)</u>

(5) Deposits and Investments

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as a principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage

Paint Valley Local School District
Ross County, Ohio
Notes to the Basic Financial Statements, continued
June 30, 2012

(5) Deposits and Investments, continued

Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

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

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public money deposited with the institution.

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

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

Paint Valley Local School District
Ross County, Ohio
Notes to the Basic Financial Statements, continued
June 30, 2012

(5) Deposits and Investments, continued

Cash on Hand

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

Deposits

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

As of June 30, 2012, the District's bank balance of \$670,945 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, 2012, the District had the following investments and maturities:

	<u>Carrying/Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
STAR Ohio	\$ <u>3,722,231</u>	< 1 year
Total investments	\$ <u>3,722,231</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 District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio. The 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 District limits their investments to STAR Ohio and certificates of deposit. Investments in STAR Ohio were rated AAAM by Standard & Poor's.

Concentration of Credit Risk

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

Paint Valley Local School District
Ross County, Ohio
Notes to the Basic Financial Statements, continued
June 30, 2012

(5) Deposits and Investments, continued

Investments, continued

Custodial Credit Risk

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

(6) Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar year 2012 represents collections of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed value listed as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received during calendar year 2012 (other than public utility property tax) represents the collection of 2012 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2012 were levied after April 1, 2011, on the value as of December 31, 2011. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The assessed values upon which fiscal year 2012 taxes were collected are:

	<u>2011 Second- Half Collections</u>		<u>2012 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 80,262,590	94.80%	80,727,720	94.87%
Public utility	4,145,770	4.90%	4,361,810	5.13%
Tangible personal property	<u>255,670</u>	<u>0.30%</u>	<u>-</u>	<u>0.00%</u>
Total assessed value	\$ 84,664,030	100.00%	85,089,530	100.00%
Tax rate per \$1,000 of assessed valuation	\$ 34.70		34.70	

Paint Valley Local School District
Ross County, Ohio
Notes to the Basic Financial Statements, continued
June 30, 2012

(6) Property Taxes, continued

The District receives property taxes from Ross County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2012 are available to finance fiscal year 2012 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, 2012. 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, 2012, was \$153,079 in the General Fund, \$2,713 in the non-major Classroom Facilities Maintenance Special Revenue Fund, \$13,008 in the non-major Debt Service Fund, and \$9,717 in the non-major Permanent Improvement Capital Projects Fund.

(7) Receivables

Receivables at June 30, 2012 consisted of accrued interest, accounts, property taxes, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

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

	<u>Total</u>
General fund	\$ 31,366
Non-major funds:	
Early childhood education	11,207
Special education, Title VI-B	27,455
Title I	85,667
Title II-D	2,349
Education jobs	54,785
Miscellaneous federal grant	2,614
Title II-A	<u>9,597</u>
Total non-major funds	<u>193,674</u>
Total intergovernmental receivable	<u>\$ 225,040</u>

Paint Valley Local School District
Ross County, Ohio
Notes to the Basic Financial Statements, continued
June 30, 2012

(8) Capital Assets

A summary of the changes in capital assets during fiscal year 2012 follows:

	<u>Balance at</u> <u>6/30/2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>6/30/2012</u>
Governmental Activities:				
Capital assets, not being depreciated -				
Land	\$ <u>35,188</u>	<u>-</u>	<u>-</u>	<u>35,188</u>
Capital assets, being depreciated:				
Land improvements	1,121,027	14,950	-	1,135,977
Buildings and building improvements	23,935,369	-	-	23,935,369
Furniture and equipment	1,863,868	21,375	-	1,885,243
Vehicles	1,508,588	-	(267,284)	1,241,304
Infrastructure	109,792	-	-	109,792
Textbooks	<u>357,341</u>	<u>-</u>	<u>-</u>	<u>357,341</u>
Total capital assets, being depreciated	28,895,985	36,325	(267,284)	28,665,026
Accumulated depreciation:				
Land improvements	(548,215)	(45,216)	-	(593,431)
Buildings and building improvements	(8,458,670)	(722,581)	-	(9,181,251)
Furniture and equipment	(931,817)	(160,413)	-	(1,092,230)
Vehicles	(1,132,493)	(60,148)	267,284	(925,357)
Infrastructure	(46,125)	(8,718)	-	(54,843)
Textbooks	<u>(357,341)</u>	<u>-</u>	<u>-</u>	<u>(357,341)</u>
Total accumulated depreciation	(11,474,661)	(997,076)	267,284	(12,204,453)
Total capital assets, being depreciated, net	<u>17,421,324</u>	<u>(960,751)</u>	<u>-</u>	<u>16,460,573</u>
Governmental activities capital assets, net	\$ <u>17,456,512</u>	<u>(960,751)</u>	<u>-</u>	<u>16,495,761</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 693,511
Special	2,631
Vocational	284
Support Services:	
Administration	26,044
Operation and maintenance of plant	111,859
Pupil transportation	65,595
Operation of non-instructional services	8,194
Extracurricular activities	<u>88,958</u>
Total	\$ <u>997,076</u>

Paint Valley Local School District
Ross County, Ohio
Notes to the Basic Financial Statements, continued
June 30, 2012

(9) Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2012, the District contracted with the Ohio School Plan for property, fleet, and liability insurance coverage.

Coverages provided by the Ohio School Plan are as follows:

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

Settled claims have not exceeded this commercial coverage in any of the past three years. For fiscal year 2012, the District reviewed its insurance policies and adjusted certain coverages as it deemed appropriate.

For fiscal year 2012, the District participated in the Ohio School Boards Association Workers Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the GRP. Each participant pays its workers compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the Equity Pooling Fund. This equity pooling arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

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

The District is self-insured for vision and dental insurance through Professional Risk Management. The District determined that no claims were outstanding as of June 30, 2012.

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

	<u>Balance at</u> <u>Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Balance at</u> <u>End of Year</u>
2011	\$ -	88,732	88,732	-
2012	-	91,191	91,191	-

Paint Valley Local School District
Ross County, Ohio
Notes to the Basic Financial Statements, continued
June 30, 2012

(10) Defined Benefit Pension Plans

School Employees Retirement System

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits; annual cost-of-living adjustment; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained on SERS' website, www.ohsers.org, under *Employers/Audit Resources*.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the system. For fiscal year 2012, the allocation to pension and death benefits is 12.70 percent. The remaining 1.30 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's contributions to SERS for the fiscal years ended June 30, 2012, 2011, and 2010 were \$148,793, \$171,797, and \$205,940, respectively; 55 percent has been contributed for fiscal year 2012 and 100 percent for the fiscal years 2011 and 2010. \$60,457 represents the unpaid contribution for fiscal year 2012 and is recorded as a liability within the respective funds.

State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the State or any political subdivision thereof.

Plan Options

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

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

Paint Valley Local School District
Ross County, Ohio
Notes to the Basic Financial Statements, continued
June 30, 2012

(10) Defined Benefit Pension Plans, continued

State Teachers Retirement System, continued

Plan Options, continued

number of years of service credit (including Ohio-valued purchased credit) times the final average salary.

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

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

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

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

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

Paint Valley Local School District
Ross County, Ohio
Notes to the Basic Financial Statements, continued
June 30, 2012

(10) Defined Benefit Pension Plans, continued

State Teachers Retirement System, continued

Plan Options, continued

For the fiscal years ended June 30, 2012, 2011, and 2010, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The District's contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011, and 2010 were \$710,328, \$541,391, and \$559,773, respectively; 84 percent of the required contribution has been made for fiscal year 2012 and 100 percent of the required contribution has been made for fiscal years 2011 and 2010. The unpaid contribution for fiscal year 2012 is \$113,705 and is recorded as a liability within the respective funds.

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

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. The Board's liability is 6.2 percent of wages paid. As of June 30, 2012, no members of the Board of Education had elected Social Security.

(11) Postemployment Benefits

State Teachers Retirement System

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

Under Ohio law, funding for post-employment health care may be deducted from the employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2012, 2011, and 2010. The 14 percent employer contribution rate is the maximum rate established under Ohio law. For the District, these amounts equaled \$50,193, \$45,325, and \$43,218, for fiscal years 2012, 2011, and 2010, respectively, which equaled the required allocation for each year.

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

Paint Valley Local School District
Ross County, Ohio
Notes to the Basic Financial Statements, continued
June 30, 2012

(11) Postemployment Benefits, continued

School Employees Retirement System

Medicare Part B Plan – The Medicare Part B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code Section 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2012 was \$99.90 for most participants, but could be as high as \$319.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal years 2012, 2011, and 2010, the actuarially required allocations were 0.75 percent, 0.76 percent, and 0.76 percent. For the District, contributions for the years ended June 30, 2012, 2011, and 2010, were \$10,939, \$11,242, and \$9,513, which equaled the required contributions for those years.

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

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

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

Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. At June 30, 2012, 2011, and 2010, the health care allocations were 0.55 percent, 1.43 percent, and 0.46 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 2012, 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 District, the amounts assigned to health care, including the surcharge, during the 2012, 2011, and 2010 fiscal years equaled \$33,674, \$33,377, and \$29,362, respectively, which equaled the required allocation for each year.

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

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

Paint Valley Local School District
Ross County, Ohio
Notes to the Basic Financial Statements, continued
June 30, 2012

(12) Employee Benefits

Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 225 days for all personnel. Upon retirement, payment is made for thirty percent of accrued, but unused sick leave credit to a maximum of 60 days.

Life and Accident Insurance

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

Retirement Incentive

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

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

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

Upon proof of retirement, an employee may choose to receive payment within 120 days. Retirement incentive payments are classified as liabilities in the fund financial statements only to the extent they are due for payment during the current year. Payments are classified as "Early Retirement Incentive" in the balance sheet and statement of net assets.

Paint Valley Local School District
Ross County, Ohio
Notes to the Basic Financial Statements, continued
June 30, 2012

(13) Capital Leases – Lessee Disclosure

During 2011 the District entered into a capital lease for copiers. In previous fiscal years, the 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 capital assets acquired by the leases have been capitalized in the statement of net assets for governmental activities in the amount of \$220,144 which is equal to the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded on the statement of net assets for governmental activities. Principal payments in fiscal year 2012 totaled \$37,278 in the governmental funds. The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2012.

Fiscal Year Ending June 30,	<u>Amount</u>
2013	\$ 54,007
2014	49,853
2015	49,853
2016	<u>24,909</u>
Total	178,622
Less amount representing interest	<u>(15,383)</u>
Present value of net minimum lease payments	\$ <u>163,239</u>

(14) Long-Term Obligations

The changes in the District's long-term obligations during fiscal year 2012 were as follows:

	<u>Principal Outstanding 6/30/11</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding 6/30/12</u>	<u>Due in One Year</u>
School Improvement Refunding Bonds					
1% - 3.15%:					
Serial bonds	\$ 1,070,000	-	110,000	960,000	115,000
Capital appreciation bond	45,000	-	-	45,000	-
Accretion	6,026	8,584	-	14,610	-
Premium	50,976	-	5,664	45,312	-
Capital leases	200,517	-	37,278	163,239	46,311
Compensated absences	<u>486,404</u>	<u>603,317</u>	<u>741,633</u>	<u>348,088</u>	<u>72,267</u>
Total long-term obligations	\$ <u>1,858,923</u>	<u>611,901</u>	<u>894,575</u>	<u>1,576,249</u>	<u>233,578</u>

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

Paint Valley Local School District
Ross County, Ohio
Notes to the Basic Financial Statements, continued
June 30, 2012

(14) Long-Term Obligations, continued

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

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

The capital appreciation bonds, issued at \$45,000, are not subject to prior redemption. The capital appreciation bonds will mature in fiscal year 2016. The maturity amount of the capital appreciation bonds is \$120,000. For fiscal year 2012, the capital appreciation bonds were accreted \$8,854. Total accretion as of June 30, 2012 was \$14,610.

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

The District's overall legal debt margin was \$6,846,986 with an unvoted debt margin of \$85,087.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2012, are as follows:

<u>Year</u>	<u>Serial Bonds</u>		<u>Capital</u>	<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Appreciation</u>	
			<u>Principal</u>	
2013	\$ 115,000	22,565	-	137,565
2014	110,000	20,603	-	130,603
2015	115,000	18,353	-	133,353
2016	120,000	16,003	120,000	256,003
2017	120,000	82,402	-	202,402
2018-2021	<u>380,000</u>	<u>38,389</u>	-	<u>418,389</u>
Totals	\$ <u>960,000</u>	<u>198,315</u>	<u>-</u>	<u>1,278,315</u>

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

(15) Jointly Governed Organizations

South Central Ohio Computer Association

The 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

Paint Valley Local School District
Ross County, Ohio
Notes to the Basic Financial Statements, continued
June 30, 2012

(15) Jointly Governed Organizations, continued

South Central Ohio Computer Association, continued

administrative and instructional functions among member 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 District paid SCOCA \$140,970 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.

Great Seal Education Network of Tomorrow

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

(16) Insurance Purchasing Pools

Ross County School Employees Insurance Consortium

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

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

Paint Valley Local School District
Ross County, Ohio
Notes to the Basic Financial Statements, continued
June 30, 2012

(16) Insurance Purchasing Pools, continued

Ohio School Boards Association Workers' Compensation Group Rating Plan

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

(17) Set-Aside Calculations and Fund Reserves

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

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

	Capital Acquisition
Set-aside reserve cash balance as of June 30, 2011	\$ -
Current year set-aside requirement	179,146
Current year offsets	(151,648)
Current year disbursements	(27,498)
Total	-
Set-aside reserve cash balance as of June 30, 2012	\$ <u><u>-</u></u>

The amount presented for Current Year Offset from Bond Proceeds is limited to an amount needed to reduce the reserve for capital improvements to zero. The District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods, which was \$0 at June 30, 2012.

Effective July 1, 2011, the textbook reserve requirement was eliminated; therefore, no balance or other information is presented.

(18) Inter-Fund Activity

During the fiscal year ended June 30, 2012, transfers that resulted from various inter-fund transactions were as follows:

Inter-fund Loans	Transfers In	Transfers Out
Major fund -		
General fund	\$ -	877
Non-major fund -		
Athletic fund	877	-
Total	\$ 877	877

During the year, the District's General Fund made transfers to the Athletic Department Funds to cover expenditures incurred by this fund not covered by fees.

Paint Valley Local School District
Ross County, Ohio
Notes to the Basic Financial Statements, continued
June 30, 2012

(19) Contingencies

Grants

The Auditor of State recently released a report on the statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review did not disclose any problems for the District.

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2012, if applicable, cannot be determined at this time.

Litigation

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

(20) Fund Balances

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

<u>Fund Balances</u>	<u>General</u>	<u>Permanent Improvement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:				
Scholarships	\$ -	-	3,000	3,000
Restricted for:				
Food service operations	-	-	84,474	84,474
Other purposes	-	-	57,634	57,634
Classroom maintenance	-	-	263,261	263,261
Debt services payments	-	-	207,206	207,206
Capital improvements	-	514,635	-	514,635
Total restricted	-	514,635	612,575	1,127,210
Assigned to:				
Other purposes	63,073	-	-	63,073
Unassigned (deficit)	1,986,009	-	(11,834)	1,974,175
Total Fund Balances	\$ 2,049,082	514,635	603,741	3,167,458

Paint Valley Local School District
Ross County, Ohio
Notes to the Basic Financial Statements, continued
June 30, 2012

(21) Subsequent Events

South Central Ohio Computer Association Council of Governments

Effective July 1, 2012, the District is a participant in the South Central Ohio Computer Association Council of Governments (SCOCACoG) which is a computer consortium formerly known as South Central Ohio Computer Association (SCOCA). SCOCACoG is a council of governments providing computer services to its members of public 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 districts.

Subsequent events have been evaluated through February 24, 2013, which is the date the financial statements were available to be issued.

Paint Valley Local School District
Ross County, Ohio
Schedule of Expenditure of Federal Awards
For the Year Ended June 30, 2012

<u>Federal Grantor/Pass Through Grantor/Program Title:</u>	<u>Pass Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>			
Passed through from the Ohio Department of Education:			
Nutrition Cluster:			
National School Lunch Program	3L60	10.555	\$197,669
National School Lunch Program – food commodities	N/A	10.550	13,769
School Breakfast Program	3L70	10.553	<u>82,572</u>
Total U.S. Department of Agriculture			294,010
<u>U.S. Department of Education</u>			
Passed through from the Ohio Department of Education:			
Title I, Part A Cluster:			
Grants to Local Education Agencies	3M00	84.010	326,300
Grants to Local Education Agencies, ARRA	3DK0	84.389	322
Education Jobs Fund	3ET0	84.410	300,200
Special Education Cluster – Individuals with Disabilities Education Act (IDEA):			
Special Education Grants to States	3M20	84.027	231,297
Special Education Grants to States, ARRA	3DJ0	84.391	9,913
Improving Teacher Quality State Grants	3Y60	84.367	57,409
Rural Education Grants	3Y80	84.358	<u>13,813</u>
Total U.S. Department of Education			<u>939,254</u>
Total expenditure of federal awards			\$ <u>1,233,264</u>

Notes to the Schedule of Expenditure of Federal Awards

Note 1: Basis of Presentation

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

Paint Valley Local School District
Ross County, Ohio
Schedule of Expenditure of Federal Awards, continued
For the Year Ended June 30, 2012

Notes to the Schedule of Expenditure of Federal Awards, continued

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized when incurred and in accordance with the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3: Food Commodities

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

Note 4: Subrecipients

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

Wolf, Rogers, Dickey & Co.

Certified Public Accountants

38 South Franklin Street

P. O. Box 352

Delaware, Ohio 43015-0352

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

Board of Education
Paint Valley Local School District
Ross County, Ohio

To the Board of Education:

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Paint Valley Local School District, Ross County, Ohio (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 24, 2013. 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 District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

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

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that we must report under *Government Auditing Standards*.

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

Wolf, Roges, Dukey & Co.
Certified Public Accountants

Delaware, Ohio
February 24, 2013

Wolf, Rogers, Dickey & Co.

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

Board of Education
Paint Valley Local School District
Ross County, Ohio

To the Board of Education:

Compliance

We have audited Paint Valley Local School District's (the District's) compliance with the types of compliance requirements described in *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could directly and materially affect each of the District's major federal programs for the year ended June 30, 2012. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to opine on the District's compliance based on our audit.

Our compliance audit followed 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 compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance

does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, 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.

This report is intended solely for the information and use of management, others within the entity, the Board of Education, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Wolf, Rogers, Dufay & Co.
Certified Public Accountants

Delaware, Ohio
February 24, 2013

Paint Valley Local School District
Ross County, Ohio
Schedule of Findings and Questioned Costs
OMB Circular A-133 §505
For the Year Ended June 30, 2012

I. Summary of Auditors' Results

- a. The auditors' report expresses an unqualified opinion related to financial statements of the District.
- b. No significant deficiencies or material weaknesses were noted during the audit of the financial statements.
- c. No instances of noncompliance material to the financial statements of the District were disclosed during the audit.
- d. No significant deficiencies or material weaknesses in internal control over major Federal award programs were disclosed.
- e. The auditors' report on compliance for the major Federal award programs for the District expresses an unqualified opinion.
- f. There were no reportable audit findings under Section 510(a) of OMB Circular A-133.
- g. Major programs: U.S. Department of Education - Education Jobs Fund , Recovery Act (CFDA #84.410) and Title I, Part A Cluster - Grants to Local Education Agencies (CFDA #84.010, 84.389)
- h. The threshold for distinguishing Type A and Type B programs was \$300,000.
- i. The District was a low-risk auditee.

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

None

III. Federal Award Findings and Questioned Costs

None



Dave Yost • Auditor of State

PAINT VALLEY LOCAL SCHOOL DISTRICT

ROSS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 9, 2013**