
Paint Valley Local School District

Ross County

Single Audit

July 1 , 1998 Through June 30, 1999

Fiscal Year Audited Under GAGAS: 1999

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CERTIFIED PUBLIC ACCOUNTANTS

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**PAINT VALLEY LOCAL SCHOOL DISTRICT
ROSS COUNTY**

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OFFICE OF THE AUDITOR

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Board of Education
Paint Valley Local School District
7454 U.S. Route 50
Bainbridge, Ohio 45812

We have reviewed the independent auditor's report of the Paint Valley Local School District, Ross County, prepared by Michael A. Balestra, CPA, Inc., for the audit period July 1, 1998 through June 30, 1999. 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.



JIM PETRO
Auditor of State

May 23, 2000

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Independent Auditors' Report

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

We have audited the accompanying general purpose financial statements of Paint Valley Local School District, (the "School District") as of and for the year ended June 30, 1999, as listed in the table of contents. These general purpose financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Paint Valley Local School District, as of June 30, 1999, and the results of its operations and the cash flow of its Proprietary Fund Type and Nonexpendable Trust funds for the year ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2000, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the School District, taken as a whole. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

Board of Education
Independent Auditors' Report
Page 2

As described in Note 3 to the general-purpose financial statements, the District implemented Governmental Accounting Standards Board Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans.

Michael A. Balestra, CPA, Inc.
Michael A. Balestra, CPA, Inc.
Certified Public Accountants

March 20, 2000

GENERAL PURPOSE FINANCIAL STATEMENTS

The general purpose financial statements of the School District include the basic combined financial statements, presented by fund type and account group, and notes to the financial statements that are essential to the fair presentation of financial position and results of operations and cash flows of the Proprietary Fund Type and Nonexpendable Trust Funds.

PAIN'T VALLEY LOCAL SCHOOL DISTRICT
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 1999

GOVERNMENTAL FUND TYPES

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<u>Assets and Other Debits:</u>				
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$1,087,735	\$150,045	\$103,615	\$3,139,529
Cash and Cash Equivalents with Fiscal Agents	0	0	0	0
Investments	0	0	0	0
Receivables:				
Taxes	959,322	22,332	134,917	102,566
Accounts	567	0	0	0
Intergovernmental	3,917	0	0	0
Accrued Interest	0	0	0	0
Interfund	16,605	0	0	0
Prepaid Items	9,637	95	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	127,652	0	0	0
Fixed Assets	0	0	0	0
<u>Other Debits:</u>				
Amount Available in Debt Service Fund for Retirement of General Obligations	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
Total Assets and Other Debits	\$2,205,435	\$172,472	\$238,532	\$3,242,095

See accompanying notes to the general purpose financial statements.

<i>PROPRIETARY FUND TYPE</i>	<i>FIDUCIARY FUND TYPES</i>	<i>ACCOUNT GROUPS</i>		<i>Totals (Memorandum Only)</i>
Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$0	\$21,285	\$0	\$0	\$4,502,209
17,935	0	0	0	17,935
0	3,066	0	0	3,066
0	0	0	0	1,219,137
0	0	0	0	567
0	0	0	0	3,917
0	115	0	0	115
0	0	0	0	16,605
96,281	0	0	0	106,013
0	0	0	0	127,652
0	0	5,019,140	0	5,019,140
0	0	0	114,725	114,725
0	0	0	2,389,753	2,389,753
<u>\$114,216</u>	<u>\$24,466</u>	<u>\$5,019,140</u>	<u>\$2,504,478</u>	<u>\$13,520,834</u>

(continued)

PAINT VALLEY LOCAL SCHOOL DISTRICT
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 1999

GOVERNMENTAL FUND TYPES

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<i>Liabilities,</i>				
<i><u>Fund Equity and Other Credits:</u></i>				
<i>Liabilities:</i>				
Accounts Payable	\$59,736	\$2,161	\$0	\$0
Contracts Payable	0	0	0	19,226
Retainage Payable	0	0	0	8,060
Accrued Wages and Benefits	524,631	54,389	0	0
Compensated Absences Payable	28,013	0	0	0
Interfund Payable	0	0	0	16,605
Intergovernmental Payable	97,196	8,377	0	0
Deferred Revenue	885,257	20,480	123,807	94,514
Undistributed Monies	0	0	0	0
Claims Payable	0	0	0	0
Capital Leases Payable	0	0	0	0
Early Retirement Incentive	0	0	0	0
Energy Conservation Loan Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	1,594,833	85,407	123,807	138,405
<i><u>Fund Equity and Other Credits:</u></i>				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved (Deficit)	0	0	0	0
Fund Balance:				
Reserved for Endowment	0	0	0	0
Reserved for Encumbrances	125,056	7,066	0	7,401
Reserved for Property Taxes	74,065	1,852	11,110	8,052
Reserved for Textbooks	56,310	0	0	0
Reserved for Budget Stabilization	71,342	0	0	0
Unreserved:				
Undesignated	283,829	78,147	103,615	3,088,237
Total Fund Equity and Other Credits	610,602	87,065	114,725	3,103,690
Total Liabilities, Fund Equity and Other Credits	\$2,205,435	\$172,472	\$238,532	\$3,242,095

See accompanying notes to the general purpose financial statements.

<i>PROPRIETARY FUND TYPE</i>	<i>FIDUCIARY FUND TYPES</i>	<i>ACCOUNT GROUPS</i>		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Internal Service	Trust and Agency			
\$0	\$50	\$0	\$0	\$61,947
0	0	0	0	19,226
0	0	0	0	8,060
0	0	0	0	579,020
0	0	0	427,341	455,354
0	0	0	0	16,605
0	0	0	55,474	161,047
0	0	0	0	1,124,058
0	21,072	0	0	21,072
153,493	0	0	0	153,493
0	0	0	33,287	33,287
0	0	0	28,376	28,376
0	0	0	60,000	60,000
0	0	0	1,900,000	1,900,000
<hr/> 153,493	<hr/> 21,122	<hr/> 0	<hr/> 2,504,478	<hr/> 4,621,545
0	0	5,019,140	0	5,019,140
(39,277)	0	0	0	(39,277)
0	3,344	0	0	3,344
0	0	0	0	139,523
0	0	0	0	95,079
0	0	0	0	56,310
0	0	0	0	71,342
0	0	0	0	3,553,828
<hr/> (39,277)	<hr/> 3,344	<hr/> 5,019,140	<hr/> 0	<hr/> 8,899,289
<hr/> \$114,216	<hr/> \$24,466	<hr/> \$5,019,140	<hr/> \$2,504,478	<hr/> \$13,520,834

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PAINT VALLEY LOCAL SCHOOL DISTRICT
 Combined Statement of Revenues, Expenditures
 and Changes in Fund Balances
 All Governmental Fund Types
 For the Fiscal Year Ended June 30, 1999

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
<u>Revenues:</u>					
Property Taxes	\$882,208	\$21,181	\$166,954	\$101,402	\$1,171,745
Intergovernmental	5,162,506	740,452	19,218	1,341,887	7,264,063
Interest	92,023	0	0	103,529	195,552
Tuition and Fees	10,527	0	0	0	10,527
Rent	730	0	0	0	730
Extracurricular Activities	0	120,269	0	0	120,269
Gifts and Donations	0	1,200	0	0	1,200
Customer Services	0	112,737	0	0	112,737
Miscellaneous	23,620	24,930	0	0	48,550
Total Revenues	6,171,614	1,020,769	186,172	1,546,818	8,925,373
<u>Expenditures:</u>					
Current:					
Instruction:					
Regular	2,791,481	265,553	0	19,810	3,076,844
Special	492,989	354,611	0	0	847,600
Vocational	1,321	0	0	0	1,321
Adult/Continuing	557	0	0	0	557
Other	270,457	0	0	0	270,457
Support Services:					
Pupils	186,249	41,295	0	0	227,544
Instructional Staff	175,073	8,243	0	0	183,316
Board of Education	74,167	91	0	0	74,258
Administration	538,322	14,839	0	0	553,161
Fiscal	184,781	1,769	3,389	3,259	193,198
Operation and Maintenance of Plant	532,605	0	0	0	532,605
Pupil Transportation	447,126	0	0	0	447,126
Central	0	7,763	0	0	7,763
Operation of Non-Instructional Services					
	2,399	244,876	0	0	247,275
Extracurricular Activities	99,138	93,631	0	0	192,769
Capital Outlay	0	0	0	670,562	670,562
Debt Service:					
Principal Retirement	10,859	0	70,800	0	81,659
Interest and Fiscal Charges	5,221	0	93,443	0	98,664
Total Expenditures	5,812,745	1,032,671	167,632	693,631	7,706,679
Excess of Revenues Over (Under) Expenditures	358,869	(11,902)	18,540	853,187	1,218,694
<u>Other Financing Sources (Uses):</u>					
Proceeds from Sale of Bonds	0	0	0	1,945,800	1,945,800
Proceeds from Sale of Fixed Assets	1,002	0	0	0	1,002
Operating Transfers - In	0	3,500	0	0	3,500
Operating Transfers - Out	(17,933)	0	0	0	(17,933)
Total Other Financing Sources (Uses)	(16,931)	3,500	0	1,945,800	1,932,369
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	341,938	(8,402)	18,540	2,798,987	3,151,063
Fund Balances at Beginning of Year	289,307	100,050	96,185	304,703	790,245
Decrease in Reserve for Inventory	(20,643)	(4,583)	0	0	(25,226)
Fund Balances at End of Year	\$610,602	\$87,065	\$114,725	\$3,103,690	\$3,916,082

See Accompanying Notes to the General Purpose Financial Statements

PAINT VALLEY LOCAL SCHOOL DISTRICT, OHIO
 Combined Statement of Revenues, Expenditures and
 Changes in Fund Balances - Budget and Actual (Budget Basis)
 All Governmental Fund Types
 For the Fiscal Year Ended June 30, 1999

	<i>GENERAL FUND</i>			<i>SPECIAL REVENUE FUNDS</i>		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>						
Property Taxes	\$866,265	\$866,265	50	\$20,781	\$20,781	\$0
Income Tax	4,721	4,721	0	0	0	0
Intergovernmental	5,156,612	5,221,400	64,788	740,452	740,452	0
Interest	84,212	91,874	7,662	0	0	0
Tuition and Fees	10,311	10,356	45	0	0	0
Rent	730	730	0	0	0	0
Extracurricular Activities	0	0	0	120,377	120,382	5
Gifts and Donations	0	0	0	1,200	1,200	0
Customer Services	0	0	0	112,737	112,737	0
Miscellaneous	8,878	8,878	0	10,912	10,930	18
Total Revenues	6,131,729	6,204,224	72,495	1,006,459	1,006,482	23
<u>Expenditures:</u>						
Current:						
Instruction:						
Regular	2,940,817	2,860,824	79,993	289,601	266,545	23,056
Special	510,008	487,412	22,596	415,201	358,028	57,173
Vocational	3,747	1,852	1,895	0	0	0
Adult Continuing	600	557	43	0	0	0
Other	308,002	244,511	63,491	0	0	0
Support Services:						
Pupils	185,570	173,103	12,467	59,832	43,570	16,262
Instructional Staff	178,785	168,397	10,388	9,243	8,243	1,000
Board of Education	639,513	89,173	550,340	395	91	304
Administration	546,202	517,357	28,845	14,982	14,982	0
Fiscal	201,393	187,507	13,886	4,161	1,769	2,392
Operation and Maintenance of Plant	674,758	584,226	90,532	31,793	0	31,793
Pupil Transportation	497,806	457,898	39,908	0	0	0
Central	0	0	0	8,751	8,070	681
Operation of Non-Instructional Services						
Services	4,200	2,399	1,801	241,717	240,184	1,533
Extracurricular Activities	117,375	99,170	18,205	102,771	96,096	6,675
Capital Outlay	0	0	0	0	0	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	6,808,776	5,874,386	934,390	1,178,447	1,037,578	140,869
Excess of Revenues Over (Under) Expenditures	(677,047)	329,838	1,006,885	(171,988)	(31,096)	140,892
<u>Other Financing Sources (Uses):</u>						
Proceeds from Sale of Bonds	0	0	0	0	0	0
Proceeds from Sale of Fixed Assets	1,002	1,002	0	0	0	0
Refund of Prior Year Expenditures	15,051	15,051	0	0	0	0
Advances - In	0	0	0	0	0	0
Advances - Out	(16,605)	(16,605)	0	0	0	0
Operating Transfers - In	0	0	0	3,500	3,500	0
Operating Transfers - Out	(17,933)	(17,933)	0	0	0	0
Other Financing Uses	(71,703)	0	71,703	0	0	0
Other Financing Sources	0	0	0	14,000	14,000	0
Total Other Financing Sources (Uses)	(90,188)	(18,485)	71,703	17,500	17,500	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(767,235)	311,353	1,078,588	(154,488)	(13,596)	140,892
Fund Balances at Beginning of Year	645,622	645,622	0	137,259	137,259	0
Prior Year Encumbrances Appropriated	121,613	121,613	0	17,229	17,229	0
Fund Balances at End of Year	\$0	\$1,078,588	\$1,078,588	\$0	\$140,892	\$140,892

See accompanying notes to the general purpose financial statements.

<i>DEBT SERVICE FUND</i>			<i>CAPITAL PROJECTS FUNDS</i>			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$166,588	\$166,588	\$0	\$100,713	\$100,713	\$0	\$1,154,347	\$1,154,347	0
0	0	0	0	0	0	\$4,721	\$4,721	0
19,218	19,218	0	1,341,887	1,341,887	0	\$7,322,957	\$7,322,957	64,788
0	0	0	93,257	103,529	10,272	\$177,469	\$195,403	17,934
0	0	0	0	0	0	\$10,311	\$10,356	45
0	0	0	0	0	0	\$730	\$730	0
0	0	0	0	0	0	\$120,377	\$120,382	5
0	0	0	0	0	0	\$1,200	\$1,200	0
0	0	0	0	0	0	\$112,737	\$112,737	0
0	0	0	0	0	0	\$19,790	\$19,808	18
185,806	185,806	0	1,535,857	1,546,129	10,272	8,859,851	8,942,641	82,790
0	0	0	162,414	24,804	137,610	\$3,392,832	\$3,152,173	240,659
0	0	0	0	0	0	\$925,209	\$845,440	79,769
0	0	0	0	0	0	\$3,747	\$1,852	1,895
0	0	0	0	0	0	\$600	\$557	43
0	0	0	0	0	0	\$308,002	\$244,511	63,491
0	0	0	0	0	0	\$245,402	\$216,673	28,729
0	0	0	0	0	0	\$188,028	\$176,640	11,388
0	0	0	0	0	0	\$639,908	\$89,264	550,644
0	0	0	0	0	0	\$561,184	\$532,339	28,845
8,222	3,389	4,833	6,247	3,259	2,988	\$220,023	\$195,924	24,099
0	0	0	0	0	0	\$706,551	\$584,226	122,325
0	0	0	0	0	0	\$497,806	\$457,898	39,908
0	0	0	0	0	0	\$8,751	\$8,070	681
0	0	0	0	0	0	\$245,917	\$242,583	3,334
0	0	0	0	0	0	\$220,146	\$195,266	24,880
0	0	0	3,633,795	652,536	2,981,259	\$3,633,795	\$652,536	2,981,259
165,882	70,800	95,082	0	0	0	\$165,882	\$70,800	95,082
97,143	93,443	3,700	0	0	0	\$97,143	\$93,443	3,700
271,247	167,632	103,615	3,802,456	680,599	3,121,857	12,060,926	7,760,195	4,300,731
(85,441)	18,174	103,615	(2,266,599)	865,530	3,132,129	(3,201,075)	1,182,446	4,383,521
0	0	0	1,945,800	1,945,800	0	\$1,945,800	\$1,945,800	0
0	0	0	0	0	0	\$1,002	\$1,002	0
0	0	0	0	0	0	\$15,051	\$15,051	0
0	0	0	16,605	16,605	0	\$16,605	\$16,605	0
0	0	0	0	0	0	(\$16,605)	(\$16,605)	0
0	0	0	0	0	0	\$3,500	\$3,500	0
0	0	0	0	0	0	(\$17,933)	(\$17,933)	0
0	0	0	0	0	0	(\$71,703)	\$0	71,703
0	0	0	0	0	0	\$14,000	\$14,000	0
0	0	0	1,962,405	1,962,405	0	1,889,717	1,961,420	71,703
(85,441)	18,174	103,615	(304,194)	2,827,935	3,132,129	(1,311,358)	3,143,866	4,455,224
85,441	85,441	0	304,194	304,194	0	(304,194)	(304,194)	0
0	0	0	0	0	0	0	0	0
\$0	\$103,615	\$103,615	\$0	\$3,132,129	\$3,132,129	(\$1,615,552)	\$2,839,672	\$4,455,224

Combined Statement of Revenues,
Expenses and Changes in Retained Earnings/Fund Balance
Proprietary Fund Type and Nonexpendable Trust
For the Fiscal Year Ended June 30, 1999

	PROPRIETARY FUND TYPE		Totals (Memorandum Only)
	Internal Service	Nonexpendable Trust	
<u>Operating Revenues:</u>			
Charges for Services	\$771,753	\$0	\$771,753
Interest	0	1,381	1,381
Other Operating Revenues	0	572	572
Total Operating Revenues	771,753	1,953	773,706
<u>Operating Expenses:</u>			
Purchased Services	17,066	0	17,066
Claims	776,199	0	776,199
Other Operating Expenses	0	28,322	28,322
Total Operating Expenses	793,265	28,322	821,587
Operating Income (Loss)	(21,512)	(26,369)	(47,881)
<u>Non-Operating Revenues:</u>			
Interest	4,003	0	4,003
Net Income (Loss) Before Operating Transfers	(17,509)	(26,369)	(43,878)
Operating Transfers - In	14,433	0	14,433
Net Income (Loss)	(3,076)	(26,369)	(29,445)
Retained Earnings/Fund Balance (Deficit) at Beginning of Year (restated - see note 23)	(36,201)	29,713	(6,488)
Retained Earnings/Fund Balance at End of Year	(\$39,277)	\$3,344	(\$35,933)

See accompanying notes to the general purpose financial statements.

PAIN'T VALLEY LOCAL SCHOOL DISTRICT
 Combined Statement of Revenues, Expenses and
 Changes in Fund Equity - Budget and Actual (Budget Basis)
 Proprietary Fund Type and Nonexpendable Trust
 For the Fiscal Year Ended June 30, 1999

	<i>PROPRIETARY FUND TYPE</i>			<i>NONEXPENDABLE TRUST FUNDS</i>		
	<i>INTERNAL SERVICE FUND</i>					
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<i>Revenues:</i>						
Charges for Services	\$223,638	\$223,638	\$0	\$0	\$0	\$0
Interest	0	0	0	1,952	2,026	74
Other Operating Revenues	0	0	0	572	572	0
<i>Total Revenues</i>	223,638	223,638	0	2,524	2,598	74
<i>Expenses:</i>						
Purchased Services	243,642	243,642	0	0	0	0
Other	0	0	0	28,410	28,322	88
<i>Total Expenses</i>	243,642	243,642	0	28,410	28,322	88
Excess of Revenues Over (Under) Expenses	(20,004)	(20,004)	0	(25,886)	(25,724)	162
Operating Transfers - In	14,433	14,433	0	0	0	0
Excess of Revenues Over (Under) Expenses and Transfers	(5,571)	(5,571)	0	(25,886)	(25,724)	162
Fund Equity at Beginning of Year	0	0	0	28,952	28,952	0
Prior Year Encumbrances Appropriated	5,571	5,571	0	0	0	0
Fund Equity at End of Year	\$0	\$0	\$0	\$3,066	\$3,228	\$162

See accompanying notes to the general purpose financial statements.

PAIN VALLEY LOCAL SCHOOL DISTRICT
 Combined Statement of Cash Flows
 Proprietary Fund Type and Nonexpendable Trust
 For the Fiscal Year Ended June 30, 1999

	PROPRIETARY FUND TYPE		Totals (Memorandum Only)
	Internal Service	Nonexpendable Trust	
<u>Increase (Decrease) in Cash and Cash Equivalents:</u>			
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Quasi-External Transactions with Other Funds	\$771,753	\$0	\$771,753
Cash Received from Other Operating Revenue	0	572	572
Cash Payments to Suppliers for Goods and Services	(17,804)	0	(17,804)
Cash Payments for Claims	(789,027)	0	(789,027)
Cash Payments for Other Operating Expenses	0	(28,322)	(28,322)
Net Cash Provided By (Used for) Operating Activities	(35,078)	(27,750)	(62,828)
<u>Cash Flows from Noncapital Financing Activities:</u>			
Transfers - In	14,433	0	14,433
<u>Cash Flows from Investing Activities:</u>			
<u>Proceeds from Sale of Investments</u>	0	28,067	28,067
Interest	4,003	2,026	6,029
Net Cash from Investing Activities	4,003	30,093	34,096
Net Increase (Decrease) in Cash and Cash Equivalents	(16,642)	2,343	(14,299)
Cash and Cash Equivalents at Beginning of Year	34,577	886	35,463
Cash and Cash Equivalents at End of Year	\$17,935	\$3,229	\$21,164
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used for) Operating Activities:</u>			
Operating Income (Loss)	(\$21,512)	(\$26,369)	(\$47,881)
<u>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used for) Operating Activities:</u>			
Interest Reported as Operating Income	0	(2,026)	(2,026)
Changes in Assets and Liabilities:			
Decrease in Accrued Interest Receivable	0	645	645
Decrease in Accounts Payable	(738)	0	(738)
Increase in Prepaid Assets	(96,281)		
Increase in Claims Payable	83,453	0	83,453
Total Adjustments	(13,566)	(1,381)	81,334
Net Cash Provided By (Used for) Operating Activities	(\$35,078)	(\$27,750)	\$33,453
<u>Reconciliation of Cash and Cash Equivalents of Nonexpendable Trust Funds to Balance Sheet</u>			
Cash and Cash Equivalents - All Fiduciary Funds		\$21,285	
Cash and Cash Equivalents - Agency Funds		18,056	
Cash and Cash Equivalents - Nonexpendable Trust Funds		\$3,229	

See accompanying notes to the general purpose financial statements.

Paint Valley Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

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 40 non-certificated employees, 77 certificated full-time teaching personnel and 5 administrative employees who provide services to 1,146 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 insure 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 District's boundaries for the benefit of its residents are excluded from the accompanying financial statements because the District is not financially accountable for these entities nor are they fiscally dependent on the District.

- ▶ Parent Teacher Organization
- ▶ Ross County Educational Service Center

The School District is associated with three jointly governed organizations: South Central Ohio Computer Association, Pickaway-Ross County Joint Vocational School, and Great Seal Education Network of Tomorrow. The School District is also associated with a claims 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 18 and 19 to the general purpose financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Paint Valley Local School District have been prepared in conformity with generally accepted accounting principles (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 School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

Paint Valley Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 2-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis Of Presentation - Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

Governmental Fund Types:

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in the proprietary fund and nonexpendable trust funds) are accounted for through governmental funds.

The following are the School District's governmental fund types:

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

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

Capital Projects Funds - The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds).

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.

Paint Valley Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 2-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation-Fund Accounting (Continued)

Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds are nonexpendable trust and agency funds. The nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups:

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary or trust funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary or trust funds.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The proprietary fund and nonexpendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. The proprietary and nonexpendable trust funds operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

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.

The modified accrual basis of accounting is followed for the governmental and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available for advance, interest, tuition, grants, and student fees.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2000 operations, have been recorded as deferred revenue.

Paint Valley Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting (Continued)

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund and the nonexpendable trust funds. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The Self-Insurance Internal Service fund has only the dental insurance portion of the fund budgeted and shown as part of the School District's cash activity; the medical insurance activity is handled by a fiscal agent and is therefore not budgeted. The primary level of budgetary control is at the object level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Ross County Budget Commission for rate determination.

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statement reflect amounts in the final amended certificate issued during fiscal year 1999.

Paint Valley Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process (Continued)

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, one supplemental appropriation was legally enacted; however, this amendment was not significant.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration employed as a management control device during the year for all funds other than agency funds and the medical portion of the self insurance fund, consistent with statutory provisions.

Encumbrances:

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

Expenditures plus encumbrances may not legally exceed appropriations. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

Lapsing of Appropriations:

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

D. Cash and Cash Equivalents

To improve cash management, 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 combined balance sheet.

During fiscal year 1999, investments were limited to STAR Ohio and certificates of deposit.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

Paint Valley Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Cash and Cash Equivalents (Continued)

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 1999. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 1999.

The School District pays employee health insurance premiums to the fiscal agent of a claims servicing pool who pays claims on the School District's behalf. The balance of the School District's funds held by the fiscal agent at June 30, 1999 is presented as "cash and cash equivalents with fiscal agents" on the balance sheet.

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 1999 amounted to \$92,023 which includes \$38,834 assigned from other School District funds. The capital projects, internal service and nonexpendable trust funds also received \$103,529, \$4,003 and \$1,381, respectively.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, 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. Investments with an initial maturity of more than three months are reported as investments.

E. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 1999, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

F. Fixed Assets

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District maintains a capitalization threshold of five hundred dollars. The School District does not have any proprietary fixed assets. Donated fixed assets are recorded at their fair market values as of the date received.

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 capitalized. Improvements are capitalized.

Assets in the general fixed assets account group are not depreciated.

G. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred.

Paint Valley Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Intergovernmental Revenues (Continued)

The School District currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund

- State Foundation Program
- State Property Tax Relief
- School Bus Purchase Reimbursement

Non-Reimbursable Grants

Special Revenue Funds

- Early Childhood
- Education Management Information Systems
- Handicapped Preschool
- Disadvantaged Pupil Impact Aid
- Textbook Subsidy
- Title VI-B
- Title I
- Title VI
- Preschool
- Professional Development Block Grant
- Drug-Free Schools
- Goals 2000 Intervention

Capital Projects Funds

- School Net
- School Net Plus
- Technology Equity

Reimbursable Grants

General Fund

- Driver Education

Special Revenue Funds

- National School Lunch Program
- National School Breakfast Program
- Government Donated Commodities

Grants and entitlements received in governmental funds amounted to 81.39 percent of governmental fund revenue during the 1999 fiscal year.

H. Interfund Assets/Liabilities

Short-term interfund loans are classified as "interfund receivables" and "interfund payables".

Paint Valley Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. 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. 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.

For governmental funds, the School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The School District records a liability for accumulated unused sick leave for all employees after 15 years of current service with the School District. The current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group.

J. Accrued Liabilities and Long-Term Obligations

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, special termination benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year-end are considered not to have been paid with current available financial resources. Bonds, capital leases and long-term loans are reported as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

K. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

L. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by statute to be set-aside by the School District for the purchase of textbooks, for the acquisition or construction of capital assets and to create a reserve for budget stabilization. See Note 21 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

Paint Valley Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Fund Balance Reserves

The School District reserves those portions of fund equity which are legally segregated for specific a future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for endowment, encumbrances, property taxes, textbooks, and budget stabilization.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

N. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

O. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Totals - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES

GASB Statement No. 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans" provides accounting for deferred compensation plans. The School District participates in the Ohio Public Employees Deferred Compensation Program. During 1998, the Ohio Public Employees Deferred Compensation Program created a trust for the assets of the plan for which the School District has no fiduciary responsibility. Therefore, plan assets are no longer presented on the balance sheet.

NOTE 4 - ACCOUNTABILITY

At June 30, 1999, the Disadvantaged Pupil Impact Aid Special Revenue Fund and the Emergency Building Repair Capital Projects Fund had deficit fund balances of \$983 and \$16,605, respectively, which were created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (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 Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis) - Internal Service Fund and Nonexpendable Trust Funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

Paint Valley Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (Continued)

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).
4. The School District does not budget for the activities of the fiscal agent who collects and holds assets for the payment of medical claims. However, the activities of the fiscal agent are included in the internal service fund for GAAP reporting purposes.
5. Advances In and Advances Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
All Governmental Fund Types

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	\$341,938	(\$8,402)	\$18,540	\$2,798,987
Revenue Accruals	32,610	113	(366)	(1,089)
Expenditure Accruals	75,009	3,846	0	20,833
Advances	(16,605)	0	0	16,605
Refund of Prior Years Expenditures	15,051	0	0	0
Encumbrances	(136,650)	(9,153)	0	(7,401)
Budget Basis	<u>\$311,353</u>	<u>(\$13,596)</u>	<u>\$18,174</u>	<u>\$2,827,935</u>

Paint Valley Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (Continued)

Net Income (Loss)/Excess of Revenues Under Expenses and Transfers Proprietary Fund Type and Nonexpendable Trust Funds	Internal Service	Nonexpendable Trusts
GAAP Basis	(\$3,076)	(\$26,369)
Revenue Accruals	552,118	645
Expense Accruals	(554,613)	0
Excess of Revenues Under Expenses for Non-Budgeted Funds	0	0
Budget Basis	(\$5,571)	(\$25,724)

NOTE 6 - 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 the Board of Education has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations 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;

Paint Valley Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

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. Bond and other obligations of the State of Ohio;
5. 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;
6. The State Treasurer's investment pool (STAR OHIO);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

Cash on Hand At year end, the School District had \$50 in undeposited cash on hand which is included on the balance sheet of the School District as part of "equity in pooled cash and cash equivalents".

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits With Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

Deposits At year end, the carrying amount of the School District's deposits was \$127,133 and the bank balance was \$230,337. Of the bank balance:

1. \$100,000 was covered by federal depository insurance; and
2. \$130,337 was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

Investments The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The School District's investments in STAR Ohio, an investment pool operated by the Ohio State Treasurer, are unclassified investments since they are not evidenced by securities that exist in physical or book entry form. The certificate of deposit is covered by FDIC insurance.

Paint Valley Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

	Fair Value
Certificate of Deposit	\$3,066
STAR Ohio	\$4,523,679
Total	\$4,526,745

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classification on deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9bbbb	\$4,647,796	\$3,066
Cash on Hand	(50)	
Investments:		
Certificate of Deposit	3,066	(3,066)
STAR Ohio	(4,523,679)	4,523,679
GASB Statement No. 3	\$127,133	\$4,523,679

At June 30, 1999 the School District's self-insurance internal service fund has a cash balance of \$17,935 with PRM, a claims servicing pool (See Note 19.) The money is held by the claims servicer in a pooled account which is representative of numerous entities and therefore cannot be classified by risk under GASB Statement No 3. The classification of cash and cash equivalents and investments for the PRM Self-Insurance Plan as a whole may obtained from the Plan's fiscal agent, the Westfall Local School District. To obtain financial information, write to Westfall Local School District at 19463 Pherson Pike, Williamsport, Ohio 43164.

NOTE 7 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 1999 for real and public utility property taxes represents collections of calendar 1998 taxes. Property tax payments received during calendar 1999 for tangible personal property (other than public utility property) is for calendar 1999 taxes.

1999 real property taxes are levied after April 1, 1999, on the assessed value as of January 1, 1999, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value. First half 1999 real estate property taxes are collected in and intended to finance fiscal year 2000.

Paint Valley Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 7 - PROPERTY TAXES (Continued)

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 1999 public utility property taxes became a lien December 31, 1998, are levied after April 1, 1999 and are collected in 2000 with real property taxes.

1999 tangible personal property taxes are levied after April 1, 1998, on the value as of December 31, 1998. Collections are made in 1999. Tangible personal property assessments are twenty-five percent of true value.

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

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

The assessed values upon which fiscal year 1999 taxes were collected are:

	<u>1998 Second- Half Collections</u>		<u>1999 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$36,702,770	87.78%	\$43,237,740	88.53%
Public Utility	16,480	0.04	19,510	0.04
Tangible Personal Property	<u>5,094,970</u>	<u>12.18</u>	<u>5,580,160</u>	<u>11.43</u>
Total Assessed Value	<u>\$41,814,220</u>	<u>100.00%</u>	<u>\$48,837,410</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$37.20		\$36.50	

NOTE 8 - INCOME TAX

The School District had levied a voted tax of one-half percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1993, and was a continuing tax but was repealed effective December 12, 1995. The School District received delinquent amounts during fiscal year 1999. Employers of residents were required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State had made quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

NOTE 9 - RECEIVABLES

Receivables at June 30, 1999, consisted of property taxes, accounts (rent, billings for user charged services, and student fees) interest, interfund, billings for user charges, tuition and fees, 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.

Paint Valley Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 9 - RECEIVABLES (Continued)

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

	<u>Amounts</u>
General Fund	
Driver Education Reimbursement	\$3,850
FY98 Sec 3317.27 adjustment	67
Total Intergovernmental Receivables	<u>\$3,917</u>

NOTE 10 - FIXED ASSETS

A summary of the changes in general fixed assets during fiscal year 1999 follows:

Asset Category	Balance at 6/30/98	Additions	Deletions	Balance at 6/30/99
Land and Improvements	\$135,945	\$0	\$0	\$135,945
Buildings and Improvements	2,346,772	53,700	0	2,400,472
Furniture, Fixtures and Equipment	1,044,522	30,413	0	1,074,935
Vehicles	773,957	55,530	6,915	822,572
Construction in Progress	0	585,216	0	585,216
Totals	<u>\$4,301,196</u>	<u>\$324,207</u>	<u>\$6,915</u>	<u>\$5,019,140</u>

NOTE 11 - 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 1999, the School District contracted with Nationwide Insurance for property and fleet insurance, liability insurance, and inland marine coverage.

Coverages provided by Nationwide Insurance are as follows:

Building and Contents-replacement cost (\$500 deductible)	\$10,364,700
Inland Marine Coverage (\$100 deductible)	35,880
Boiler and Machinery (\$1,000 deductible)	5,522,000
Automobile Liability (\$250 deductible)	1,000,000
Uninsured Motorists (\$0 deductible)	1,000,000
General Liability	
Per occurrence	1,000,000
Total per year	5,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant change in coverage from last year.

Paint Valley Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 11 - RISK MANAGEMENT (Continued)

For fiscal year 1999, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 19). 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 insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

Medical/surgical, dental and life insurance is offered to employees through a self-insurance internal service fund. The School District is a member the Ross County School Employees Insurance Consortium, a claims servicing pool, consisting of fourteen school districts within Ross County and its surrounding area, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. The claims liability of \$102,101 reported in the internal service fund at June 30, 1999 is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claims adjustments expenses and does not included other allocated or unallocated claims adjustment expenses. Changes in claims activity for the fiscal year follows:

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
1998	\$125,787	\$651,410	\$707,157	\$70,040
1999	70,040	776,199	692,746	153,493

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer public employee retirement system. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligation with the remainder being used to fund health care benefits; for fiscal year 1999, 7.7 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1998, 9.02 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The School District's contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$57,300, \$86,267, and \$76,637, respectively; 39 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$35,038 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

Paint Valley Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple-employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand alone financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

For the fiscal year ended June 30, 1999, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. For fiscal year 1998, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$157,018, \$306,764, and \$366,386, respectively; 82 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$28,285 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 1999, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 13 - POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the School District, this amount equaled \$209,357 during the 1999 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1998, (the latest information available) the balance in the Fund was \$2,156 million. For the fiscal year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000 and STRS had 91,999 eligible benefit recipients.

Paint Valley Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 13 - POSTEMPLOYMENT BENEFITS (Continued)

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 1999, employer contributions to fund health care benefits were 6.30 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay has been established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 1999 fiscal year equaled \$59,896.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 125 percent of the annual health care expenses. Expenses for health care the June 30, 1998 (the latest information available) were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998 SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

NOTE 14 - 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 200 days for all personnel. Upon retirement, payment is made for thirty percent of accrued, but unused sick leave credit to a maximum of 60 days.

B. Early Retirement Incentive

The School District has an Early Retirement Incentive program. Participation is open to any employees that are within the retirement range established by SERS or STRS. The School District will buy two years of service credit for these employees if the incentive is taken when the employee becomes eligible under the program. The liability at June 30, 1999, has been recorded as an early retirement incentive liability in the general long-term obligations account group.

Paint Valley Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 14 - EMPLOYEE BENEFITS (Continued)

C. Life and Accident Insurance

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Safeco.

D. Deferred Compensation

School District employees may participate in the Ohio Public Employees Deferred Compensation Plan. This plan was created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

For fiscal year 1999, the School District implemented GASB Statement No. 32, "Deferred Compensation Plans". This statement eliminates the requirement that the School District report plan assets in an agency fund if the plan has established a trust fund whose assets are not held by the School District in a fiduciary capacity. The Ohio Public Employees Deferred Compensation Plan has established a trust fund and the amounts are no longer reported on the School District's balance sheet as of June 30, 1999.

NOTE 15 - CAPITAL LEASES - LESSEE DISCLOSURE

In previous years the School District has entered into capital leases for equipment and furniture and fixtures. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

General fixed assets consisting of equipment and furniture and fixtures have been capitalized in the general fixed assets account group in the amount of \$59,160. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 1999 totaled \$10,859 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, 1999.

Fiscal Year Ending June 30,	GLTOAG
2000	\$16,080
2001	13,920
2002	9,600
Total	39,600
Less: Amount Representing Interest	(6,313)
Present Value of Net Minimum Lease Payments	<u>\$33,287</u>

Paint Valley Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 16 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 1999 were as follows:

	Principal Outstanding 6/30/98	Additions	Deductions	Principal Outstanding 6/30/99
Energy Conservation Loan 5.50%	\$85,000	\$0	\$25,000	\$60,000
School Improvement General Obligation Bonds 5.25%	0	1,945,800	45,800	1,900,000
Capital Leases	44,146	0	10,859	33,287
Pension Obligations	52,547	55,474	52,547	55,474
Early Retirement Incentive	51,502	28,376	51,502	28,376
Compensated Absences	375,003	52,338	0	427,341
Total General Long-Term Obligations	<u>\$608,198</u>	<u>\$2,081,988</u>	<u>\$185,708</u>	<u>\$2,504,478</u>

Energy Conservation Loan - On April 1, 1998, Paint Valley Local School District issued \$111,820 in unvoted general obligation bonds for the purpose of providing energy conservation measures for the School District, under the authority of Ohio Revised Code sections 133.06(G) and 3313.372. The bonds were issued for a five year period with final maturity during fiscal year 2002. The loan will be retired from the debt service fund.

On July 10, 1998, the School District issued long-term general obligation bonds in the amount of \$1,945,800, as a result of the School District being approved for a \$15,430,564 school facilities loan through the State Department of Education for the construction of an education complex. The 5.25% bonds will be retired in December 2020. 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 .5 mill was to be used for the retirement of the loan, 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-one years.

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 (currently 594 out of 611 schools) was less than the state-wide median adjusted valuation per pupil. In lieu of the repayment, the School District must set aside the funds that would have been used for repayment for facilities maintenance. As part of this process, the School District must submit a maintenance plan to the Ohio School Facilities Commission every five years until the twenty-three year period expires. If the School District's adjusted valuation per pupil increases above the state-wide median adjusted valuation during the twenty-three year period, the School District may become responsible for repayment of a portion of the State's contribution.

Capital leases will be paid from the General Fund. The pension obligation, early retirement incentive, and compensated absences will be paid from the fund from which the employees' salaries are paid.

The School District's overall legal debt margin was \$4,510,092 with an unvoted debt margin of \$48,837 at June 30, 1999.

Paint Valley Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 16 - LONG-TERM OBLIGATIONS (Continued)

Principal and interest requirements to retire general obligation debt outstanding at June 30, 1999, are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2000	\$70,000	\$100,624	\$170,624
2001	70,000	96,899	166,899
2002	70,000	93,174	163,174
2003	55,000	89,318	144,318
2004	60,000	86,299	146,299
2005-2009	345,000	380,701	725,701
2010-2014	440,000	278,634	718,634
2015-2021	850,000	163,280	1,013,280
Totals	\$1,960,000	\$1,288,929	\$3,248,929

NOTE 17 - INTERFUND TRANSACTIONS

Interfund balances at June 30, 1999, consist of the following individual receivables and payables:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$16,605	\$0
Capital Projects Fund		
Emergency Repair	0	16,605
Total	\$16,605	\$16,605

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS

South Central Ohio Computer Association - The School District is a participant in the South Central Ohio Computer Association (SCOCA) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Highland, Adams, Pike, Scioto, Brown, Ross, Vinton and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each of the participating member counties, two school treasurers, plus one representative from the fiscal agent. The School District paid SCOCA \$5,194 for services provided during the year. Financial information can be obtained from their fiscal agent, the Pike County Joint Vocational School District Treasurer, at P. O. Box 577, 23365 St. Rt. 124, Piketon, Ohio 45661.

Pickaway-Ross County Joint Vocational School - The Pickaway-Ross County Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of eleven representatives from the various City and County Boards within Pickaway and Ross Counties, each of which possesses its own budgeting and taxing authority. The School District did not have any financial transaction with the Joint Vocational School during the fiscal year. The School District paid \$880 for services provided during the year. To obtain financial information write to the Pickaway-Ross County Joint Vocational School, Ben Van Horn, who serves as Treasurer, at 895 Crouse Chapel Road, Chillicothe, Ohio 45601.

Paint Valley Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

Great Seal Education Network of Tomorrow - The Great Seal Education Network of Tomorrow is a regional council of governments (the "Council") consisting of twelve city, local, and joint vocational school districts, two educational service centers and the Ohio University-Chillicothe Campus for the purpose of promoting the use of advanced telecommunications and technology to provide enhanced educational opportunities to the communities of Ross and Pickaway Counties. The Council is operated under the direction of a Board of Directors consisting of one representative (the superintendent or another person appointed by the board of education) of each of the members, each of which possess its own budgeting and taxing authority. The School District paid \$2,144 for 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 19 - CLAIMS SERVICING AND INSURANCE PURCHASING POOLS

Ross County School Employees Insurance Consortium - The School District is a member of the Ross County School Employees Insurance Consortium (the "Consortium"), a claims servicing pool consisting of fourteen school districts within Ross County and its surrounding area. The Consortium provides medical/surgical, dental, vision, or life insurance through a third party administrator, Professional Risk Management Co., depending on which coverages the individual member district chooses. 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. To obtain financial information, write to the Westfall Local School District at 19463 Pherson Pike, Williamsport, Ohio 43164.

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

NOTE 20 - SCHOOL FUNDING COURT DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 1999, the School District received \$3,550,785 of school foundation support for its general fund and \$222,435 for the Disadvantage Pupil Impact Aid special revenue fund.

In addition, the Court declared the classroom facilities program unconstitutional, because, in the Court's opinion, the program had not been sufficiently funded by the State. The classroom facilities program provided money to build schools and furnish classrooms. As of June 30, 1999, the School District is approved to receive a grant total of \$15,430,564 under this program.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of the date of this report, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

Paint Valley Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 20 - SCHOOL FUNDING COURT DECISION (Continued)

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under these programs and on its financial operations.

NOTE 21 - 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 purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. The School District is also required to set aside money for budget stabilization.

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside Cash Balance as of June 30, 1998	\$0	\$0	\$34,850	\$34,850
Current Year Set-aside Requirement	72,983	72,983	36,492	182,458
Current Year Offsets	(16,673)	0	0	(16,673)
Qualifying Disbursements	0	(112,458)	0	(112,458)
Total	<u>56,310</u>	<u>(39,475)</u>	<u>71,342</u>	<u>\$88,177</u>
Cash Balance Carried Forward to FY 1999	<u>\$56,310</u>	<u>\$0</u>	<u>\$71,342</u>	
Total Restricted Assets				<u>\$127,652</u>

Although the School District had offsets and qualifying disbursements during the year that reduced the set-aside amounts to below zero, these extra amounts may not be used to reduce the set-aside requirements of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year.

NOTE 22 - 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 1999.

B. Litigation

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

Paint Valley Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 23 - RESTATEMENT OF RETAINED EARNINGS

For 1999, the prior year balance for the Self-Insurance Internal Service Fund was found to be misstated. The adjustment resulted in the following restatement of beginning fund equity:

	<u>Amount @6/30/98</u>	<u>Restated Amount</u>
Internal Service Fund	(\$23,216)	(\$36,201)

Paint Valley Local School District
Ross County

Schedule of Federal Awards Expenditures
For the Year Ended June 30, 1999

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	In-Kind Receipts	Disbursements	In-Kind Disbursements
United States Department of Agriculture/						
<i>Passed through the Ohio Department of Education</i>						
Nutrition Cluster:						
Food Distribution Program	N/A	10.550	\$0	\$15,069	\$0	\$15,006
National School Breakfast Program	05-PU 00	10.553	17,262	0	17,262	0
National School Lunch Program	03-PU 00	10.555	88,160	0	88,160	0
Total United States Department of Agriculture - Nutrition Cluster			105,422	15,069	105,422	15,006
United States Department of Education						
<i>Passed through Chillicothe Telephone</i>						
Telecommunications Act (E-Rate)	N/A	XX.XXX	12,587	0	12,587	0
<i>Passed through Ohio Department of Education</i>						
Appalachian Vocational & Other Educational						
Title I	C1-S1 99	84.010	302,482	0	306,064	0
Title VI-B	6B-SF 99	84.027	51,308	0	63,627	0
Goals 2000	G2-S3 00	84.276	3,000	0	17,857	0
Innovative Education Program Strategy	C2-S1-99	84.298	4,191	0	3,921	0
<i>Passed through Pickaway Ross Joint Vocational School District</i>						
Goals 2000	N/A	84.276	7,000	0	0	0
Total United States Department of Education			380,568	0	404,056	0
Total Federal Financial Assistance			\$485,990	\$15,069	\$509,478	\$15,006

See accompanying notes to schedule of federal awards expenditures.

N/A = Not Available

Pickaway-Ross County Joint Vocational School District
Notes to Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 1999

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards expenditures is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - FOOD DISTRIBUTIONS

Non-monetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 1999, the District had no significant food commodities in inventory.

MICHAEL A. BALESTRA, CPA, INC.
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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

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

We have audited the general purpose financial statements of Paint Valley Local School District as of and for the year ended June 30, 1999, and have issued our report thereon dated March 20, 2000, in which we indicated the school district had changed its method of accounting for deferred compensation. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Paint Valley Local School District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulation, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Paint Valley Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over the financial reporting that might be material weaknesses.

A material weakness is a condition in which the design or operation of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weakness.

Members of the Board
Paint Valley Local School District
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY
GOVERNMENT AUDITING STANDARDS
Page 2

This report is intended for the information of the audit committee, management, members of the Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Michael A. Balestra, CPA, Inc.
Michael A. Balestra, CPA, Inc.
Certified Public Accountants

March 20, 2000

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

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

Compliance

We have audited the compliance of Paint Valley Local School District with the types of compliance requirements described in the *U.S. Office Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 1999. Paint Valley Local School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Paint Valley Local School District's management. Our responsibility is to express an opinion on Paint Valley Local School District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about Paint Valley Local 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. Our audit does not provide a legal determination on Paint Valley Local School District's compliance with those requirements.

In our opinion, Paint Valley Local School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 1999.

Internal Control Over Compliance

The management of Paint Valley Local School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit we considered Paint Valley Local School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Members of the Board

Paint Valley Local School District

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

Page 2

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulation, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management, members of the Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Michael A. Balestra, CPA, Inc.

Michael A. Balestra, CPA, Inc.
Certified Public Accountants

March 20, 2000

PAINT VALLEY LOCAL SCHOOL DISTRICT
JUNE 30, 1999

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section .510?	No
(d)(1)(vii)	Major Programs (list):	Nutrition Cluster CFDA #10.550,10.553,10,555 Goals 2000 CFDA#84.276
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

PAINT VALLEY LOCAL SCHOOL DISTRICT
JUNE 30, 1999

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505

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

Finding Number	None
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3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	None
CFDA Title and Number	
Federal Award Number/Year	
Federal Agency	
Pass-Through Agency	



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

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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.

By: Susan Babbitt

Date: JUNE 1, 2000