

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

**(SINGLE AUDIT)**

**JUNE 30, 2014**





# 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 Maloney + Novotny LLC, for the audit period July 1, 2013 through June 30, 2014. 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 13, 2016

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PAINT VALLEY LOCAL SCHOOL DISTRICT  
ROSS COUNTY, OHIO

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Donald J. Wolf, CPA  
William D. Rogers, CPA  
G. Michael Dickey, CPA

## Independent Auditors' Report

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

To the Board of Education:

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

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Paint Valley Local School District, Ross County, Ohio (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

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

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

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Paint Valley Local School District, Ross County, Ohio as of June 30, 2014, and the respective changes in financial position and cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

## Other Matters

### Required Supplementary Information

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

### Other Information

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

The Schedule of Receipts and Expenditures of Federal Awards (The Schedule), presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the basic financial statements.

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

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2016, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions by laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Delaware, Ohio  
February 21, 2016

PAINT VALLEY LOCAL SCHOOL DISTRICT  
ROSS COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended June 30, 2014

Unaudited

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The Paint Valley Local School District (the "District") discussion and analysis of the annual financial report provides a review of the financial performance for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

- The District's assets exceeded its liabilities and deferred inflows of resources at June 30, 2014 by \$17,239,830.
- The District's net position of governmental activities increased \$181,258.
- General revenues accounted for \$8,975,703 in revenue or 80 percent of all revenues. Program specific revenues in the form of charges for services and sales, operating grants and contributions accounted for \$2,311,111 or 20 percent of total revenues of \$11,286,814.
- The District had \$11,105,556 in expenses related to governmental activities; \$2,311,111 of these expenses was offset by program specific charges for services and sales and operating grants and contributions.

**Using the Basic Financial Statements**

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

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

**Reporting the District as a Whole**

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

PAINT VALLEY LOCAL SCHOOL DISTRICT  
ROSS COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

For the Fiscal Year Ended June 30, 2014

Unaudited

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**Reporting the District as a Whole (Continued)**

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

In the statement of net position and the statement of activities, the District has only one kind of activity.

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

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

FUND FINANCIAL STATEMENTS

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

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

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

PAINT VALLEY LOCAL SCHOOL DISTRICT  
ROSS COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

For the Fiscal Year Ended June 30, 2014

Unaudited

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**Reporting the District's Most Significant Funds (Continued)**

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

PAINT VALLEY LOCAL SCHOOL DISTRICT  
ROSS COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

For the Fiscal Year Ended June 30, 2014

Unaudited

**The District as a Whole**

As stated previously, the statement of net position provides the perspective of the District as a whole. Table 1 provides a summary of the District's net position for 2014 compared to 2013.

	Governmental Activities	
	2014	2013
<b><u>Assets</u></b>		
Current and other assets	\$ 5,568,017	\$ 5,047,982
Capital assets, net	15,514,110	16,037,943
Total assets	\$ 21,082,127	\$ 21,085,925
<b><u>Liabilities</u></b>		
Current and other liabilities	\$ 929,581	\$ 1,130,545
Long-term liabilities	1,178,213	1,308,217
Total liabilities	2,107,794	2,438,762
<b><u>Deferred Inflows of Resources</u></b>		
Property taxes not levied to finance current year operation	1,734,503	1,588,591
Total deferred inflows of resources	1,734,503	1,588,591
<b><u>Net Position</u></b>		
Net investment in capital assets	14,628,227	14,901,367
Restricted	682,457	869,171
Unrestricted	1,929,146	1,288,034
Total net position	\$ 17,239,830	\$ 17,058,572

Total net position of the District as a whole increased \$181,258. Total assets decreased \$3,798. Cash and cash equivalents increased due to a decrease in expenditures. Taxes receivable increased due to an increase in the amounts available for advance. Capital assets decreased as a result of depreciation in excess of additions. Current and other liabilities decreased primarily as a result of decreases in accrued wages and benefits, matured compensated absences payable, and contracts payable. The decrease to long-term liabilities is due to current year principal payments. The increase in deferred inflows of resources is due to increases in property taxes receivable.

PAINT VALLEY LOCAL SCHOOL DISTRICT  
ROSS COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

For the Fiscal Year Ended June 30, 2014

Unaudited

**The District as a Whole (Continued)**

Table 2 shows the changes in net position for the fiscal years ended June 30, 2014 and 2013.

Table 2  
Change in Net Position

	Governmental Activities	
	2014	2013*
<b>REVENUES</b>		
Program Revenues:		
Charges for services and sales	\$ 710,442	\$ 853,904
Operating grants and contributions	1,600,669	1,738,897
Capital grants and contributions	-	25,000
Total program revenues	2,311,111	2,617,801
General Revenues:		
Property taxes	1,912,172	1,796,987
Grants and entitlements, not restricted to specific programs	6,996,484	6,394,677
Gifts and donations, not restricted to specific programs	-	1,350
Investment earnings	718	3,253
Miscellaneous	66,329	46,186
Total general revenues	8,975,703	8,242,453
Total revenues	11,286,814	10,860,254
<b>PROGRAM EXPENSES</b>		
Instruction:		
Regular	4,759,266	5,235,075
Special	1,586,657	1,746,563
Vocational	4,249	2,208
Other	1,084,557	1,169,481
Support Services:		
Pupils	267,402	302,358
Instructional staff	116,268	156,336
Board of Education	162,097	76,382
Administration	463,956	636,687
Fiscal	293,321	341,884
Operation and maintenance of plant	980,514	1,081,947
Pupil transportation	709,296	601,910
Central	-	57,185
Operation of non-instructional services	395,186	388,642
Extracurricular activities	255,291	262,814
Interest and fiscal charges	27,496	34,489
Total expenses	11,105,556	12,093,961
Increase (decrease) in net position	181,258	(1,233,707)
Net position at beginning of year	17,058,572	18,292,279
Net position at end of year	\$ 17,239,830	\$ 17,058,572

PAINT VALLEY LOCAL SCHOOL DISTRICT  
ROSS COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

For the Fiscal Year Ended June 30, 2014

Unaudited

**The District as a Whole (Continued)**

\* Certain reclassifications were made to prior year amounts in order to conform to the 2014 presentation.

Operating grants and contributions decreased due to a decrease in the Title I program receipts. Grants and entitlements not restricted increased due to increased state foundation receipts. Regular instruction and administration expenditures decreased due to a reduction in force by the District which decreased salaries and benefits. Special instruction expenditures decreased due to the decrease in Title I program receipts.

**GOVERNMENTAL ACTIVITIES**

Charges for services and sales comprised 6 percent of revenue for governmental activities, while operating grants and contributions comprised 14 percent of revenue for governmental activities of the District for fiscal year 2014. Property taxes, grants and entitlements not restricted to specific programs also represent significant portions of revenues, comprising 17 percent and 62 percent, respectively.

As indicated by governmental program expenses, instruction is emphasized. Regular instruction comprised 43 percent of governmental program expenses with special instruction comprising 14 percent of governmental expenses. Operation and maintenance of plant support services also represents a significant portion of expenses, comprising 9 percent of total expenses.

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

Table 3  
Total and Net Cost of Program Services

	Governmental Activities			
	2014		2013	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 7,434,729	\$ 5,879,121	\$ 8,153,327	\$ 6,431,560
Support services	2,992,854	2,781,665	3,254,689	2,981,650
Operation of non-instructional services	395,186	52,819	388,642	(26,294)
Extracurricular activities	255,291	53,411	262,814	55,282
Interest and fiscal charges	27,496	27,429	34,489	33,962
<b>Total expenses</b>	<b><u>\$ 11,105,556</u></b>	<b><u>\$ 8,794,445</u></b>	<b><u>\$ 12,093,961</u></b>	<b><u>\$ 9,476,160</u></b>

PAINT VALLEY LOCAL SCHOOL DISTRICT  
ROSS COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended June 30, 2014

Unaudited

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**The District's Funds**

Governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$11,298,799 and expenditures and other financing uses of \$10,717,471. The net change in fund balance for the year was most significant in the General Fund.

The fund balance of the General Fund increased by \$669,052. This increase was due primarily to a decrease to overall expenditures.

**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 2014 there were several revisions to the General Fund budget. In part, these revisions increased estimated revenues by \$408,097 due to increases in estimated intergovernmental revenue. Final appropriations were less than original budgeted numbers due to the District's less 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 \$1,451,997.

**Capital Assets and Debt Administration**

**CAPITAL ASSETS**

At the end of fiscal year 2014 the District had \$15,514,110 invested in its capital assets. Table 4 shows the fiscal year 2014 balances compared to 2013.

Table 4  
Capital Assets  
(Net of Accumulated Depreciation)

	Governmental Activities	
	2014	2013*
Land	\$ 186,696	\$ 186,696
Construction in progress	-	211,000
Land improvements	360,735	409,206
Buildings and building improvements	13,942,369	14,037,636
Furniture and equipment	574,282	667,798
Vehicles	401,890	467,476
Infrastructure	48,138	58,131
Totals	\$ 15,514,110	\$ 16,037,943

PAIN VALLEY LOCAL SCHOOL DISTRICT  
ROSS COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

For the Fiscal Year Ended June 30, 2014

Unaudited

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**Capital Assets and Debt Administration (Continued)**

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

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

**DEBT**

At June 30, 2014 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 \$71,899 and \$780,000, respectively. See Note 14 to the basic financial statements for more detailed information regarding debt.

**Contacting the District's Financial Management**

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

PAINT VALLEY LOCAL SCHOOL DISTRICT  
ROSS COUNTY, OHIO

STATEMENT OF NET POSITION

June 30, 2014

	<u>Governmental Activities</u>
<u>ASSETS</u>	
CURRENT ASSETS	
Equity in pooled cash and cash equivalents	\$ 3,402,867
Accrued interest receivable	25
Accounts receivable	9,428
Intergovernmental receivable	159,921
Taxes receivable	1,995,776
Total current assets	5,568,017
NONCURRENT ASSETS	
Non-depreciable capital assets	186,696
Depreciable capital assets, net	15,327,414
Total noncurrent assets	15,514,110
Total assets	21,082,127
<u>LIABILITIES</u>	
CURRENT LIABILITIES	
Accounts payable	16,337
Accrued wages and benefits	638,679
Accrued interest payable	1,545
Intergovernmental payable	189,841
Matured compensated absences payable	8,179
Claims and judgments payable	75,000
Total current liabilities	929,581
LONG-TERM LIABILITIES	
Due within one year	297,101
Due in more than one year	881,112
Total long-term liabilities	1,178,213
Total liabilities	2,107,794
DEFERRED INFLOWS OF RESOURCES	
Property taxes not levied to finance current year operations	1,734,503
NET POSITION	
Net investment in capital assets	14,628,227
Restricted for debt service	245,942
Restricted for capital outlay	292,779
Restricted for classroom facilities maintenance	105,654
Restricted for other purposes	34,697
Restricted - permanent fund	
Expendable	385
Nonexpendable	3,000
Unrestricted	1,929,146
Total net position	\$ 17,239,830

The accompanying notes are an integral part of these financial statements.

PAINT VALLEY LOCAL SCHOOL DISTRICT  
ROSS COUNTY, OHIO

STATEMENT OF ACTIVITIES

Fiscal Year Ended June 30, 2014

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	
<b>GOVERNMENTAL ACTIVITIES</b>				
<b>Instruction</b>				
Regular	\$ 4,759,266	\$ 248,019	\$ 84,944	\$ (4,426,303)
Special	1,586,657	71,413	1,079,146	(436,098)
Vocational	4,249	261	495	(3,493)
Other	1,084,557	71,330	-	(1,013,227)
<b>Support services</b>				
Pupils	267,402	17,630	-	(249,772)
Instructional staff	116,268	6,355	16,305	(93,608)
Board of Education	162,097	10,687	-	(151,410)
Administration	463,956	29,776	-	(434,180)
Fiscal	293,321	18,900	594	(273,827)
Operation and maintenance of plant	980,514	56,121	12,740	(911,653)
Pupil transportation	709,296	42,081	-	(667,215)
Operation of non-instructional services	395,186	11,901	330,466	(52,819)
Extracurricular activities	255,291	125,901	75,979	(53,411)
Interest and fiscal charges	27,496	67	-	(27,429)
Total governmental activities	<u>\$11,105,556</u>	<u>\$ 710,442</u>	<u>\$ 1,600,669</u>	<u>(8,794,445)</u>
<b>GENERAL REVENUES</b>				
Property taxes levied for:				
General purposes				1,648,436
Permanent improvements				27,199
Classroom facilities maintenance				100,796
Debt service				135,741
Grants and entitlements not restricted to specific programs				6,996,484
Investment earnings				718
Miscellaneous				66,329
Total general revenues				<u>8,975,703</u>
<b>CHANGE IN NET POSITION</b>				181,258
<b>NET POSITION BEGINNING OF YEAR</b>				<u>17,058,572</u>
<b>NET POSITION END OF YEAR</b>				<u>\$ 17,239,830</u>

The accompanying notes are an integral part of these financial statements.

PAINT VALLEY LOCAL SCHOOL DISTRICT  
ROSS COUNTY, OHIO

BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2014

	General	All Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Equity in pooled cash and cash equivalents	\$ 2,652,357	\$ 686,204	\$ 3,338,561
Accrued interest receivable	14	11	25
Accounts receivable	9,428	-	9,428
Interfund receivable	1,059	-	1,059
Intergovernmental receivable	48,618	111,303	159,921
Taxes receivable	1,723,109	272,667	1,995,776
Total assets	<u>\$ 4,434,585</u>	<u>\$ 1,070,185</u>	<u>\$ 5,504,770</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 16,337	\$ -	\$ 16,337
Accrued wages and benefits	538,498	100,181	638,679
Interfund payable	-	1,059	1,059
Intergovernmental payable	155,523	34,318	189,841
Matured compensated absences payable	8,179	-	8,179
Claims and judgements payable	67,000	-	67,000
Total liabilities	<u>785,537</u>	<u>135,558</u>	<u>921,095</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property taxes not levied to finance current year operations	1,497,624	236,879	1,734,503
Unavailable revenue - delinquent taxes	57,280	9,138	66,418
Unavailable revenue - grants	-	34,760	34,760
Total deferred inflows of resources	<u>1,554,904</u>	<u>280,777</u>	<u>1,835,681</u>
<b>FUND BALANCES</b>			
Nonspendable	-	3,000	3,000
Restricted	-	671,587	671,587
Assigned	116,805	-	116,805
Unassigned	1,977,339	(20,737)	1,956,602
Total fund balances	<u>2,094,144</u>	<u>653,850</u>	<u>2,747,994</u>
 Total liabilities, deferred inflows of resources, and fund balances	 <u>\$ 4,434,585</u>	 <u>\$ 1,070,185</u>	 <u>\$ 5,504,770</u>

The accompanying notes are an integral part of these financial statements.

PAINT VALLEY LOCAL SCHOOL DISTRICT  
ROSS COUNTY, OHIO

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET POSITION OF  
GOVERNMENTAL ACTIVITIES

June 30, 2014

TOTAL GOVERNMENTAL BALANCES		\$ 2,747,994
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		15,514,110
Other long-term assets are not available to pay for current period expenditures and therefore are unavailable in the funds.		
Taxes	66,418	
Intergovernmental	<u>34,760</u>	
Total		101,178
An internal service fund is used by management to charge the cost of insurance to individuals. The assets and liabilities of the internal service fund are included in governmental activities in the statements of net position.		56,306
Accrued interest payable on long-term debt is not reported in the funds.		(1,545)
Long-term liabilities, including bonds, accreted debt, premiums, capital lease obligations, and the long-term portion of compensated absences are not due and payable in the current period and therefore are not reported in the funds.		
Capital lease obligations	(71,899)	
Compensated absences	(255,977)	
General obligation refunding serial bonds	(735,000)	
General obligation refunding capital appreciation bonds	(45,000)	
Accreted debt from capital appreciation bonds	(36,353)	
Premium from refunding bonds	<u>(33,984)</u>	
Total		<u>(1,178,213)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES		\$ <u>17,239,830</u>

The accompanying notes are an integral part of these financial statements.

PAINT VALLEY LOCAL SCHOOL DISTRICT  
ROSS COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS

Fiscal Year Ended June 30, 2014

	General	All Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
Property taxes	\$ 1,653,598	\$ 265,008	\$ 1,918,606
Intergovernmental	7,602,054	975,206	8,577,260
Interest	707	11	718
Tuition and fees	581,823	-	581,823
Rent	570	-	570
Extracurricular activities	34,302	81,928	116,230
Gifts and donations	-	1,443	1,443
Customer sales and services	-	11,819	11,819
Miscellaneous	63,780	2,549	66,329
Total revenues	<u>9,936,834</u>	<u>1,337,964</u>	<u>11,274,798</u>
<b>EXPENDITURES</b>			
Current			
Instruction			
Regular	3,805,358	97,469	3,902,827
Special	1,085,731	497,214	1,582,945
Vocational	3,965	-	3,965
Other	1,081,912	-	1,081,912
Support services			
Pupils	266,466	-	266,466
Instructional staff	96,388	18,738	115,126
Board of Education	162,097	-	162,097
Administration	450,099	-	450,099
Fiscal	290,535	6,658	297,193
Operation and maintenance of plant	852,682	14,871	867,553
Pupil transportation	637,725	-	637,725
Operation of non-instructional services	1,247	385,360	386,607
Extracurricular activities	146,685	88,688	235,373
Capital outlay	316,845	210,088	526,933
Debt service			
Principal	45,029	110,000	155,029
Interest and fiscal charges	1,017	20,603	21,620
Total expenditures	<u>9,243,781</u>	<u>1,449,689</u>	<u>10,693,470</u>
Excess of revenues over (under) expenditures	<u>693,053</u>	<u>(111,725)</u>	<u>581,328</u>
<b>OTHER FINANCING SOURCES AND USES</b>			
Transfers in	-	24,001	24,001
Transfers out	(24,001)	-	(24,001)
Total other financing sources and uses	<u>(24,001)</u>	<u>24,001</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	669,052	(87,724)	581,328
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<u>1,425,092</u>	<u>741,574</u>	<u>2,166,666</u>
<b>FUND BALANCES AT END OF YEAR</b>	<u>\$ 2,094,144</u>	<u>\$ 653,850</u>	<u>\$ 2,747,994</u>

The accompanying notes are an integral part of these 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

Fiscal Year Ended June 30, 2014

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS	\$ 581,328
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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	494,458	
Current year depreciation	<u>(1,018,291)</u>	
Total		(523,833)

Revenues in the statement of activities do not provide current  
financial resources and therefore are not reported as revenues  
in the funds.

Taxes	(6,434)	
Intergovernmental	<u>18,450</u>	
Total		12,016

The amortization of premium from the sale of bonds is recorded  
as a reduction of liability in the statement of net position, but  
does not result in an expenditure in the governmental funds.

5,664

Repayment of capital lease obligations are expenditures in the  
governmental funds, but the repayment reduces liabilities in the  
statement of net position and does not result in an expense  
in the statement of activities.

45,029

Repayment of bond principal is an expenditure in the governmental  
funds, but the repayment reduces liabilities in the statement of net  
position and does not result in an expense in the statement of activities.

110,000

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

(18,432)

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.

Increase in compensated absences	(18,974)	
Decrease in interest payable	175	
Increase in accreted debt	<u>(11,715)</u>	
Total		<u>(30,514)</u>

NET CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u>181,258</u>
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The accompanying notes are an integral part of these financial statements.

PAINT VALLEY LOCAL SCHOOL DISTRICT  
ROSS COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET  
AND ACTUAL (BUDGETARY BASIS) – GENERAL FUND

Fiscal Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 9,636,326	\$ 10,044,423	\$ 10,044,423	\$ -
TOTAL EXPENDITURES AND OTHER FINANCING SOURCES	10,538,306	9,494,330	9,494,330	-
NET CHANGE IN FUND BALANCE	(901,980)	550,093	550,093	-
FUND BALANCE AT BEGINNING OF YEAR	844,880	844,880	844,880	-
PRIOR YEAR ENCUMBRANCES APPROPRIATED	57,024	57,024	57,024	-
FUND BALANCE AT END OF YEAR	<u>\$ (76)</u>	<u>\$ 1,451,997</u>	<u>\$ 1,451,997</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

PAINT VALLEY LOCAL SCHOOL DISTRICT  
ROSS COUNTY, OHIO

STATEMENT OF NET POSITION – GOVERNMENTAL ACTIVITIES – INTERNAL SERVICE FUND

June 30, 2014

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	<u>Internal Service Fund</u>
CURRENT ASSETS	
Equity in pooled cash and cash equivalents	\$ 64,306
Total current assets	<u>64,306</u>
CURRENT LIABILITIES	
Claims payable	<u>8,000</u>
Total current liabilities	<u>8,000</u>
NET POSITION	
Unrestricted	<u>56,306</u>
Total net position	<u>\$ 56,306</u>

The accompanying notes are an integral part of these financial statements.

PAINT VALLEY LOCAL SCHOOL DISTRICT  
ROSS COUNTY, OHIO

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION –  
GOVERNMENTAL ACTIVITIES – INTERNAL SERVICE FUND

Fiscal Year Ended June 30, 2014

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	<u>Internal Service Fund</u>
OPERATING REVENUES	
Charges for services	\$ 62,195
Total operating revenues	<u>62,195</u>
OPERATING EXPENSES	
Claims	<u>80,627</u>
Total operating expenses	<u>80,627</u>
CHANGE IN NET POSITION	(18,432)
NET POSITION AT BEGINNING OF YEAR	<u>74,738</u>
NET POSITION AT END OF YEAR	<u>\$ 56,306</u>

The accompanying notes are an integral part of these financial statements.

PAINT VALLEY LOCAL SCHOOL DISTRICT  
ROSS COUNTY, OHIO

STATEMENT OF CASH FLOWS – GOVERNMENTAL ACTIVITIES – INTERNAL SERVICE FUND

Fiscal Year Ended June 30, 2014

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	<u>Internal Service Fund</u>
<u>DECREASE IN CASH AND CASH EQUIVALENTS</u>	
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 62,195
Cash payments for claims	<u>(82,441)</u>
Net cash used for operating activities	<u>(20,246)</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(20,246)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>84,552</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 64,306</u></u>
<u>RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES</u>	
OPERATING LOSS	\$ (18,432)
CHANGES IN LIABILITIES	
Decrease in claims payable	<u>(1,814)</u>
NET CASH USED FOR OPERATING ACTIVITIES	<u><u>\$ (20,246)</u></u>

The accompanying notes are an integral part of these financial statements.

PAINT VALLEY LOCAL SCHOOL DISTRICT  
ROSS COUNTY, OHIO

STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUNDS

June 30, 2014

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	Private Purpose Trust Fund	Agency Fund
ASSETS		
Equity in pooled cash and cash equivalents	<u>\$ 28,145</u>	<u>\$ 36,459</u>
LIABILITIES		
Undistributed monies		<u>\$ 36,459</u>
NET POSITION		
Held in trust for scholarships	<u>\$ 28,145</u>	

The accompanying notes are an integral part of these financial statements.

PAINT VALLEY LOCAL SCHOOL DISTRICT  
ROSS COUNTY, OHIO

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – FIDUCIARY FUND

Fiscal Year Ended June 30, 2014

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	Private Purpose Trust Fund
ADDITIONS	\$ 7,726
Gifts and contributions	<u>6,013</u>
Miscellaneous	13,739
Total additions	
DEDUCTIONS	
Payments in accordance with trust agreements	<u>6,487</u>
Total deductions	<u>6,487</u>
CHANGE IN NET POSITION	7,252
NET POSITION BEGINNING OF YEAR	<u>20,893</u>
NET POSITION END OF YEAR	<u>\$ 28,145</u>

The accompanying notes are an integral part of these financial statements.

PAINT VALLEY LOCAL SCHOOL DISTRICT  
ROSS COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2014

**Note 1. Description of the School District and Reporting Entity**

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

The District was established in 1956 through the consolidation of existing land areas and school districts. The District serves an area of approximately 121 square miles. It is located in Ross County, and includes all of the Villages of Bainbridge and Bourneville and portions of Paxton, Paint and Twin Townships. It is staffed by 32 non-certificated employees and 60 certificated full-time teaching personnel who provide services to 992 students and other community members. The District currently operates 3 instructional buildings and 1 bus garage.

REPORTING ENTITY

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the 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. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria 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

PAINT VALLEY LOCAL SCHOOL DISTRICT  
ROSS COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Fiscal Year Ended June 30, 2014

**Note 1. Description of the School District and Reporting Entity (Continued)**

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

**Note 2. Summary of Significant Accounting Policies**

The financial statements of the Paint Valley Local School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

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

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

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

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

PAINT VALLEY LOCAL SCHOOL DISTRICT  
ROSS COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Fiscal Year Ended June 30, 2014

**Note 2. Summary of Significant Accounting Policies (Continued)**

A. Basis of Presentation – Fund Accounting (Continued) –

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

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

**Proprietary Fund Type** – 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, the internal service fund operating activity is eliminated to avoid overstatement of revenues and expenses.

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

PAIN'T VALLEY LOCAL SCHOOL DISTRICT  
ROSS COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Fiscal Year Ended June 30, 2014

**Note 2. Summary of Significant Accounting Policies (Continued)**

A. Basis of Presentation – Fund Accounting (Continued) –

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.

B. Measurement Focus and Basis of Accounting –

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

Fund Financial Statements – All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, current liabilities and deferred inflows of resources are generally included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs 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.

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

PAINT VALLEY LOCAL SCHOOL DISTRICT  
ROSS COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Fiscal Year Ended June 30, 2014

**Note 2. Summary of Significant Accounting Policies (Continued)**

B. Measurement Focus and Basis of Accounting (Continued) –

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. On an accrual basis, 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 year-end: property taxes available as an advance, interest, tuition, grants, fees and rentals.

DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES

Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expenditures/expenses) until then. The District did not have any deferred outflows as of June 30, 2014. The District also reports a deferred inflow of resources which represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenues) until that time. For the District, deferred inflows of resources include property taxes and intergovernmental receivables which are not collected in the available period. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes delinquent

PAINT VALLEY LOCAL SCHOOL DISTRICT  
ROSS COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Fiscal Year Ended June 30, 2014

**Note 2. Summary of Significant Accounting Policies (Continued)**

**B. Measurement Focus and Basis of Accounting (Continued)–**

**DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES (CONTINUED)**

property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

**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. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

- C. Budgetary Process –**The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the 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 (the Board) may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets 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. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

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.

PAINT VALLEY LOCAL SCHOOL DISTRICT  
ROSS COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Fiscal Year Ended June 30, 2014

**Note 2. Summary of Significant Accounting Policies (Continued)**

- D. Cash and Cash Equivalents – To improve cash management, all cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District’s records. Each fund’s interest in the pool is presented as “Equity in Pooled Cash and Cash Equivalents” on the financial statements.

During fiscal year 2014, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio) and certificates of deposit. Investments in STAR Ohio are reported at fair value which is based on quoted market prices. Investments in nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

The District has invested funds in STAR Ohio during fiscal year 2014. 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, 2014.

Under existing Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2014 amounted to \$707. All other Governmental Funds received \$11.

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

- E. Capital Assets – The District’s only capital assets are general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

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

PAINT VALLEY LOCAL SCHOOL DISTRICT  
ROSS COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Fiscal Year Ended June 30, 2014

**Note 2. Summary of Significant Accounting Policies (Continued)**

E. Capital Assets (Continued) –

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

Description	Estimated Lives
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

F. Compensated Absences – Vacation benefits are accrued as a liability as the benefits are earned if the employees’ rights to receive compensation are attributable to services already rendered and it is probable that the 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.

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent 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 or funds from which the employees who have accumulated the leave are paid.

PAINT VALLEY LOCAL SCHOOL DISTRICT  
ROSS COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Fiscal Year Ended June 30, 2014

**Note 2. Summary of Significant Accounting Policies (Continued)**

- G. **Accrued Liabilities and Long-Term Liabilities** – In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. The entire bond and capital lease obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements when due.
- H. **Interfund Activity** – Exchange transactions between funds are reported as revenues in the seller funds and as expenditures in the purchaser's funds. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Transfers between governmental activities are eliminated in the government-wide financial statement.
- I. **Fund Balance** – Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

**NONSPENDABLE**

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

**RESTRICTED**

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

**COMMITTED**

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

PAINT VALLEY LOCAL SCHOOL DISTRICT  
ROSS COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Fiscal Year Ended June 30, 2014

**Note 2. Summary of Significant Accounting Policies (Continued)**

I. Fund Balance (Continued) –

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, which may be expressed by a motion but need not be passed by formal action, such as a Board Resolution.

UNASSIGNED

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

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

- J. 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.
- K. Interfund Balances – On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “Interfund Receivables” and “Interfund Payables.” These amounts are eliminated in the governmental activities column of the statement of net position.
- L. Net Position – Net position represents the difference between assets and liabilities plus deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is 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 regulations of other governments. Net position restricted for other purposes include operations for food service,

PAINT VALLEY LOCAL SCHOOL DISTRICT  
ROSS COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Fiscal Year Ended June 30, 2014

**Note 2. Summary of Significant Accounting Policies (Continued)**

L. Net Position (Continued) –

extracurricular activities 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 position are available.

Of the District's \$682,457 in restricted net position, none is restricted by enabling legislation.

M. 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.

N. Unamortized Bond Issuance Costs/Bond Premium and Discount – On the government-wide financial statements, bond issuance costs are expensed in the year the costs are incurred.

Bond premiums are deferred and amortized over the term of the bonds. Bond premiums are presented as an addition to the face amount of the bonds. Capital appreciation bond discounts are accreted over the term of the bonds. On the fund financial statements, issuance costs and bond premiums are recognized in the current period.

**Note 3. Accountability**

At June 30, 2014, the Professional Development, Public School Preschool, Title I, and Class Size Reduction Funds, had deficit fund balances of \$455, \$1,362, \$17,058, and \$1,862, respectively, which were created by the application of accounting principles generally accepted in the United States of America. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**Note 4. Budgetary Basis of Accounting**

While the District is reporting its 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 (non-GAAP basis) and actual presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

PAINT VALLEY LOCAL SCHOOL DISTRICT  
ROSS COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Fiscal Year Ended June 30, 2014

**Note 4. Budgetary Basis of Accounting (Continued)**

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a restricted, committed, or assigned fund balance (GAAP).
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 basis statements and budgetary basis statements for the General Fund.

Net Change in Fund Balance

	General Fund
GAAP basis	\$ 669,052
Net adjustment for revenue accruals	158,463
Net adjustment for expenditure accruals	(187,646)
Perspective difference	
Activity of funds reclassified for	
GAAP reporting purposes	2,788
Adjustment for encumbrances	(92,564)
Budget basis	\$ 550,093

PAINT VALLEY LOCAL SCHOOL DISTRICT  
ROSS COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Fiscal Year Ended June 30, 2014

**Note 5. Deposits and Investments**

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

Active deposits are public deposits determined to be necessary to meet current demands upon the District treasury. Active 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 which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than five years from the date of deposit or by savings or deposit accounts including passbook accounts.

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

1. United States Treasury bills, bonds, notes or any other obligation of or security issued by the United States Treasury, or any other obligation guaranteed as to payment of principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations of or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Interim deposits in the eligible institutions applying for interim money as provided in section 135.08 of the Ohio Revised Code;

PAINT VALLEY LOCAL SCHOOL DISTRICT  
ROSS COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Fiscal Year Ended June 30, 2014

**Note 5. Deposits and Investments (Continued)**

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. Commercial paper notes issued by any entity that is defined in division (D) 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 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
9. 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 obligation matures 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 of the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

PAINT VALLEY LOCAL SCHOOL DISTRICT  
ROSS COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Fiscal Year Ended June 30, 2014

**Note 5. Deposits and Investments (Continued)**

Deposits – Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. 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. Although the securities were held by the pledging institutions’ trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

As of June 30, 2014, the District’s bank balance of \$370,149 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, 2014, the District had the following investments and maturities:

	Carrying/Fair Value	Weighted Average Maturity (Years)
STAR Ohio	\$ 3,275,151	< 1 year
Total Investment	\$ 3,275,151	

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 investments to STAR Ohio and certificates of deposit. Investments in STAR Ohio were rated AAAM by Standard & Poor’s. The District has no investment policy.

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The District invests only in investments that are allowable per the Ohio Revised Code. The District has invested 100 percent in STAR Ohio. The District has no investment policy.

PAINT VALLEY LOCAL SCHOOL DISTRICT  
ROSS COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Fiscal Year Ended June 30, 2014

**Note 5. Deposits and 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. The District has no investment policy.

**Note 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 and public utility located in the District. Real property tax revenue received in calendar year 2014 represents collections of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed value listed as of January 1, 2013, 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 in calendar year 2014 represents collections of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien on December 31, 2012, were levied after April 1, 2013, and are collected in 2014 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The assessed values upon which fiscal year 2014 taxes were collected are:

	2013 Second-Half Collections		2014 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and other real estate	\$ 80,960,260	94.83%	\$ 90,098,920	95.18%
Public utility	4,413,450	5.17%	4,563,210	4.82%
Total assessed value	<u>\$ 85,373,710</u>	<u>100.00%</u>	<u>\$ 94,662,130</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$ 34.70		\$ 34.70	

PAINT VALLEY LOCAL SCHOOL DISTRICT  
ROSS COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Fiscal Year Ended June 30, 2014

**Note 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, 2014, are available to finance fiscal year 2014 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, 2014. 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 inflows for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2014, was \$168,205 in the General Fund, \$2,706 in the Non-major Classroom Facilities Maintenance Special Revenue Fund, \$14,249 in the Non-major Debt Service Fund, and \$9,695 in the Non-major Permanent Improvement Capital Projects Fund.

**Note 7. Receivables**

Receivables at June 30, 2014 consisted of accounts, interest, interfund, 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:

	Total
INTERGOVERNMENTAL RECEIVABLE	
General fund	\$ 48,618
Non-major funds	
Public School Preschool	15,276
Title VI-B fund	46,657
Chapter I/Title I fund	37,874
Class Size Reduction fund	8,910
Goals 2000 Grant fund	2,586
Total non-major funds	111,303
Total intergovernmental receivable	\$ 159,921

PAINT VALLEY LOCAL SCHOOL DISTRICT  
ROSS COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Fiscal Year Ended June 30, 2014

**Note 8. Capital Assets**

A summary of the changes in capital assets during fiscal year 2014 follows:

	*Balance at 6/30/2013	Additions	Deletions	Balance at 6/30/2014
<b>GOVERNMENTAL ACTIVITIES</b>				
<b>CAPITAL ASSETS, NOT BEING DEPRECIATED</b>				
Land	\$ 186,696	\$ -	\$ -	\$ 186,696
Construction in progress	211,000	-	(211,000)	-
Total capital assets, not being depreciated	<u>397,696</u>	<u>-</u>	<u>(211,000)</u>	<u>186,696</u>
<b>CAPITAL ASSETS, BEING DEPRECIATED</b>				
Land improvements	1,050,707	-	-	1,050,707
Buildings and building improvements	23,935,369	679,095	-	24,614,464
Furniture and equipment	1,885,243	26,363	-	1,911,606
Vehicles	1,464,678	-	-	1,464,678
Infrastructure	122,542	-	-	122,542
Textbooks	357,341	-	-	357,341
Total capital assets, being depreciated	<u>28,815,880</u>	<u>705,458</u>	<u>-</u>	<u>29,521,338</u>
<b>ACCUMULATED DEPRECIATION</b>				
Land improvements	(641,501)	(48,471)	-	(689,972)
Buildings and building improvements	(9,897,733)	(774,362)	-	(10,672,095)
Furniture and equipment	(1,217,445)	(119,879)	-	(1,337,324)
Vehicles	(997,202)	(65,586)	-	(1,062,788)
Infrastructure	(64,411)	(9,993)	-	(74,404)
Textbooks	(357,341)	-	-	(357,341)
Total accumulated depreciation	<u>(13,175,633)</u>	<u>(1,018,291)</u>	<u>-</u>	<u>(14,193,924)</u>
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET</b>				
	<u>15,640,247</u>	<u>(312,833)</u>	<u>-</u>	<u>15,327,414</u>
<b>GOVERNMENTAL ACTIVITIES</b>				
<b>CAPITAL ASSETS, NET</b>	<u>\$ 16,037,943</u>	<u>\$ (312,833)</u>	<u>\$ (211,000)</u>	<u>\$15,514,110</u>

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

PAINT VALLEY LOCAL SCHOOL DISTRICT  
ROSS COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Fiscal Year Ended June 30, 2014

**Note 8. Capital Assets (Continued)**

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 821,116
Special	2,631
Vocational	284
Support Services:	
Instructional staff	847
Administration	12,328
Operation and maintenance of plant	81,940
Pupil transportation	71,033
Operation of non-instructional services	8,194
Extracurricular activities	19,918
Total depreciation	<u>\$ 1,018,291</u>

**Note 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 2014, 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)	\$ 36,299,593
Automobile Liability (comprehensive and collision - \$1,000 deductible – buses, \$500 deductible – all other automobiles)	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 the fiscal year 2014, the District reviewed its insurance policies and adjusted certain coverages as it deemed appropriate.

For fiscal year 2014, 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 school districts is calculated as one experience and a common premium rate is applied to

PAINT VALLEY LOCAL SCHOOL DISTRICT  
ROSS COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Fiscal Year Ended June 30, 2014

**Note 9. Risk Management (Continued)**

all school districts in the GRP. Each participant pays its workers compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the Equity Pooling Fund. This equity pooling arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement provides administrative, cost control and actuarial services to the GRP.

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

The District is self-insured for vision and dental insurance through Professional Risk Management. The claims liability of \$8,000 reported in the Internal Service Fund as of June 30, 2014 is based upon an estimate made by the Treasurer based upon an analysis of claims paid after fiscal year end.

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

		Balance at Beginning of Year		Current Year Claims		Claims Payments		Balance at End of Year
2013	\$	-	\$	90,883	\$	81,069	\$	9,814
2014		9,814		80,627		82,441		8,000

**Note 10. Defined Benefit Pension Plans**

- A. 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 adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website, at [www.ohsers.org](http://www.ohsers.org), under *Employer/Audit Resources*.

PAINT VALLEY LOCAL SCHOOL DISTRICT  
ROSS COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Fiscal Year Ended June 30, 2014

**Note 10. Defined Benefit Pension Plans (Continued)**

- A. School Employees Retirement System (Continued) - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of their annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of 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 SERS. For fiscal year 2014, the allocation to pension and death benefits is 13.10 percent. The remaining 0.9 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 year ended June 30, 2014, 2013 and 2012 were \$153,533, \$146,615, and \$148,793, respectively; 81 percent has been contributed for fiscal year 2014 and 100 percent for the fiscal years 2013 and 2012. \$37,019 represents the unpaid contribution for fiscal year 2014 and is recorded as a liability within the respective funds.
- B. 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 plan.

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

Plan Options – New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Eligible members who do not make a choice during the reselection period will permanently remain under their current plan.

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Ohio 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

PAINT VALLEY LOCAL SCHOOL DISTRICT  
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Fiscal Year Ended June 30, 2014

**Note 10. Defined Benefit Pension Plans (Continued)**

B. State Teachers Retirement System (Continued) –

DB Plan Benefits (continued) – highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31<sup>st</sup> year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.25%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Ohio 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 the STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

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

PAINT VALLEY LOCAL SCHOOL DISTRICT  
ROSS COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Fiscal Year Ended June 30, 2014

**Note 10. Defined Benefit Pension Plans (Continued)**

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

A DB or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries. 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 14% for members and 14% for employers.

For the fiscal year ended June 30, 2014, plan members were required to contribute 11% of their annual covered salaries. For fiscal years 2013 and 2012, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was allocated for pension benefits.

The District's contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013, and 2012 were \$296,320, \$584,284, and \$710,328, respectively; 82 percent of the required contribution has been made for fiscal year 2014 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, OH 43215-3771 or by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

- C. Social Security System – Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2014, no members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

PAINT VALLEY LOCAL SCHOOL DISTRICT  
ROSS COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Fiscal Year Ended June 30, 2014

**Note 11. Postemployment Benefits**

- A. State Teachers Retirement System – STRS Ohio administers a pension plan that is comprised of: a Defined Benefit Plan; a self-directed Defined Contribution Plan; and a Combined Plan, which is a hybrid of the Defined Benefit and Defined Contribution Plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Pursuant to 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.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting [www.strsoh.org](http://www.strsoh.org) or by requesting a copy by calling toll free (888) 227-7877. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2014, 2013 and 2012. The 14 percent employer contribution rate is the maximum rate established under Ohio law. For the District, these amounts equaled \$36,680, \$43,493, and \$50,193, for fiscal years 2014, 2013, and 2012, respectively, which equaled the required allocation for each year.

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

Medicare Part B Plan – The Medicare Part B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 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 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50 if they participated in one of SERS' health care plans.

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 2014, 2013, and 2012, the actuarially required allocations were 0.76 percent, 0.74 percent, and 0.75 percent, respectively. For the District, contributions for the years ended June 30, 2014, 2013, and 2012, were \$11,890, \$11,063, and \$10,939, which equaled the required contributions for those years.

PAINT VALLEY LOCAL SCHOOL DISTRICT  
ROSS COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Fiscal Year Ended June 30, 2014

**Note 11. Postemployment Benefits (Continued)**

B. School Employee Retirement System (Continued) –

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

The Ohio Revised Code provides the statutory authority to fund SERS' 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, 2014, 2013, and 2012, the health care allocations were 0.14 percent, 0.16 percent, and 0.55 percent. 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 2014, the minimum compensation level was established at \$20,250. 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 2014, 2013, and 2012 fiscal years equaled \$17,725, \$15,484, and \$33,674, 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 B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained on SERS website at [www.ohsers.org](http://www.ohsers.org) under *Employers/Audit Resources*.

PAINT VALLEY LOCAL SCHOOL DISTRICT  
ROSS COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Fiscal Year Ended June 30, 2014

**Note 12. Employee Benefits**

- A. **Compensated Absences** – The criteria for determining vacation and sick leave benefits 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 and hours worked. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 225 days for all personnel. Upon retirement, payment is made for thirty percent of accrued, but unused sick leave credit to a maximum of 60 days.
- B. **Life and Accident Insurance** – The District provides life insurance and accidental death and dismemberment insurance to most employees through The Hartford Insurance Company.
- C. **Medical and Surgery** – The District has elected to provide employee medical/surgical benefits 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.
- D. **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:

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

PAINT VALLEY LOCAL SCHOOL DISTRICT  
ROSS COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Fiscal Year Ended June 30, 2014

**Note 12. Employee Benefits (Continued)**

- D. Retirement Incentive (Continued) – Upon proof of retirement, an employee may choose to receive payment within 120 days. Retirement incentive payments are classified as liabilities in the fund financial statements only to the extent they are due for payment during the current year. Payments are classified as “Early Retirement Incentive” on the balance sheet and statement of net position. There was no liability as of June 30, 2014.

**Note 13. Capital Leases – Lessee Disclosure**

In previous fiscal years, the District entered into capital lease obligations for copiers, equipment and furniture and fixtures. These leases meet the criteria of capital leases, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. 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 position for governmental activities in the amount of \$220,144 which is equal to the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded on the statement of net position for governmental activities. Principal payments in fiscal year 2014 totaled \$45,029 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, 2014.

Fiscal Year Ending June 30,	Amount
2015	\$ 49,853
2016	<u>24,909</u>
Total	74,762
Less amount representing interest	<u>(2,863)</u>
Present value of net minimum lease payments	<u><u>\$ 71,899</u></u>

PAINT VALLEY LOCAL SCHOOL DISTRICT  
ROSS COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Fiscal Year Ended June 30, 2014

**Note 14. Long-Term Obligations**

The changes in the District's long-term obligations during fiscal year 2014 were as follows:

	Principal Outstanding 06/30/13	Additions	Deductions	Principal Outstanding 06/30/14	Due in One Year
<b>SCHOOL IMPROVEMENT</b>					
Refunding bonds 1%-3.15%					
Serial bonds	\$ 845,000	\$ -	\$ 110,000	\$ 735,000	\$ 115,000
Capital appreciation bond	45,000	-	-	45,000	-
Accretion	24,638	11,715	-	36,353	-
Premium	39,648	-	5,664	33,984	-
<b>CAPITAL LEASES</b>	116,928	-	45,029	71,899	47,333
<b>COMPENSATED ABSENCES</b>	237,003	535,615	516,641	255,977	134,768
<b>Total long-term obligations</b>	<u>\$ 1,308,217</u>	<u>\$ 547,330</u>	<u>\$ 677,334</u>	<u>\$ 1,178,213</u>	<u>\$ 297,101</u>

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

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

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

PAINT VALLEY LOCAL SCHOOL DISTRICT  
ROSS COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Fiscal Year Ended June 30, 2014

**Note 14. Long-Term Obligations (Continued)**

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 2014, the capital appreciation bonds were accreted \$11,715. Total accretion as of June 30, 2014 was \$36,353.

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 \$7,966,486 with an unvoted debt margin of \$94,662.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2014, are as follows:

Year	Serial Bonds		Capital Appreciation	Total
	Principal	Interest	Principal	
2015	\$ 115,000	\$ 18,353	\$ -	\$ 133,353
2016	120,000	16,002	-	136,002
2017	120,000	89,803	120,000	329,803
2018	120,000	13,182	-	133,182
2019	130,000	9,762	-	139,762
2020-2021	130,000	8,046	-	138,046
Totals	<u>\$ 735,000</u>	<u>\$ 155,148</u>	<u>\$ 120,000</u>	<u>\$ 1,010,148</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.

**Note 15. Jointly Governed Organizations**

*South Central Ohio Computer Association Council of Governments* – The District is a participant in the South Central Ohio Computer Association Council of Governments (SCOCA COG) which is an information technology center. SCOCA COG is a council of governments providing information technology services to 59 public education entities, 60 non-public education entities, and public libraries from 24 Ohio counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA COG consists of two representatives from each county elected by majority vote of all charter member school districts within each county, two treasurers elected by majority vote of all charter member school districts, and one representative from the fiscal agent. The District paid SCOCA COG \$153,798 for services provided

PAINT VALLEY LOCAL SCHOOL DISTRICT  
ROSS COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Fiscal Year Ended June 30, 2014

**Note 15. Jointly Governed Organizations (Continued)**

during the year. Financial information for SCOCA COG can be obtained from Sandee Benson, P.O. Box 596, 175 Beaver Creek, Suite 2, 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 school districts, two educational service centers and the Ohio University-Chillicothe Campus for the purpose of promoting the use of advanced telecommunications and technology to provide enhanced educational opportunities to the communities of Ross and Pickaway Counties. The Council is operated under the direction of a Board of Directors consisting of one representative (the superintendent or another person appointed by the board of education) of each of the members. The Council possesses 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.

**Note 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 school districts within Ross County and its surrounding area have entered into an agreement with the Ross-Pike Educational Service District to form the Ross County School Employees Insurance Consortium. The overall objectives of the Consortium are to formulate and administer a program of medical and dental insurance for the benefit of the Consortium members’ employees and their dependents, to obtain lower costs for insurance coverage, and to secure cost control by implementing a program of comprehensive loss control. The Consortium’s business and affairs are managed by a Council consisting of one representative for each participating school. The participating school districts pay an administrative fee to the fiscal agent to cover the costs of administering the Consortium.

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

PAINT VALLEY LOCAL SCHOOL DISTRICT  
ROSS COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Fiscal Year Ended June 30, 2014

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

**Note 17. Set-Aside Calculations and Fund Reserves**

The District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the acquisition or construction of capital improvements. Amounts not spent by the 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 or capital acquisition. Disclosure of this information is required by State statute.

			Capital Acquisition
Set-aside reserve cash balance as of June 30, 2013	\$		-
Current year set-aside requirement			164,258
Current year offsets			(164,258)
Total			-
Set-aside reserve cash balance as of June 30, 2014	\$		-

**Note 18. Contingencies**

- A. Grants – The District received financial assistance from Federal and State agencies in the form of grants. The expenditure funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2014, if applicable, cannot be determined at this time.
  
- B. Litigation – The District is party to legal proceedings. The District is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of the District.

PAINT VALLEY LOCAL SCHOOL DISTRICT  
ROSS COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Fiscal Year Ended June 30, 2014

**Note 19. Fund Balances**

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

Fund Balances	General	Nonmajor Governmental Funds	Total Governmental Funds
<b>NONSPENDABLE</b>			
Scholarships	\$ -	\$ 3,000	\$ 3,000
<b>RESTRICTED FOR</b>			
Other purposes	-	36,350	36,350
Classroom maintenance	-	104,713	104,713
Debt services payments	-	241,143	241,143
Capital improvements	-	289,381	289,381
Total restricted	-	671,587	671,587
<b>ASSIGNED TO</b>			
Other purposes	116,805	-	116,805
<b>UNASSIGNED (DEFICIT)</b>			
	1,977,339	(20,737)	1,956,602
Total fund balances	\$2,094,144	\$ 653,850	\$ 2,747,994

**Note 20. Interfund Activity**

As of June 30, 2014, receivables and payables that resulted from various interfund transactions were as follows:

	Interfund Receivable	Interfund Payable
<b>MAJOR FUND</b>		
General Fund	\$ 1,059	\$ -
<b>SPECIAL REVENUE FUND, NON-MAJOR</b>		
Title I	-	1,059
Total all funds	\$ 1,059	\$ 1,059

During the year, the District's General Fund made advances to the Title I fund in order to prevent a negative cash balance. This advance is expected to be repaid during fiscal year 2015.

PAINT VALLEY LOCAL SCHOOL DISTRICT  
ROSS COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Fiscal Year Ended June 30, 2014

**Note 20. Interfund Activity (Continued)**

As of June 30, 2014, interfund transfers were as follows:

	<u>Transfer To</u>	<u>Transfer From</u>
MAJOR FUND		
General Fund	\$ -	\$ 24,001
NON-MAJOR FUND		
Athletic	24,001	-
Total all funds	\$ 24,001	\$ 24,001

The Athletic Fund received a transfer in from the General Fund in order to purchase athletic equipment for the students of the District.

**Note 21. Changes in Accounting Principles**

For 2014, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 66, "Technical Corrections – 2012 – An Amendment of GASB Statements No. 10 and No. 62," GASB Statement No. 69, "Government Combinations and Disposals of Government Operations," and GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees."

Statement No. 66 resolves conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

The Statements amend Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. As a result, governments should base their decisions about fund type classification on the nature of the activity to be reported, as required in Statement 54 and Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

This Statement also amends Statement 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes clarify how to apply Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, and result in guidance that is consistent with the requirements in Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, respectively.

PAINT VALLEY LOCAL SCHOOL DISTRICT  
ROSS COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Fiscal Year Ended June 30, 2014

**Note 21. Changes in Accounting Principles (Continued)**

Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term *government combinations* includes a variety of transactions referred to as mergers, and transfers of operations.

Statement No. 70 improves accounting and financial reporting by state and local governments that extend and receive non exchange financial guarantees. This statement requires a government that extends a non exchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee.

The implementation of GASB Statements No. 66, 69, and 70 had no effect on the financial statements.

**Note 22. Subsequent Events**

Subsequent events have been evaluated through February 21, 2016, which is the date the financial statements were available to be issued.

PAINT VALLEY LOCAL SCHOOL DISTRICT  
ROSS COUNTY, OHIO

SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2014

FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE:	<u>Pass Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Federal Receipts</u>	<u>Federal Expenditures</u>
U.S. DEPARTMENT OF AGRICULTURE				
Passed through from the Ohio Department of Education:				
Nutrition Cluster:				
National school lunch program	3L60	10.555	\$ 221,817	\$ 221,817
National school lunch program-food commodities	N/A	10.550	11,744	11,744
School breakfast program	3L70	10.553	73,835	73,835
Total U.S. Department of Agriculture			307,396	307,396
U.S. DEPARTMENT OF EDUCATION				
Passed through from the Ohio Department of Education:				
Title I, Part A-				
Grants to local education agencies	3M00	84.010	215,821	216,328
Special Education cluster - Individuals with Disabilities Education Act (IDEA) -				
Special Education grants to states	3M20	84.027	188,612	193,396
Improving teacher quality state grants	3Y60	84.367	59,044	59,173
Rural education grants	3Y80	84.358	15,638	16,758
Total U.S. Department of Education			479,115	485,655
Totals			\$ 786,511	\$ 793,051

NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS

**Note 1. Basis of Presentation**

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

PAIN VALLEY LOCAL SCHOOL DISTRICT  
ROSS COUNTY, OHIO

SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2014

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NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
(CONTINUED)

**Note 2. Summary of Significant Accounting Policies**

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

**Note 3. Child Nutrition Cluster**

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

**Note 4. Food Donation Program**

The District reports commodities consumed on the Schedule at the fair value. The District allocated donated food commodities to the respective program(s) that benefit from the use of those donated food commodities.

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Board of Education

We have audited, in accordance with auditing standards generally accepted in the United States of America and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Paint Valley Local School District, Ross County, Ohio (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 21, 2016.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

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

PURPOSE OF THIS REPORT

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



Delaware, Ohio  
February 21, 2016

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Donald J. Wolf, CPA  
William D. Rogers, CPA  
G. Michael Dickey, CPA

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Education:

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited Paint Valley Local School District's (the District), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the District's major Federal programs for the year ended June 30, 2014. The *Summary of Audit Results* in the accompanying Schedule of Findings identifies the District's major federal programs.

MANAGEMENT'S RESPONSIBILITY

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

AUDITOR'S RESPONSIBILITY

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

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

## OPINION ON THE MAJOR FEDERAL PROGRAMS

In our opinion, the District complied, in all material respects with the compliance requirements referred to above that could directly and materially affects its major Federal programs for the year ended June 30, 2014.

## REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

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

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



PAIN'T VALLEY LOCAL SCHOOL DISTRICT  
ROSS COUNTY, OHIO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OMB CIRCULAR A-133 §505

For the Year Ended June 30, 2014

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I. Summary of Auditors' Results

- a. The auditors' report expresses an unqualified opinion related to financial statements of the District.
- b. No significant deficiencies or material weaknesses were noted during the audit of the financial statements.
- c. No instances of noncompliance material to the financial statements of the District were disclosed during the audit.
- d. No significant deficiencies or material weaknesses in internal control over major Federal award programs were disclosed.
- e. The auditors' report on compliance for the major Federal award programs for the District expresses an unqualified opinion.
- f. There were no reportable audit findings under Section 510(a) of OMB Circular A-133.
- g. Major programs: U.S. Department of Agriculture – Childhood Nutrition Cluster (CFDA numbers 10.550, 10.553 and 10.555) and U.S. Department of Education – Title I (CFDA number 84.010)
- h. The threshold for distinguishing Type A and Type B programs was \$300,000.
- i. The School District was not 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

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# 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  
APRIL 26, 2016**