

Paint Valley Local School District
Ross County
Single Audit
For the Fiscal Year Ended June 30, 2016



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Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Paint Valley Local School District, Ross County, prepared by Millhuff-Stang, CPA, Inc., for the audit period July 1, 2015 through June 30, 2016. 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.

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Dave Yost
Auditor of State

May 2, 2017

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Paint Valley Local School District
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For the Fiscal Year Ended June 30, 2016

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Paint Valley Local School District, Ross County, Ohio (the School District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Paint Valley Local School District, Ross County, Ohio, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows and the budgetary comparison for the General Fund thereof for the year then ended in accordance with 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 that the Management's Discussion and Analysis, the Schedule of the School District's Proportionate Share of the Net Pension Liability, and the Schedule of School District Contributions on pages 4 through 11, 56 through 57, and 58 through 59, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

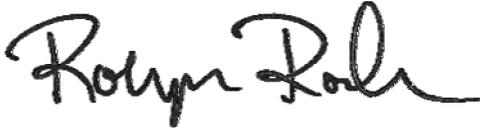
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The Schedule of Federal Awards Expenditures, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Federal Awards Expenditures is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Federal Awards Expenditures is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2017 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion 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 School District's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "Robyn Roush". The signature is written in a cursive, flowing style.

Robyn Roush, CPA, CITP
Vice-President/Owner
Millhuff-Stang, CPA, Inc.
Chillicothe, Ohio

January 25, 2017

Paint Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Paint Valley Local School District (the "School District") discussion and analysis of the annual financial report provides a review of the financial performance for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- The School District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at June 30, 2016 by \$5,498,494.
- The School District's net position of governmental activities decreased \$105,512.
- General revenues accounted for \$8,857,720 in revenue or 79 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,348,329 or 21 percent of total revenues of \$11,206,049.
- The School District had \$11,311,561 in expenses related to governmental activities; \$2,348,329 of these expenses was offset by program specific charges for services and sales and operating grants and contributions.

USING THIS ANNUAL FINANCIAL REPORT

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

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

REPORTING THE SCHOOL DISTRICT AS A WHOLE

The analysis of the School District as a whole begins with the Statement of Net Position and the Statement of Activities. These statements provide information that will help the reader to determine whether the School District is financially improving or declining as a result of the year's financial activities. These statements include all assets, 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
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)

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

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

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

REPORTING THE SCHOOL DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The analysis of the School District's funds begins on page 9. Fund financial statements provide detailed information about the School District's major funds – not the School District as a whole. Some funds are required by State law and bond covenants. Other funds may be established by the Treasurer with approval from the Board to help control, manage and report money received for a particular purpose or to show that the School District is meeting legal responsibilities for use of grants. The School District's major funds are the General Fund and the Permanent Improvement Fund.

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

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

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

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

Paint Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)

THE SCHOOL DISTRICT AS A WHOLE

As stated previously, the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2016 compared to 2015.

Table 1
Net Position

	2016	2015
Assets:		
Current and Other Assets	\$ 6,999,046	\$ 5,864,228
Capital Assets, Net	14,138,683	14,674,650
Total Assets	21,137,729	20,538,878
Deferred Outflows of Resources:		
Pensions	1,441,221	864,558
Total Deferred Outflows of Resources	1,441,221	864,558
Liabilities:		
Current and Other Liabilities	834,224	788,160
Long-Term Liabilities:		
Due Within One Year	151,038	217,374
Due in More than One Year:		
Net Pension Liabilities	11,803,543	10,355,125
Other Amounts	1,748,645	792,441
Total Liabilities	14,537,450	12,153,100
Deferred Inflows of Resources:		
Pensions	991,559	1,943,826
Property Taxes not Levied to Finance the Current Year	1,551,447	1,702,504
Total Deferred Inflows of Resources	2,543,006	3,646,330
Net Position:		
Net Investment in Capital Assets	13,414,873	13,956,764
Restricted	490,349	652,649
Unrestricted (Deficit)	(8,406,728)	(9,005,407)
Total Net Position	\$ 5,498,494	\$ 5,604,006

Many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the standards required by GASB 68, the net pension liability equals the School District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

Paint Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)

GASB notes that pension obligations, whether funded or unfunded, are part of the “employment exchange” – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer’s promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the School District’s statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan’s *change* in net pension liability not accounted for as deferred inflows/outflows.

Total net position of the School District as a whole decreased \$105,512. The increase to current and other assets is primarily due to an increase in cash with the School District at fiscal year-end due to cash received from the issuance of bonds at year end. Capital assets, net decreased due to current year depreciation expense and deletions, which were partially offset by current year additions. Deferred outflows of resources increased due to pension activity.

Long-term liabilities increased primarily due to net pension liabilities and the issuance of energy conservation bonds, which were partially offset by principal payments on debt obligations.

Deferred inflows of resources decreased due primarily to pension activity.

Paint Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)

Table 2 shows the changes in net position for the fiscal years ended June 30, 2016 and 2015.

Table 2
Change in Net Position

	Governmental Activities	
	2016	2015
Revenues		
Program Revenues:		
Charges for Services and Sales	\$ 788,167	\$ 689,152
Operating Grants & Contributions	1,560,162	1,668,794
Total Program Revenues	<u>2,348,329</u>	<u>2,357,946</u>
General Revenues:		
Property Taxes	2,072,602	1,937,364
Grants and Entitlements, Not Restricted to Specific Programs	6,724,218	6,536,870
Gifts and Donations, Not Restricted to Specific Programs	-	35,628
Investment Earnings	12,664	2,040
Miscellaneous	48,236	29,003
Total General Revenues	<u>8,857,720</u>	<u>8,540,905</u>
Total Revenues	11,206,049	10,898,851
Program Expenses		
Instruction		
Regular	4,676,420	4,843,911
Special	1,771,250	1,622,015
Vocational	5,341	3,349
Other	1,058,133	1,007,118
Support Services		
Pupils	337,234	343,521
Instructional Staff	159,015	118,302
Board of Education	121,451	121,737
Administration	510,931	432,033
Fiscal	314,811	287,731
Operation and Maintenance of Plant	920,370	947,288
Pupil Transportation	642,059	539,921
Central	81,345	8,442
Operation of Non-Instructional Services	397,904	341,476
Extracurricular Activities	260,729	255,937
Interest and Fiscal Charges	33,730	28,712
Issuance Costs	20,838	-
Total Expenses	<u>11,311,561</u>	<u>10,901,493</u>
Change in Net Position	(105,512)	(2,642)
Net Position at Beginning of Year	5,604,006	5,606,648
Net Position at End of Year	<u>\$ 5,498,494</u>	<u>\$ 5,604,006</u>

Paint Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)

Governmental Activities

Grants and Entitlements not restricted increased due to an increase in state foundation receipts for capacity aid, which was offset by a decrease in economic disadvantaged funding. Charges for Services and Sales increased as a result of increased tuition and fees. Operating Grants and Contributions decreased due to a decrease in Title I. Regular instruction expenditures decreased due to additional instructional materials purchased in the prior year. Pupil Transportation increased as a result of maintenance. Central increased as a result of a change in the School District's coding for certain payments.

Charges for services and sales comprised 7 percent of revenue for governmental activities, while operating grants and contributions comprised 14 percent of revenue for governmental activities of the School District for fiscal year 2016. Property taxes and grants and entitlements, not restricted to specific programs also represent significant portions of revenues, comprising 18 percent and 60 percent, respectively.

As indicated by governmental program expenses, instruction is emphasized. Regular instruction comprised 41 percent of governmental program expenses with special instruction comprising 16 percent of governmental expenses. Operation and maintenance of plant support services also represents a significant portion of expenses, comprising 8 percent of total expenses.

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

Table 3
 Total and Net Cost of Program Services
 Governmental Activities

	2016		2015	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 7,511,144	\$ 5,943,825	\$ 7,476,393	\$ 5,866,579
Support Services	3,087,216	2,818,385	2,798,975	2,567,472
Operation of Non-Instructional Services	397,904	81,063	341,476	37,809
Extracurricular Activities	260,729	65,796	255,937	43,137
Interest and Fiscal Charges and Issuance Costs	54,568	54,163	28,712	28,550
Total Expenses	\$ 11,311,561	\$ 8,963,232	\$ 10,901,493	\$ 8,543,547

THE SCHOOL DISTRICT'S FUNDS

Governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$12,183,484 and expenditures and other financing uses of \$11,023,686. The net change in fund balance for the year was most significant in the Permanent Improvement Fund.

The fund balance of the General Fund increased by \$604,830. This increase was due primarily to an increase to property taxes, intergovernmental and tuition and fees revenue. The fund balance of the Permanent Improvement fund increased \$642,922. This increase was due primarily to the proceeds received from the issuance of energy conservation bonds.

Paint Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)

General Fund Budgeting Highlights

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

During 2016 there were several revisions to the General Fund budget. Actual revenues were higher than final estimated numbers due to additional intergovernmental and property tax revenues received. Final appropriations were less than original budgeted numbers due to the School District's less than expected expenditures for salaries and benefits and other uses of funds. 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 \$3,332,132.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2016 the School District had \$14,138,683 invested in its capital assets. Table 4 shows the fiscal year 2016 balances compared to 2015.

Table 4
 Capital Assets
 (Net of Accumulated Depreciation)

	Governmental Activities	
	2016	2015
Land	\$ 186,696	\$ 186,696
Construction in Progress	40,346	-
Land Improvements	367,493	328,089
Buildings and Building Improvements	12,423,583	13,196,488
Furniture and Equipment	632,313	583,129
Vehicles	454,145	342,103
Infrastructure	34,107	38,145
	\$ 14,138,683	\$ 14,674,650
Totals		

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

Paint Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)

Debt

At June 30, 2016 the School District had one outstanding capital lease, an outstanding refunding bond, and an outstanding energy conservation bond. The capital lease is for copiers. The refunding bond was for the purpose of refunding the School District loan through the Ohio School Facilities Commission. The outstanding energy conservation bond is for the purpose of energy conservation measures throughout the School District. The outstanding capital lease, refunding bond amounts, and energy conservation bond (excluding premium and accretion) totaled \$115,901, \$545,000, and \$845,000 respectively. See Note 14 to the basic financial statements for more detailed information regarding debt.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

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

Paint Valley Local School District
Statement of Net Position
June 30, 2016

	Governmental Activities
Assets	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 4,810,257
Accrued Interest Receivable	11
Accounts Receivable	12,021
Intergovernmental Receivable	210,753
Taxes Receivable	1,966,004
Noncurrent Assets:	
Nondepreciable Capital Assets	227,042
Depreciable Capital Assets, Net	13,911,641
<i>Total Assets</i>	21,137,729
Deferred Outflows of Resources	
Pension:	
State Teachers Retirement System	1,150,494
School Employees Retirement System	290,727
<i>Total Deferred Outflows of Resources</i>	1,441,221
Liabilities	
Current Liabilities:	
Accounts Payable	55,111
Accrued Wages and Benefits Payable	643,088
Intergovernmental Payable	127,245
Accrued Interest Payable	3,084
Claims Payable	5,696
Noncurrent Liabilities:	
Due Within One Year	151,038
Due in More Than One Year	
Net Pension Liability (See Note 10)	11,803,543
Other Amounts Due in More Than One Year	1,748,645
<i>Total Liabilities</i>	14,537,450
Deferred Inflows of Resources	
Pensions:	
State Teachers Retirement System	774,980
School Employees Retirement System	216,579
Property Taxes not Levied to Finance Current Year Operations	1,551,447
<i>Total Deferred Inflows of Resources</i>	2,543,006
Net Position	
Net Investment in Capital Assets	13,414,873
Restricted for:	
Debt Service	225,713
Capital Outlay	107,520
Classroom Facilities Maintenance	126,376
Other Purposes	27,528
Restricted - Permanent	
Expendable	212
Nonexpendable	3,000
Unrestricted (Deficit)	(8,406,728)
<i>Total Net Position</i>	\$ 5,498,494

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

Paint Valley Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2016

		Program Revenues		
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position	
Governmental Activities:				
Instruction:				
Regular	\$ 4,676,420	\$ 265,264	\$ 82,177	\$ (4,328,979)
Special	1,771,250	81,043	1,059,303	(630,904)
Vocational	5,341	361	3,776	(1,204)
Other	1,058,133	75,395	-	(982,738)
Support Services:				
Pupils	337,234	24,056	-	(313,178)
Instructional Staff	159,015	8,990	25,904	(124,121)
Board of Education	121,451	8,664	-	(112,787)
Administration	510,931	36,203	-	(474,728)
Fiscal	314,811	21,925	572	(292,314)
Operation and Maintenance of Plant	920,370	56,127	40,528	(823,715)
Pupil Transportation	642,059	40,059	-	(602,000)
Central	81,345	5,803	-	(75,542)
Operation of Non-Instructional Services	397,904	49,008	267,833	(81,063)
Extracurricular Activities	260,729	114,864	80,069	(65,796)
Interest and Fiscal Charges	33,730	405	-	(33,325)
Issuance Costs	20,838	-	-	(20,838)
<i>Total Governmental Activities</i>	<u>\$ 11,311,561</u>	<u>\$ 788,167</u>	<u>\$ 1,560,162</u>	<u>(8,963,232)</u>
General Revenues:				
Property Taxes Levied for:				
General Purposes				1,827,830
Permanent Improvements				108,533
Classroom Facilities Maintenance				29,376
Debt Service				106,863
Grants and Entitlements not Restricted to Specific Programs				6,724,218
Investment Earnings				12,664
Miscellaneous				48,236
<i>Total General Revenues</i>				<u>8,857,720</u>
<i>Change in Net Position</i>				(105,512)
<i>Net Position Beginning of Year</i>				<u>5,604,006</u>
<i>Net Position End of Year</i>				<u>\$ 5,498,494</u>

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

Paint Valley Local School District
Balance Sheet
Governmental Funds
June 30, 2016

	General	Permanent Improvement	All Other Governmental Funds	Total Governmental Funds
ASSETS:				
Equity in Pooled Cash and Cash Equivalents	\$ 3,499,780	\$ 922,674	\$ 348,397	\$ 4,770,851
Accrued Interest Receivable	-	-	11	11
Accounts Receivable	12,021	-	-	12,021
Interfund Receivable	34,916	-	-	34,916
Intergovernmental Receivable	70,535	-	140,218	210,753
Taxes Receivable	1,733,652	103,256	129,096	1,966,004
<i>Total Assets</i>	<u>\$ 5,350,904</u>	<u>\$ 1,025,930</u>	<u>\$ 617,722</u>	<u>\$ 6,994,556</u>
LIABILITIES:				
Accounts Payable	\$ 23,701	\$ 31,410	\$ -	\$ 55,111
Accrued Wages and Benefits	556,885	-	86,203	643,088
Interfund Payable	-	-	34,916	34,916
Intergovernmental Payable	109,084	-	18,161	127,245
<i>Total Liabilities</i>	<u>689,670</u>	<u>31,410</u>	<u>139,280</u>	<u>860,360</u>
DEFERRED INFLOWS OF RESOURCES:				
Property Taxes not Levied to Finance Current Year Operations	1,367,878	82,255	101,314	1,551,447
Unavailable Revenue - Delinquent Taxes	61,976	3,573	4,690	70,239
Unavailable Revenue - Grants	-	-	86,960	86,960
<i>Total Deferred Inflows of Resources</i>	<u>1,429,854</u>	<u>85,828</u>	<u>192,964</u>	<u>1,708,646</u>
FUND BALANCES:				
Nonspendable	-	-	3,000	3,000
Restricted	-	908,692	368,512	1,277,204
Committed	1,133,567	-	-	1,133,567
Assigned	2,097,813	-	-	2,097,813
Unassigned (Deficit)	-	-	(86,034)	(86,034)
<i>Total Fund Balances</i>	<u>3,231,380</u>	<u>908,692</u>	<u>285,478</u>	<u>4,425,550</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$ 5,350,904</u>	<u>\$ 1,025,930</u>	<u>\$ 617,722</u>	<u>\$ 6,994,556</u>

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

Paint Valley Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 June 30, 2016*

Total Governmental Fund Balances		\$ 4,425,550
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.		14,138,683
Other long-term assets are not available to pay for current period expenditures and therefore are unavailable in the funds.		
Taxes	70,239	
Intergovernmental	86,960	
Total		157,199
An internal service fund is used by management to charge the cost of insurance to individuals. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		33,710
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the funds.		
Deferred outflows of resources related to pensions	1,441,221	
Deferred inflows of resources related to pensions	(991,559)	
Net Pension Liability	(11,803,543)	(11,353,881)
Total		
Accrued interest payable on long-term debt is not reported in the funds.		(3,084)
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	(115,901)	
Compensated Absences	(284,263)	
General Obligation Refunding Serial Bonds	(500,000)	
General Obligation Refunding Capital Appreciation Bonds	(45,000)	
Accreted Debt from Capital Appreciation Bonds	(66,025)	
Premium from Refunding Bonds	(22,656)	
Energy Conservation Bonds	(845,000)	
Premium from Energy Conservation Bonds	(20,838)	
Total		(1,899,683)
Net Position of Governmental Activities		\$ 5,498,494

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

Paint Valley Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2016

	General	Permanent Improvement	All Other Governmental Funds	Total Governmental Funds
REVENUES:				
Property Taxes	\$ 1,824,909	\$ 108,455	\$ 136,009	\$ 2,069,373
Intergovernmental	7,248,351	17,755	922,297	8,188,403
Interest	12,642	-	22	12,664
Tuition and Fees	628,978	-	-	628,978
Rent	630	-	-	630
Extracurricular Activities	34,018	-	70,754	104,772
Gifts and Donations	-	-	9,903	9,903
Customer Sales and Services	4,920	-	48,867	53,787
Miscellaneous	45,527	-	2,709	48,236
<i>Total Revenues</i>	<u>9,799,975</u>	<u>126,210</u>	<u>1,190,561</u>	<u>11,116,746</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	3,828,126	-	89,667	3,917,793
Special	1,152,299	-	576,441	1,728,740
Vocational	5,155	-	-	5,155
Other	1,056,939	-	-	1,056,939
Support Services:				
Pupils	336,578	-	-	336,578
Instructional Staff	106,233	-	34,389	140,622
Board of Education	121,347	-	-	121,347
Administration	507,452	-	-	507,452
Fiscal	302,753	2,616	3,279	308,648
Operation and Maintenance of Plant	773,805	-	50,281	824,086
Pupil Transportation	554,140	-	-	554,140
Central	79,313	-	-	79,313
Operation of Non-Instructional Services	810	-	332,622	333,432
Extracurricular Activities	143,339	-	99,338	242,677
Capital Outlay	260,645	325,672	11,858	598,175
Debt Service:				
Principal	50,702	-	120,000	170,702
Interest and Fiscal Charges	5,683	-	16,003	21,686
Issuance Costs	-	20,838	-	20,838
<i>Total Expenditures</i>	<u>9,285,319</u>	<u>349,126</u>	<u>1,333,878</u>	<u>10,968,323</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>514,656</u>	<u>(222,916)</u>	<u>(143,317)</u>	<u>148,423</u>
OTHER FINANCING SOURCES AND USES:				
Transfers In	-	-	55,363	55,363
Energy Conservation Bonds Issued	-	845,000	-	845,000
Premium on Energy Conservation Bonds Issued	-	20,838	-	20,838
Proceeds from Sale of Capital Assets	3,500	-	-	3,500
Inception of Capital Leases	142,037	-	-	142,037
Transfers Out	(55,363)	-	-	(55,363)
<i>Total Other Financing Sources and Uses</i>	<u>90,174</u>	<u>865,838</u>	<u>55,363</u>	<u>1,011,375</u>
<i>Net Change in Fund Balances</i>	604,830	642,922	(87,954)	1,159,798
<i>Fund Balances at Beginning of Year</i>	<u>2,626,550</u>	<u>265,770</u>	<u>373,432</u>	<u>3,265,752</u>
<i>Fund Balances at End of Year</i>	<u>\$ 3,231,380</u>	<u>\$ 908,692</u>	<u>\$ 285,478</u>	<u>\$ 4,425,550</u>

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

Paint Valley Local School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2016*

Net Change in Fund Balances - Total Governmental Funds		\$ 1,159,798
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	539,842	
Current Year Depreciation	<u>(1,042,060)</u>	
Total		(502,218)
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities a gain or loss is reported for each disposal. These are the amounts of the loss and the proceeds from the sale.		
Proceeds from the Sale of Capital Assets	(3,500)	
Loss on Sale of Capital Assets	<u>(30,249)</u>	
Total		(33,749)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	3,229	
Intergovernmental	<u>86,074</u>	
Total		89,303
Premiums on issuance of debt are recorded as revenues in the governmental funds but are not reported on the statement of activities.		
		(20,838)
Governmental funds report the inception of capital lease as an increase in other financing sources. The lease is not recorded in the statement of activities.		
		(142,037)
Governmental funds report the proceeds from bonds as an increase in other financing sources. The bond is not recorded in the statement of activities.		
		(845,000)
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.		
		50,702
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.		
		120,000
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		737,875
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(657,363)
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 (expense) of the internal service fund is allocated among the governmental activities.		
		(7,569)
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	(42,372)	
Increase in Interest Payable	(1,721)	
Increase in Accreted Debt	<u>(15,987)</u>	
Total		<u>(60,080)</u>
Net Change in Net Position of Governmental Activities		<u><u>\$ (105,512)</u></u>

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

Paint Valley Local School District
*Statement of Revenues, Expenditures and Changes
 In Fund Balance - Budget and Actual (Budgetary Basis)
 General Fund
 For the Fiscal Year Ended June 30, 2016*

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Total Revenues and Other Financing Sources	\$ 10,491,744	\$ 10,491,744	\$ 11,058,966	\$ 567,222
Total Expenditures and Other Financing Uses	<u>12,334,247</u>	<u>9,569,261</u>	<u>9,569,261</u>	<u>-</u>
Net Change in Fund Balance	(1,842,503)	922,483	1,489,705	567,222
Fund Balance at Beginning of Year	1,646,607	1,646,607	1,646,607	-
Prior Year Encumbrances Appropriated	<u>195,820</u>	<u>195,820</u>	<u>195,820</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ (76)</u>	<u>\$ 2,764,910</u>	<u>\$ 3,332,132</u>	<u>\$ 567,222</u>

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

Paint Valley Local School District
Statement of Fund Net Position
Governmental Activities
Internal Service Fund
June 30, 2016

	<u>Internal Service Fund</u>
ASSETS:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 39,406
<i>Total Assets</i>	39,406
LIABILITIES:	
Current Liabilities:	
Claims Payable	5,696
<i>Total Liabilities</i>	5,696
NET POSITION:	
Unrestricted	33,710
<i>Total Net Position</i>	\$ 33,710

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

Paint Valley Local School District
Statement of Revenues, Expenses and Changes in Fund Net Position
Governmental Activities
Internal Service Fund
For the Fiscal Year Ended June 30, 2016

	Internal Service Fund
OPERATING REVENUES:	
Charges for Services	\$ 62,360
<i>Total Operating Revenues</i>	62,360
OPERATING EXPENSES:	
Claims	69,929
<i>Total Operating Expenses</i>	69,929
<i>Change in Net Position</i>	(7,569)
<i>Net Position at Beginning of Year</i>	41,279
<i>Net Position at End of Year</i>	\$ 33,710

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

Paint Valley Local School District
Statement of Cash Flows
Governmental Activities
Internal Service Fund
For the Fiscal Year Ended June 30, 2016

	<u>Internal Service Fund</u>
<i>Decrease in Cash and Cash Equivalents</i>	
<i>Cash Flows from Operating Activities:</i>	
Cash Received from Customers	\$ 62,360
Cash Payments for Claims	<u>(74,233)</u>
<i>Net Cash Used for Operating Activities</i>	<u>(11,873)</u>
Decrease in Cash and Cash Equivalents	(11,873)
Cash and Cash Equivalents at Beginning of Year	<u>51,279</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 39,406</u></u>
 <i>Reconciliation of Operating Loss to Net Cash Used for Operating Activities</i>	
Operating Loss	\$ (7,569)
 <i>Changes in Liabilities:</i>	
Decrease in Claims Payable	<u>(4,304)</u>
<i>Net Cash Used for Operating Activities</i>	<u><u>\$ (11,873)</u></u>

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

Paint Valley Local School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016

	Private Purpose Trust Fund	Agency Fund
	<u> </u>	<u> </u>
ASSETS:		
Equity in Pooled Cash and Cash Equivalents	\$ 9,792	\$ 34,397
	<u> </u>	<u> </u>
LIABILITIES:		
Undistributed Monies		\$ 34,397
		<u> </u>
NET POSITION:		
Held in Trust for Scholarships	\$ 9,792	
	<u> </u>	

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

Paint Valley Local School District
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2016

	Private Purpose Trust Fund
ADDITIONS:	
Gifts and Contributions	\$ 3,000
Miscellaneous	1,691
<i>Total Additions</i>	4,691
DEDUCTIONS:	
Payments in Accordance with Trust Agreements	7,591
<i>Total Deductions</i>	7,591
Change in Net Position	(2,900)
Net Position Beginning of Year	12,692
Net Position End of Year	\$ 9,792

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

Paint Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1956 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 121 square miles. It is located in Ross County, and includes all of the Villages of Bainbridge and Bourneville and portions of Paxton, Paint and Twin Townships. It is staffed by 34 non-certificated employees and 62 certificated full-time teaching personnel who provide services to 910 students and other community members. The School District currently operates 3 instructional buildings and 1 bus garage.

Reporting Entity:

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

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

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

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

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

Paint Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis Of Presentation - Fund Accounting

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

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

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

Governmental funds:

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

General Fund – The General Fund is the general operating fund of the School 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 School District for any purpose provided it is expended or transferred according to the school laws of Ohio.

Paint Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis of Presentation - Fund Accounting (continued)

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

Proprietary Fund Type:

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

Internal Service Fund - The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund accounts for the self-insurance program for employee vision and dental insurance. In the statement of activities 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 School District's fiduciary funds are an agency fund and a private purpose trust fund. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements.

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

B. Measurement Focus and Basis of Accounting

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

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

Paint Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Measurement Focus and Basis of Accounting (continued)

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. Government-wide financial statements and fund financial statements of the proprietary and fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual bases of accounting arise in the recognition of revenue, the recording of unavailable revenue, the presentation of expenses versus expenditures, the recording of deferred inflows and outflows of resources related to net pension liabilities, and the recording of net pension liabilities.

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. Measurable means the amount of the transaction can be determined and available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year end.

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

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

Deferred Outflows and Deferred Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditures/expenses) until then. The School District recorded a deferred outflow of resources for pensions. The deferred outflows of resources related to the pension are explained in Note 10. The School District also reports a deferred inflow of resources which represents an acquisition of net position/fund balance that applies to a future period and will not be recognized as an inflow of resources (revenues) until that time. For the School District these amounts consist of taxes and grants which are not collected in the available period and pensions. The difference between deferred inflows on the Statement of Net Position and the Balance Sheet is partially due to delinquent property taxes and grants not received during the available period. These were reported as revenues on the Statement of Activities and not recorded as deferred inflows on the Statement of Net Position. Deferred inflows of resources related to pension are reported on the Statement of Net Position. (See Note 10)

Paint Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Budgetary Process

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and 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 School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statement reflect the amounts in the amended certificate in effect when the permanent appropriations for the fiscal year were passed. The amounts reported as the final budgeted amounts in the budgetary statement reflect the amounts in the amended certificate in effect when the final appropriations for the fiscal year were passed.

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

D. Cash and Cash Equivalents

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

During fiscal year 2016, investments were limited to STAROhio and certificates of deposit. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2016. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2016.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2016 amounted to \$12,642. All Other Governmental Funds received \$22.

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 School District are considered to be cash equivalents.

Paint Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Capital Assets

The School District's only capital assets are general capital assets. General capital assets are those assets specifically related to governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net 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 School District maintains a capitalization threshold of five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	5 years
Buildings and Building Improvements	20-50 years
Furniture and Equipment	8-20 years
Vehicles	10 years
Infrastructure	50 years
Textbooks	5-15 years

F. Compensated Absences

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

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

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

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

Paint Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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

H. Interfund Transactions

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

I. Fund Balance

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

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

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

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

Assigned Amounts in the assigned fund balance classification are intended to be used by the School 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 School District Board of Education.

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.

Paint Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Fund Balance (continued)

The School 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 plus deferred outflows of resources 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 its use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include activities for food service operations and federal and state grants restricted to expenditures for specified purposes.

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

Of the School District's \$490,349 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 School District, these revenues are charges for services for self-insurance programs. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the fund.

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.

Paint Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

NOTE 3 – ACCOUNTABILITY

At June 30, 2016, the Lunchroom, Early Childhood, Title VI-B, Title I, and Class Size Reduction Funds, had deficit fund balances of \$7,389, \$7,570, \$24,588, \$36,583, and \$9,904, respectively, which were created by the application of accounting principles generally accepted in the United States of America. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

Net Change in Fund Balance

	General Fund
GAAP Basis	\$ 604,830
Revenue Accruals	1,159,680
Expenditure Accrual	(135,296)
Perspective Difference:	
Activity of Funds Reclassified for GAAP Reporting Purposes	2,168
Encumbrances	(141,677)
Budget Basis	\$ 1,489,705

Paint Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States treasury notes, bills, bonds, or other obligations of or securities issued by the United States treasury or any other obligation guaranteed as to the payment of principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations of or securities issued by any federal government agency or instrumentality, including, but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. Interim deposits in the eligible institutions applying for interim money as provided in section 135.08 of the Revised Code;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Commercial paper notes issued by any entity that is defined in division (D) of section 1705.01 of the Revised Code and has assets exceeding five hundred million dollars, and to which notes are rated at the time of purchase in the highest classification established by at least two standard rating services; the aggregate value of the notes does not exceed ten percent of the aggregate value of the outstanding commercial paper of the issuing corporation; the notes mature no later than one hundred eighty days after purchase; and

Paint Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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 obligations mature no later than one hundred eighty days after purchase.

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

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

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

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

As of June 30, 2016, the School District's bank balance of \$332,469 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, 2016, the School District had the following investments and maturities:

	Carrying/Fair Value	Weighted Average Maturity (Years)
STAR Ohio	\$ 4,773,458	< 1 year
Total Investment	\$ 4,773,458	

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the School District's recurring fair value measurements as of June 30, 2016. As discussed further in Note 2D, STAR Ohio is reported at its share price.

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

Paint Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

Credit risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The School District limits their investments to STAROhio and certificates of deposit. Investments in STAROhio were rated AAAM by Standard & Poor’s. The School District’s policy does not address credit risk beyond the requirements of the Ohio Revised Code.

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The School District’s investment policy allows investments in STAROhio, repurchase agreements, certificates of deposit or investments with financial institutions within the State of Ohio as designated by the Federal Reserve Board. The School District has invested 100 percent in STAROhio.

Custodial credit risk – Custodial credit risk is the risk that in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the School District’s securities are either insured and registered in the name of the School District or at least registered in the name of the School District. The School District’s policy does not address custodial credit risk beyond the requirements of the Ohio Revised Code.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility (used in business) located in the School District. Real property tax revenue received in calendar year 2016 represents collections of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed value listed as of January 1, 2015, 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 2016 represents collections of calendar year 2015 taxes. Public utility real and tangible personal property taxes received in calendar year 2016 became a lien on December 31, 2014, were levied after April 1, 2015, and are collected in 2016 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 2016 taxes were collected are:

	2015 Second- Half Collections		2016 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 89,963,500	95.16%	\$ 90,503,720	95.34%
Public Utility	4,574,020	4.84%	4,426,390	4.66%
Total Assessed Value	<u>\$ 94,537,520</u>	<u>100.00%</u>	<u>\$ 94,930,110</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$ 34.20		\$ 34.20	

Paint Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 6 - PROPERTY TAXES (continued)

The School District receives property taxes from Ross County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2016, are available to finance fiscal year 2016 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, 2016. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to unavailable revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2016, was \$303,798 in the General Fund, \$4,864 in the Non-major Classroom Facilities Maintenance Special Revenue Fund, \$18,228 in the Non-major Debt Service Fund, and \$17,428 in the major Permanent Improvement Capital Projects Fund.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2016 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
General Fund	\$ 70,535
Non-Major Funds:	
Lunchroom Fund	49,378
Public School Preschool	14,283
Title VI-B Fund	30,578
Title I Fund	37,625
Title II-A	5,667
Rural and Low Income Title VI-B	2,687
Total Non-Major Funds	140,218
Total Intergovernmental Receivable	\$ 210,753

Paint Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 8 - CAPITAL ASSETS

A summary of the changes in capital assets during fiscal year 2016 follows:

	<u>Balance at</u> 6/30/2015	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> 6/30/2016
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$ 186,696	\$ -	\$ -	\$ 186,696
Construction in Progress	-	40,346	-	40,346
Total Capital Assets, Not Being Depreciated	<u>186,696</u>	<u>40,346</u>	<u>-</u>	<u>227,042</u>
Capital Assets, Being Depreciated				
Land Improvements	1,067,007	94,118	-	1,161,125
Buildings and Building Improvements	24,654,829	14,803	-	24,669,632
Furniture and Equipment	2,055,110	213,511	(347,285)	1,921,336
Vehicles	1,464,678	177,064	(299,966)	1,341,776
Infrastructure	122,542	-	-	122,542
Textbooks	357,341	-	-	357,341
Total Capital Assets, Being Depreciated	<u>29,721,507</u>	<u>499,496</u>	<u>(647,251)</u>	<u>29,573,752</u>
Accumulated Depreciation				
Land Improvements	(738,918)	(54,714)	-	(793,632)
Buildings and Building Improvements	(11,458,341)	(787,708)	-	(12,246,049)
Furniture and Equipment	(1,471,981)	(130,578)	313,536	(1,289,023)
Vehicles	(1,122,575)	(65,022)	299,966	(887,631)
Infrastructure	(84,397)	(4,038)	-	(88,435)
Textbooks	(357,341)	-	-	(357,341)
Total Accumulated Depreciation	<u>(15,233,553)</u>	<u>(1,042,060)</u>	<u>613,502</u>	<u>(15,662,111)</u>
Total Capital Assets Being Depreciated, Net	<u>14,487,954</u>	<u>(542,564)</u>	<u>(33,749)</u>	<u>13,911,641</u>
Governmental Activities Capital Assets, Net	<u>\$ 14,674,650</u>	<u>\$ (502,218)</u>	<u>\$ (33,749)</u>	<u>\$ 14,138,683</u>

Depreciation expense was charged to governmental functions as follows:

<i>Instruction:</i>	
Regular	\$856,579
Special	11,769
Vocational	284
<i>Support Services:</i>	
Instructional Staff	847
Administration	3,409
Fiscal	1,556
Operation and Maintenance of Plant	83,255
Pupil Transportation	59,235
Operation of Non-Instructional Services	5,208
Extracurricular Activities	19,918
Total	<u>\$1,042,060</u>

Paint Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 9 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2016, the School District contracted with the Ohio School Plan for property, fleet, and liability insurance coverage.

Coverages provided by the Ohio School Plan are as follows:

Building and Contents - replacement cost (\$1,000 deductible)	\$40,547,163
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 fiscal year 2016, the School District reviewed its insurance policies and adjusted certain coverages as it deemed appropriate.

For fiscal year 2016, the School District participated in the Ohio School Boards Association Workers Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the Equity Pooling Fund. This equity pooling arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement provides administrative, cost control and actuarial services to the GRP.

The School District is a member the Ross County School Employees Insurance 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 School District by virtue of its grouping and representation with other participants in the Consortium.

The School District is self-insured for vision and dental insurance through Medical Mutual. The claims liability of \$5,696 reported in the Internal Service Fund as of June 30, 2016 is based upon an estimate prepared by Medical Mutual 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 <u>Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	Balance at End of <u>Year</u>
2015	\$ 8,000	\$ 76,322	\$ 74,322	\$ 10,000
2016	10,000	69,929	74,233	5,696

Paint Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 10- DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the School District’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the School District’s obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School District does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable. The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual basis of accounting.

Plan Description - School Employees Retirement System (SERS)

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. 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 Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Paint Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 10- DEFINED BENEFIT PENSION PLANS (continued)

Plan Description - School Employees Retirement System (SERS) (continued)

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on years of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the entire allocation was allocated to pension, death benefits, and Medicare B. There was no percentage allocated to the Health Care Fund for fiscal year 2016.

The School District’s contractually required contribution to SERS was \$210,799 for fiscal year 2016. Of this amount \$6,679 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS’ fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

Paint Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 10- DEFINED BENEFIT PENSION PLANS (continued)

Plan Description - State Teachers Retirement System (STRS) (continued)

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation was 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement increased effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. Through June 30, 2015, the employer rate was 14% and the member rate was 12% of covered payroll. The statutory employer rate for fiscal year 2016 and subsequent years is 14%. The statutory member contribution rate increased to 13% on July 1, 2015 and will increase to 14% on July 1, 2016.

The School District's contractually required contribution to STRS Ohio was \$527,076 for fiscal year 2016. Of this amount \$96,280 is reported as an intergovernmental payable.

Paint Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 10- DEFINED BENEFIT PENSION PLANS (continued)

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability reported as of June 30, 2016 was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share as well as the pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$1,704,223	\$10,099,320	\$11,803,543
Proportion of the Net Pension Liability	0.0298667%	0.03654265%	
Pension Expense	\$228,194	\$429,169	\$657,363

At June 30, 2016, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflows of Resources	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Differences between expected and actual economic experience	\$28,131	\$460,402	\$488,533
Differences from a change in proportion and differences between School District contributions and proportionate share of contributions	51,797	163,016	214,813
School District contributions subsequent to the measurement date	<u>210,799</u>	<u>527,076</u>	<u>737,875</u>
Total	<u>\$290,727</u>	<u>\$1,150,494</u>	<u>\$1,441,221</u>

Deferred Inflows of Resources	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Differences between projected and actual investment earnings	\$69,670	\$726,332	\$796,002
Differences from a change in proportion and differences between School District contributions and proportionate share of contributions	146,909	48,648	195,557
Total	<u>\$216,579</u>	<u>\$774,980</u>	<u>\$991,559</u>

\$737,875 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Paint Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 10- DEFINED BENEFIT PENSION PLANS (continued)

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2017	(\$54,344)	(\$139,371)	(\$193,715)
2018	(54,344)	(139,371)	(193,715)
2019	(54,485)	(139,371)	(193,856)
2020	26,522	266,551	293,073
Total	(\$136,651)	(\$151,562)	(\$288,213)

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3.25 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement. The most recent experience study was completed June 30, 2010.

Paint Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 10- DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions - SERS (continued)

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Estate	10.00	5.00
Hedge Funds	15.00	7.50
Total	<u>100.00 %</u>	

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
School District's proportionate share of the net pension liability	\$2,363,145	\$1,704,223	\$1,149,356

Changes between Measurement Date and Report Date In April 2016, the SERS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the School District's net position liability is expected to be significant.

Paint Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 10- DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males’ ages are set-back two years through age 89 and no set-back for age 90 and above.

Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS’ investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>10 Year Expected Nominal Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	<u>1.00</u>	3.00
Total	<u>100.00 %</u>	

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS’ fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

Paint Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 10- DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions – STRS (continued)

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$14,028,717	\$10,099,320	\$6,776,428

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, 2016, no members of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 11 - POSTEMPLOYMENT BENEFITS

State Teachers Retirement System

Plan Description – The School District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2016, STRS did not allocate any employer contributions to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0, and \$36,680 respectively, which equaled the required contributions each year.

Paint Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 11 - POSTEMPLOYMENT BENEFITS (continued)

School Employees Retirement System

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

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 to be used to subsidize the cost of health care coverage. At June 30, 2016, 2015, and 2014, the health care allocations were 0 percent, 0.82 percent, and 0.14 percent, respectively. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was 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 2016, the minimum compensation level was established at \$23,000.

The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. For the School District, the amounts assigned to health care, including the surcharge, during the 2016, 2015, and 2014 fiscal years equaled \$16,181, \$11,600, and \$17,725, respectively, which is equal to the required amounts for those years.

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 plan is included in its *Comprehensive Annual Financial Report*. The report can be obtained on SERS' website at www.ohsers.org under *Employer/Audit Resources*.

NOTE 12 - EMPLOYEE BENEFITS

A. Compensated Absences

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

Paint Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 12 - EMPLOYEE BENEFITS (continued)

B. Life and Accident Insurance

The School District provides life insurance and accidental death and dismemberment insurance to most employees through The Hartford Insurance Company. The School 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.

C. Retirement Incentive

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

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

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

Upon proof of retirement, an employee may choose to receive payment within 120 days. Retirement incentive payments are classified as liabilities in the fund financial statements only to the extent they are due for payment during the current year. Payments are classified as "Early Retirement Incentive" in the balance sheet and statement of net position. There was no liability as of June 30, 2016.

NOTE 13 - CAPITAL LEASES - LESSEE DISCLOSURE

In a previous fiscal year, the School District entered into a capital lease for copiers. During the fiscal year, the School District entered into a capital lease for copiers to replace the copiers from prior lease. 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 \$142,037 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 2016 totaled \$50,702 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, 2016.

Paint Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 13 - CAPITAL LEASES - LESSEE DISCLOSURE (continued)

Fiscal Year Ending June 30,	<u>Amount</u>
2017	\$ 31,459
2018	31,459
2019	31,459
2020	<u>31,459</u>
Total	125,836
Less Amount Representing Interest	<u>(9,935)</u>
Present Value of Net Minimum Lease Payments	<u><u>\$ 115,901</u></u>

NOTE 14 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2016 were as follows:

	<u>Principal Outstanding 06/30/15</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding 06/30/16</u>	<u>Due in One Year</u>
School Improvement					
Refunding Bonds 1%-3.15%					
Serial Bonds	\$ 620,000	\$ -	\$ 120,000	\$ 500,000	\$ -
Capital Appreciation Bond	45,000	-	-	45,000	45,000
Accretion	50,038	15,987	-	66,025	-
Premium	28,320	-	5,664	22,656	-
Energy Conservation Improvement					
Bonds 2.87%	-	845,000	-	845,000	25,000
Premium	-	20,838	-	20,838	-
Net Pension Liability:					
STRS	8,735,117	1,364,203	-	10,099,320	-
SERS	1,620,008	84,215	-	1,704,223	-
Capital Leases	24,566	142,037	50,702	115,901	27,226
Compensated Absences	<u>241,891</u>	<u>564,218</u>	<u>521,846</u>	<u>284,263</u>	<u>53,812</u>
Total Long-Term Obligations	<u><u>\$ 11,364,940</u></u>	<u><u>\$ 3,036,498</u></u>	<u><u>\$ 698,212</u></u>	<u><u>\$ 13,703,226</u></u>	<u><u>\$ 151,038</u></u>

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

Paint Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 14 - LONG-TERM OBLIGATIONS (continued)

The Paint Valley Local School District has been notified by the Ohio School Facilities Commission that they will not be responsible for repaying the \$15,430,564 classroom facilities loan to the State because the School District's adjusted valuation per pupil was less than the state-wide median adjusted valuation per pupil. In lieu of the repayment, the School District must set aside the funds that would have been used for repayment for facilities maintenance. As part of this process, the School District must submit a maintenance plan to the Ohio School Facilities Commission every five years until the twenty-three year period expires in December 2021. If the School District's adjusted valuation per pupil increases above the state-wide median adjusted valuation during the twenty-three year period, the School District may become responsible for repayment of a portion of the State's contribution.

On August 3, 2010, the School 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 fiscal year 2017. The refunding bonds are being repaid from the Debt Service Fund.

The capital appreciation bonds, issued at \$45,000, are not subject to prior redemption. The capital appreciation bonds will mature in fiscal year 2017. The maturity amount of the capital appreciation bonds is \$120,000. For fiscal year 2016, the capital appreciation bonds were accreted \$15,987. Total accretion as of June 30, 2016 was \$66,025.

On May 19, 2016, the School District issued \$845,000 in energy improvement conservation bonds for the purpose of energy conservation measures throughout the School District. The bonds were issued for a 15 year period with a final maturity in December 2030. The bonds were issued with a 2.87% interest rate and will be paid from the General Fund.

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 School District pays obligations related to employee compensation from the fund benefitting from their service.

The School District's overall legal debt margin was \$7,336,661 with an unvoted debt margin of \$94,930.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2016, are as follows:

Year	Serial Bonds		Capital	Energy Conservation Bonds	
	Principal	Interest	Appreciation Principal	Principal	Interest
2017	\$ -	\$ 14,803	\$ 120,000	\$ 25,000	\$ 23,825
2018	120,000	13,182	-	50,000	22,816
2019	120,000	9,762	-	50,000	21,382
2020	130,000	6,014	-	50,000	19,947
2021	130,000	2,032	-	55,000	18,439
2022-2026	-	-	-	285,000	68,235
2027-2031	-	-	-	330,000	24,395
Totals	<u>\$ 500,000</u>	<u>\$ 45,793</u>	<u>\$ 120,000</u>	<u>\$ 845,000</u>	<u>\$ 199,039</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.

Paint Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS

South Central Ohio Computer Association Council of Governments - The School 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, 2 private schools and public libraries from 23 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 School District paid SCOCA COG \$106,426 for services provided during the fiscal year. Financial information can be obtained from their office located at Pike County Career Technology Center, P. O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

Pickaway-Ross Career and Technology Center (CTC) - The Pickaway-Ross 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 possesses its own budgeting and taxing authority. To obtain financial information write to the Pickaway-Ross 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, each of which possess its own budgeting and taxing authority. The School District did not pay for any services provided during the year. To obtain financial information, write to the Ohio University-Chillicothe Campus, who acts as fiscal agent, at 571 West Fifth Street, Chillicothe, Ohio 45601.

NOTE 16 - 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 School 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.

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

Paint Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 17 - SET-ASIDE CALCULATIONS

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

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

	Capital Acquisition
Set-aside Cash Balance as of June 30, 2015	\$ -
Current Year Set-aside Requirement	154,046
Current Year Offsets	(154,046)
Set-aside Cash Balance as of June 30, 2016	\$ -

NOTE 18 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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 School District at June 30, 2016, if applicable, cannot be determined at this time.

B. Litigation

The School District not currently party to any legal proceedings.

C. Foundation

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school districts, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 or June 30, 2016 Foundation funding for the School District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the School District.

Paint Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 19 – FUND BALANCES

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

Fund Balances	General	Permanent Improvement	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable				
Scholarships	\$0	\$0	\$3,000	\$3,000
Restricted for				
Other Purposes	0	0	21,113	21,113
Classroom Maintenance	0	0	125,385	125,385
Debt Services Payments	0	0	222,014	222,014
Capital Improvements	0	908,692	0	908,692
Total Restricted	0	908,692	368,512	1,277,204
Committed to				
Health Care	1,083,567	0	0	1,083,567
Technology	50,000	0	0	50,000
Total Committed	1,133,567	0	0	1,133,567
Assigned to				
Other Purposes	2,097,813	0	0	2,097,813
Unassigned (Deficit)				
	0	0	(86,034)	(86,034)
Total Fund Balances	\$3,231,380	\$908,692	\$285,478	\$4,425,550

NOTE 20 - INTERFUND ACTIVITY

Interfund Payables/Receivables

As of June 30, 2016, receivables and payables that resulted from various interfund transactions were as follows:

	Interfund Receivable	Interfund Payable
Major Fund:		
General Fund	\$ 34,916	\$ -
Special Revenue Fund, Non-Major:		
Lunchroom	-	34,916
Total All Funds	\$ 34,916	\$ 34,916

During the year, the School District's General Fund made advances to the Lunchroom fund in order to prevent a negative cash balance. These advances are expected to be repaid during fiscal year 2017.

Paint Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 20 - INTERFUND ACTIVITY (continued)

Interfund Transfers

As of June 30, 2016, transfers were as follows:

	Transfer To	Transfer From
Major Fund:		
General Fund	\$ -	\$ 55,363
Non-Major Funds:		
Lunchroom	14,223	-
Athletic	41,140	-
Total All Funds	\$ 55,363	\$ 55,363

The Lunchroom and Athletic funds received a transfer in from the General Fund to move unrestricted balances to support programs and projects accounted for in other funds.

NOTE 21 – NEW ACCOUNTING PRINCIPLES

For the fiscal year ended June 30, 2016, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*, GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*.

GASB Statement No. 72 clarifies the definition of fair value for financial reporting purposes, establishes general principles for measuring fair value, provides additional fair value application guidance, and enhances disclosures about fair value measurements. These changes were incorporated in the School District’s fiscal year 2016 note disclosures; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68 as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also clarifies the application of certain provisions of GASB Statements 67 and 68. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the School District.

GASB Statement No. 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the School District.

GASB Statement No. 79 addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the School District.

Paint Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 22 – OUTSTANDING COMMITMENTS

Contracts

In June 2016, the School District signed an Energy Project Agreement for energy saving measures with TMI Energy Solutions. The agreement was in the amount of \$627,000. As of June 30, 2016, \$40,436 had been paid on the contract.

Encumbrances

At June 30, 2016, the School District had significant encumbrance commitments in governmental funds as follows:

<u>Fund</u>	<u>Amount</u>
Major Funds:	
General	\$141,677
Permanent Improvement	804,662
Total Encumbrances	<u><u>\$946,339</u></u>

NOTE 23 – SUBSEQUENT EVENTS

Metropolitan Educational Technology Association (META) Solutions

META Solutions is a computer consortium that was the result of a merger between Tri-Rivers Educational Computer Association (TRECA) and the Metropolitan Educational Council (MEC) in February 2015. Metropolitan Dayton Educational Cooperative Association (MDECA), and Southeastern Ohio Voluntary Education Cooperative (SEOVEC) also merged with META Solutions on January 4, 2016. META Solutions develops, implements and supports the technology and instructional needs of schools and provides instructional, core, technology and purchasing services for its member districts. The Board of Directors consists of eight members from member districts. The South Central Ohio Computer Association Council of Governments was in the process of merging with META, however, as of the date of this financial report, the merger had not been completed.

Paint Valley Local School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio
Last Three Years (1)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Total plan pension liability	\$ 18,503,280,961	\$ 17,881,827,171	\$ 17,247,161,078
Plan net position	<u>12,797,184,030</u>	<u>12,820,884,107</u>	<u>11,300,482,029</u>
Net pension liability	5,706,096,931	5,060,943,064	5,946,679,049
School District's proportion of the net pension liability	0.0298667%	0.0320100%	0.0320100%
School District's proportionate share of the net pension liability	\$ 1,704,223	\$ 1,620,008	\$ 1,903,532
School District's covered-employee payroll	\$ 899,112	\$ 930,137	\$ 1,059,357
School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	189.55%	174.17%	179.69%
Plan fiduciary net position as a percentage of the total pension liability	69.16%	71.70%	65.52%

(1) Information prior to 2013 is not available.
Amounts presented as of the School District's measurement date which is the prior fiscal year.

Paint Valley Local School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio
Last Three Years (1)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Total plan pension liability	\$ 99,014,653,744	\$ 96,167,057,104	\$ 94,366,693,720
Plan net position	<u>71,377,578,736</u>	<u>71,843,596,331</u>	<u>65,392,746,348</u>
Net pension liability	27,637,075,008	24,323,460,773	28,973,947,372
School District's proportion of the net pension liability	0.03654265%	0.03591231%	0.03591231%
School District's proportionate share of the net pension liability	\$ 10,099,320	\$ 8,735,117	\$ 10,405,214
School District's covered-employee payroll	\$ 3,812,614	\$ 3,669,354	\$ 4,494,492
School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	264.89%	238.06%	231.51%
Plan fiduciary net position as a percentage of the total pension liability	72.09%	74.71%	69.30%

(1) Information prior to 2013 is not available.
Amounts presented as of the School District's measurement date which is the prior fiscal year.

Paint Valley Local School District
Required Supplementary Information
Schedule of School District Contributions
School Employees Retirement System of Ohio
Last Ten Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$ 210,799	\$ 118,503	\$ 128,917	\$ 146,615	\$ 148,793	\$ 171,797	\$ 205,940	\$ 109,049	\$ 126,233	\$ 165,994
Contributions in relation to the contractually required contribution	(210,799)	(118,503)	(128,917)	(146,615)	(148,793)	(171,797)	(205,940)	(109,049)	(126,233)	(165,994)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District's covered-employee payroll	\$ 1,505,707	\$ 899,112	\$ 930,137	\$ 1,059,357	\$ 1,106,268	\$ 1,366,722	\$ 1,520,975	\$ 1,108,222	\$ 1,285,468	\$ 1,554,251
Contributions as a percentage of covered employee payroll	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%	9.84%	9.82%	10.68%

Paint Valley Local School District
Required Supplementary Information
Schedule of School District Contributions
State Teachers Retirement System of Ohio
Last Ten Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$ 527,076	\$ 533,766	\$ 477,016	\$ 584,284	\$ 710,328	\$ 541,391	\$ 559,773	\$ 583,655	\$ 606,699	\$ 593,290
Contributions in relation to the contractually required contribution	(527,076)	(533,766)	(477,016)	(584,284)	(710,328)	(541,391)	(559,773)	(583,655)	(606,699)	(593,290)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District covered-employee payroll	\$ 3,764,829	\$ 3,812,614	\$ 3,669,354	\$ 4,494,492	\$ 5,464,062	\$ 4,164,546	\$ 4,305,946	\$ 4,489,654	\$ 4,666,915	\$ 4,563,769
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

Paint Valley Local School District
Ross County
Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 2016

Federal Grantor/Pass Through Grantor/Program Title	Pass Through Entity Number	Federal CFDA Number	Federal Expenditures
<u>United States Department of Agriculture</u>			
<i>Passed through the Ohio Department of Education</i>			
Child Nutrition Cluster:			
Non-Cash Assistance (Food Distribution):			
National School Lunch Program	3L60	10.555	\$17,906
Cash Assistance:			
School Breakfast Program	3L70	10.553	69,188
National School Lunch Program	3L60	10.555	<u>159,227</u>
Total Child Nutrition Cluster			<u>246,321</u>
Total United States Department of Agriculture			246,321
<u>United States Department of Education</u>			
<i>Passed through the Ohio Department of Education</i>			
Special Education-Grants to States	3M20	84.027	261,633
Title I Grants to Local Educational Agencies	3M00	84.010	304,096
Improving Teacher Quality State Grants	3Y60	84.367	63,973
Rural Education	3Y80	84.358	<u>14,364</u>
Total United States Department of Education			<u>644,066</u>
Total Federal Financial Assistance			<u><u>\$890,387</u></u>

The notes to the schedule of federal awards expenditures are an integral part of this schedule.

Paint Valley Local School District
Notes to the Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 2016

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Federal Awards Expenditures (the Schedule) includes the federal award activity of Paint Valley Local School District (the School District) under programs of the federal government for the year ended June 30, 2016. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or, where applicable, cash flows of the School District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The School District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - CHILD NUTRITION CLUSTER

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

NOTE D – FOOD DONATION PROGRAM

The School District reports commodities consumed on the Schedule at the entitlement value. The School District allocated donated food commodities to the program that benefitted from the use of those donated food commodities.

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Paint Valley Local School District, Ross County, Ohio (the School District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated January 25, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Robyn Roush, CPA, CITP
Vice-President/Owner
Millhuff-Stang, CPA, Inc.
Chillicothe, Ohio

January 25, 2017

**Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance
Required by the Uniform Guidance**

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited Paint Valley Local School District's (the School District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2016. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Paint Valley Local School District
Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance
Required by the Uniform Guidance

Basis for Qualified Opinion on the Child Nutrition Cluster

As described in the accompanying schedule of findings and questioned costs, the School District did not comply with requirements regarding CFDA 10.553 and 10.555, Child Nutrition Cluster as described in finding numbers 2016-001 for Special Tests and Provisions and 2016-002 for Suspension and Debarment. Compliance with such requirements is necessary, in our opinion, for the School District to comply with the requirements applicable to that program.

Qualified Opinion on the Child Nutrition Cluster

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Child Nutrition Cluster for the year ended June 30, 2016.

Unmodified Opinion on the Other Major Federal Program

In our opinion, the School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its other major federal program identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2016.

Other Matters

The School District's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The School District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

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

Paint Valley Local School District
Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance
Required by the Uniform Guidance

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as finding numbers 2016-001 and 2016-002 that we consider to be material weaknesses.

The School District's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The School District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Robyn Roush". The signature is written in a cursive, flowing style.

Robyn Roush, CPA, CITP
Vice-President/Owner
Millhuff-Stang, CPA, Inc.
Chillicothe, Ohio

January 25, 2017

Paint Valley Local School District
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2016

Section I – Summary of Auditor’s Results

<i>Financial Statements</i>	
Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No
<i>Federal Awards</i>	
Internal control over major program(s):	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified?	None reported
Type of auditor’s report issued on compliance for major federal program(s):	Qualified for the Child Nutrition Cluster Unmodified – all others
Any auditing findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	Yes
Identification of major federal program(s):	Title I Grants to Local Educational Agencies (CFDA #84.010); Child Nutrition Cluster (CFDA #10.553 and 10.555)
Dollar threshold used to distinguish between type A and type B programs:	Type A >\$750,000 Type B – all others
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

CFDA Title and Number	Child Nutrition Cluster, CFDA #10.553/#10.555
Federal Award Number and Year	2015-2016
Federal Agency	United States Department of Agriculture
Pass-Through Entity	Ohio Department of Education

Finding 2016-001

Noncompliance/Material Weakness – Special Tests and Provisions - Verification of Free and Reduced Price Applications

7 CFR section 245.6a(b) states that by November 15th of each school year, the LEA (or State in certain cases) must verify the current free and reduced price eligibility of households selected from a sample of applications that it has approved for free and reduced price meals, unless the LEA is otherwise exempt from the verification requirement. The verification sample size is based on the total number of approved applications on file on October 1st.

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Finding 2016-001 (Continued)

Noncompliance/Material Weakness – Special Tests and Provisions - Verification of Free and Reduced Price Applications (Continued)

7 CFR section 245.11 states that beginning in School Year 2014-2015, certain LEAs were required to conduct a second review of initial eligibility determinations for free and reduced-price school meals and to submit the results of the reviews, including the number of reviewed applications for which the eligibility determinations changed and the type of change made.

The School District did not verify approved free and reduced price applications and was not otherwise exempt from the verification requirement. The School District should have policies and procedures in place to ensure that the School District complies with Federal regulations regarding verification of free and reduced price applications.

Responsible Official's Response and Corrective Action Planned:

The District uses the NutriKids program for cafeteria reporting. The verification process within that system was incomplete upon obtaining log in and instructions from the former Head Cook. The District went from all campus CEP/“economically disadvantaged” in prior year which exempts from this portion of verification process to dropping in % eligible during this audit period and moving bac to family completion of Free & Reduced forms. This may have caused confusion for the head cook and Elementary Secretary in the verification process. SFA Verification Collection Reports were printed, family completed “Free and Reduce Price School Means Family Applications” were reviewed; however the online verification was incomplete. The District applied for CEP again and the Ohio Department of Education, Office for child Nutrition (ODE, OCN) has reviewed the request to participate in the Community Eligibility Provision Program (CEP) for the 2016-2017 school year and the application for the Community Eligibility Provision has been approved by ODE. Discussion with the NEW Head Cook and Accounts Clerk who have access to NutriKids ensured. If the District must complete the verification process in the future the Head Cook and Accounts Clerk will work with the Elementary office to verify.

Planned Implementation Date of Corrective Action:

Immediately.

Person Responsible for Corrective Action:

Cafeteria Head Cook, Elementary Principal, Elementary Secretary, Superintendent.

CFDA Title and Number	Child Nutrition Cluster, CFDA #10.553/#10.555
Federal Award Number and Year	2015-2016
Federal Agency	United States Department of Agriculture
Pass-Through Entity	Ohio Department of Education

Finding 2016-002

Noncompliance/Material Weakness – Suspension and Debarment

2 CFR section 180 states that non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred. “Covered transactions” include contracts for goods and services awarded under a non-procurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other criteria as specified in 2 CFR section 180.220. All non-procurement transactions entered into by a pass-through entity (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions, unless they are exempt as provided in 2 CFR section 180.215. The School District entered into covered transactions with a vendor but did not ensure the vendor was not suspended or debarred. The School District should have policies and procedures in place to ensure that the School District complies with Federal regulations regarding suspended or debarred vendors, including review for suspended or debarred vendors prior to making payment with federal funds.

Paint Valley Local School District
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2016

Finding 2016-002 (Continued)

Noncompliance/Material Weakness – Suspension and Debarment (Continued)

Responsible Official’s Response and Corrective Action Planned:

The District Treasurer’s Office typically does this as the process was discussed with AOS and Treasurer’s Office in regards to federal awards. The District uses SAM (the Federal Government’s site System for Award Management) to verify vendors are not suspended or disbarred to comply with criteria specified in 2 CFR section 180.22. Valley Wholesale is a vendor the District procedures groceries for the cafeteria from. Valley Wholesale does not appear on the SAM site as a disbarred vendor; however the District did not have a date stamped screen shot for the audit period. The District Treasurer has confirmed with accounts payable staff that ANY vendor that the District expects may pay in excess of \$25,000 in a fiscal year under a federal award, which includes cafeteria fund 006, that a screen shot will be filed each fiscal year with budgetary files for covered transactions and audit confirmation.

Planned Implementation Date of Corrective Action:

Immediately.

Person Responsible for Corrective Action:

Treasurer’s Office, Kristin O’dell and Malissa Stotridge.

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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
MAY 16, 2017**