



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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PAINT VALLEY LOCAL SCHOOL DISTRICT
ROSS COUNTY

SINGLE AUDIT

For the Year Ended June 30, 2011
Fiscal Year Audited Under GAGAS: 2011



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Paint Valley Local School District, Ross County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2010 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

January 18, 2012

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**PAINT VALLEY LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

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Balestra, Harr & Scherer, CPAs, Inc.

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Paint Valley Local School District, Ross County, (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Paint Valley Local School District, Ross County, Ohio, as of June 30, 2011, and the respective changes in financial position and where applicable, cash flows, thereof, and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2011 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The Schedule of Federal Awards Receipts and Expenditures provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Schedule of Federal Awards Receipts and Expenditures is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 20 to the financial statements, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.


Balestra, Harr & Scherer, CPAs, Inc.
November 23, 2011

Paint Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Paint Valley Local School District (the "School District") discussion and analysis of the annual financial report provides a review of the financial performance for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- The School District's assets exceeded its liabilities at June 30, 2011 by \$19,552,828.
- The School District's net assets of governmental activities decreased \$1,333,066.
- General revenues accounted for \$8,646,803 in revenue or 77 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,556,924 or 23 percent of total revenues of \$11,203,727.
- The School District had \$12,536,793 in expenses related to governmental activities; \$2,556,924 of these expenses was offset by program specific charges for services and sales, grants and contributions.

USING THIS ANNUAL FINANCIAL REPORT

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

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

REPORTING THE SCHOOL DISTRICT AS A WHOLE

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

Paint Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

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

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

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

REPORTING THE SCHOOL DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

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

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

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

Paint Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

THE SCHOOL DISTRICT AS A WHOLE

As stated previously, the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2011 compared to 2010.

Table 1
Net Assets

	Governmental Activities	
	2011	2010
Assets		
Current and Other Assets	\$ 6,474,830	\$ 7,299,223
Capital Assets, Net	17,456,512	17,969,187
Total Assets	23,931,342	25,268,410
Liabilities		
Current and Other Liabilities	2,519,591	2,601,466
Long-Term Liabilities	1,858,923	1,781,050
Total Liabilities	4,378,514	4,382,516
Net Assets		
Invested in Capital Assets, Net of Related Debt	16,090,019	16,646,981
Restricted	1,359,970	1,569,930
Unrestricted	2,102,839	2,668,983
Total Net Assets	\$ 19,552,828	\$ 20,885,894

Total net assets of the School District as a whole decreased \$1,333,066. Total assets decreased \$1,337,068. Cash and cash equivalents decreased due to an increase in expenditures. Capital assets decreased as a result of depreciation and deletions in excess of additions. Total liabilities remained consistent with the prior year.

Paint Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

Table 2 shows the changes in net assets for the fiscal years ended June 30, 2011 and 2010.

Table 2
Change in Net Assets

	Governmental Activities	
	2011	2010
Revenues		
Program Revenues:		
Charges for Services and Sales	\$ 945,679	\$ 839,367
Operating Grants & Contributions	1,611,245	1,947,437
Total Program Revenues	<u>2,556,924</u>	<u>2,786,804</u>
General Revenues:		
Property Taxes	1,857,154	1,827,948
Grants and Entitlements, Not Restricted to Specific Programs	6,769,809	6,808,338
Gifts and Donations, Not Restricted to Specific Programs	-	33,000
Investment Earnings	7,373	9,553
Miscellaneous	12,467	26,580
Total General Revenues	<u>8,646,803</u>	<u>8,705,419</u>
Total Revenues	11,203,727	11,492,223
Program Expenses		
Instruction		
Regular	5,431,662	5,281,047
Special	1,955,752	1,588,261
Vocational	2,010	2,950
Other	958,986	835,821
Support Services		
Pupils	325,007	359,378
Instructional Staff	163,591	265,238
Board of Education	136,088	96,575
Administration	660,680	671,972
Fiscal	292,891	292,210
Operation and Maintenance of Plant	1,205,596	1,090,691
Pupil Transportation	619,007	622,839
Operation of Non-Instructional Services	342,514	312,325
Extracurricular Activities	369,757	332,435
Interest and Fiscal Charges	73,252	75,244
Total Expenses	<u>12,536,793</u>	<u>11,826,986</u>
Increase (Decrease) in Net Assets	(1,333,066)	(334,763)
Net Assets at Beginning of Year	<u>20,885,894</u>	<u>21,220,657</u>
Net Assets at End of Year	<u>\$ 19,552,828</u>	<u>\$ 20,885,894</u>

Paint Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

Operating grants and contributions decreased due to the timing of monies received from ARRA Title I and Part-B IDEA programs. Gifts and donations, not restricted to specific programs decreased due to monies received from Pepsi-Cola in the prior year. Regular instruction increased due to salary and benefit increases. Special instruction increased due to expenditures for the ARRA-Title I and IDEA Part-B IDEA programs. Other instruction increased due to open enrollment. Instructional staff decreased due to the School District not receiving monies for the Title I School Improvement program. Operation and Maintenance of Plant increased due to increased propane costs, benefits, and repair costs.

Governmental Activities

Charges for services and sales comprised 8 percent of revenue for governmental activities, while operating grants and contributions comprised 14 percent of revenue for governmental activities of the School District for fiscal year 2011. Property taxes and grants and entitlements, not restricted to specific programs also represent significant portions of revenues, comprising 17 percent and 60 percent, respectively.

As indicated by governmental program expenses, instruction is emphasized. Regular instruction comprised 43 percent of governmental program expenses with special instruction comprising 16 percent of governmental expenses. Operation and maintenance of plant support services also represents a significant portion of expenses, comprising 10 percent of total expenses.

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

Table 3
 Total and Net Cost of Program Services
 Governmental Activities

	2011		2010	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 8,348,410	\$ 7,076,322	\$ 7,708,079	\$ 6,435,789
Support Services	3,402,860	2,687,652	3,398,903	2,600,086
Operation of Non-Instructional Services	342,514	29,906	312,325	(103,340)
Extracurricular Activities	369,757	114,518	332,435	33,573
Interest and Fiscal Charges	73,252	71,471	75,244	74,074
Total Expenses	\$ 12,536,793	\$ 9,979,869	\$ 11,826,986	\$ 9,040,182

THE SCHOOL DISTRICT'S FUNDS

Governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$13,252,455 and expenditures and other financing uses of \$13,490,307. The net change in fund balance for the year was most significant in the General Fund which is the School District's only major fund.

The fund balance of the General Fund decreased by \$387,964. This decrease was due primarily to an increase to overall expenditures, while revenues remained reasonably consistent.

Paint Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

General Fund Budgeting Highlights

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

During 2011 there were several revisions to the General Fund budget. In part, these revisions increased estimated revenues and appropriations by \$179,679. Actual appropriations plus encumbrances were below final budgeted numbers due to the School District overbudgeting contingencies expenditures and due to lower than expected expenditures for salaries and benefits. The Treasurer has been given the authority by the Board of Education to make line item adjustments within the budget. The General Fund's ending unobligated cash balance was \$1,953,422.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2011 the School District had \$17,456,512 invested in its capital assets. Table 4 shows the fiscal year 2011 balances compared to 2010.

Table 4
 Capital Assets
 (Net of Accumulated Depreciation)

	Governmental Activities	
	2011	2010
Land	\$ 35,188	\$ 35,188
Land Improvements	572,812	616,782
Buildings and Building Improvements	15,454,685	16,139,769
Furniture and Equipment	954,065	851,076
Vehicles	376,095	261,951
Infrastructure	63,667	64,421
Totals	\$ 17,456,512	\$ 17,969,187

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

Debt

At June 30, 2011 the School District had one outstanding capital lease and one outstanding refunding bond. The capital lease is for copiers. The refunding bond was for the purpose of refunding the School District loan through the Ohio School Facilities Commission. The outstanding lease and refunding bond amounts totaled \$200,517 and \$1,115,000, respectively. See Note 14 to the basic financial statements for more detailed information regarding debt.

Paint Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

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

Paint Valley Local School District
Statement of Net Assets
June 30, 2011

	Governmental Activities
ASSETS:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 4,501,682
Intergovernmental Receivable	144,398
Taxes Receivable	1,800,380
Unamortized Bond Issuance Costs	28,370
Noncurrent Assets:	
Non-Depreciable Capital Assets	35,188
Depreciable Capital Assets, net	17,421,324
<i>Total Assets</i>	23,931,342
LIABILITIES:	
Current Liabilities:	
Accounts Payable	31,900
Accrued Wages and Benefits	896,702
Accrued Interest Payable	1,943
Intergovernmental Payable	251,857
Matured Compensated Absences Payable	7,216
Deferred Revenue	1,329,973
Noncurrent Liabilities:	
Long-Term Liabilities:	
Due Within One Year	182,299
Due in More Than One Year	1,676,624
<i>Total Liabilities</i>	4,378,514
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	16,090,019
Restricted for Debt Service	215,663
Restricted for Capital Outlay	522,158
Restricted for Other Purposes	451,393
Restricted for Set-Asides	167,492
Restricted - Permanent Fund	
Expendable	264
Nonexpendable	3,000
Unrestricted	2,102,839
<i>Total Net Assets</i>	\$ 19,552,828

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

Paint Valley Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2011

	<u>Program Revenues</u>			Net (Expense) Revenue and Changes in Net Assets
	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities:				
Instruction:				
Regular	\$ 5,431,662	\$ 337,726	\$ 167,272	\$ (4,926,664)
Special	1,955,752	84,535	600,532	(1,270,685)
Vocational	2,010	131	-	(1,879)
Other	958,986	71,481	10,411	(877,094)
Support Services:				
Pupils	325,007	24,629	-	(300,378)
Instructional Staff	163,591	9,620	25,441	(128,530)
Board of Education	136,088	8,997	12,050	(115,041)
Administration	660,680	48,560	-	(612,120)
Fiscal	292,891	21,679	512	(270,700)
Operation and Maintenance of Plant	1,205,596	47,391	304,317	(853,888)
Pupil Transportation	619,007	37,046	174,966	(406,995)
Operation of Non-Instructional Services	342,514	84,789	227,819	(29,906)
Extracurricular Activities	369,757	167,314	87,925	(114,518)
Interest and Fiscal Charges	73,252	1,781	-	(71,471)
Total Governmental Activities	<u>\$ 12,536,793</u>	<u>\$ 945,679</u>	<u>\$ 1,611,245</u>	<u>(9,979,869)</u>
General Revenues:				
Property Taxes Levied for:				
General Purposes				1,593,642
Permanent Improvements				105,249
Classroom Facilities Maintenance				28,201
Debt Service				130,062
Grants and Entitlements not Restricted to Specific Programs				6,769,809
Investment Earnings				7,373
Miscellaneous				12,467
Total General Revenues				<u>8,646,803</u>
Change in Net Assets				(1,333,066)
Net Assets Beginning of Year				<u>20,885,894</u>
Net Assets End of Year				<u>\$ 19,552,828</u>

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

Paint Valley Local School District
Balance Sheet
Governmental Funds
June 30, 2011

	<u>General</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:			
Equity in Pooled Cash and Cash Equivalents	\$ 3,079,105	\$ 1,155,208	\$ 4,234,313
Intergovernmental Receivable	3,304	141,094	144,398
Taxes Receivable	1,544,816	255,564	1,800,380
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	167,492	-	167,492
<i>Total Assets</i>	<u>\$ 4,794,717</u>	<u>\$ 1,551,866</u>	<u>\$ 6,346,583</u>
LIABILITIES:			
Accounts Payable	\$ 28,555	\$ 3,345	\$ 31,900
Accrued Wages and Benefits	782,162	114,540	896,702
Intergovernmental Payable	226,364	25,493	251,857
Matured Compensated Absences Payable	7,216	-	7,216
Deferred Revenue	1,206,109	243,838	1,449,947
<i>Total Liabilities</i>	<u>2,250,406</u>	<u>387,216</u>	<u>2,637,622</u>
FUND BALANCES:			
Nonspendable	-	3,000	3,000
Restricted	167,492	1,161,650	1,329,142
Assigned	106,481	-	106,481
Unassigned	2,270,338	-	2,270,338
<i>Total Fund Balances</i>	<u>2,544,311</u>	<u>1,164,650</u>	<u>3,708,961</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 4,794,717</u>	<u>\$ 1,551,866</u>	<u>\$ 6,346,583</u>

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

Paint Valley Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2011*

Total Governmental Fund Balances		\$ 3,708,961
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		17,456,512
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Taxes	75,760	
Intergovernmental	44,214	
Unamortized Financing Costs	28,370	
Total		148,344
An internal service fund is used by management to charge the cost of insurance to individuals. The assets and liabilities of the internal service fund is included in governmental activities in the statement of net assets.		99,877
Accrued interest payable on long-term debt is not reported in the funds.		(1,943)
Long-term liabilities, including bonds, capital lease obligations, and the long-term portion of compensated absences are not due and payable in the current period and therefore are not reported in the funds.		
Capital Lease Obligations	(200,517)	
Compensated Absences	(486,404)	
General Obligation Refunding Serial Bonds	(1,070,000)	
General Obligation Refunding Capital Appreciation Bonds	(45,000)	
Accreted Debt from Capital Appreciation Bonds	(6,026)	
Premium from Refunding Bonds	(50,976)	
Total		(1,858,923)
Net Assets of Governmental Activities		\$ 19,552,828

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

Paint Valley Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2011

	General	All Other Governmental Funds	Total Governmental Funds
REVENUES:			
Property Taxes	\$ 1,596,695	\$ 264,131	\$ 1,860,826
Intergovernmental	6,729,390	2,164,088	8,893,478
Interest	7,060	313	7,373
Tuition and Fees	707,649	-	707,649
Rent	120	-	120
Extracurricular Activities	37,395	116,189	153,584
Gifts and Donations	-	9,000	9,000
Customer Sales and Services	-	84,326	84,326
Miscellaneous	9,832	2,635	12,467
<i>Total Revenues</i>	<u>9,088,141</u>	<u>2,640,682</u>	<u>11,728,823</u>
EXPENDITURES:			
Current:			
Instruction:			
Regular	4,440,091	226,840	4,666,931
Special	1,114,311	861,548	1,975,859
Vocational	1,726	-	1,726
Other	943,267	14,999	958,266
Support Services:			
Pupils	321,558	-	321,558
Instructional Staff	128,652	36,651	165,303
Board of Education	118,728	17,360	136,088
Administration	636,459	-	636,459
Fiscal	282,053	6,819	288,872
Operation and Maintenance of Plant	628,413	438,415	1,066,828
Pupil Transportation	491,677	238,846	730,523
Operation of Non-Instructional Services	6,113	327,471	333,584
Extracurricular Activities	181,178	126,670	307,848
Capital Outlay	220,144	107,470	327,614
Debt Service:			
Principal	126,833	100,000	226,833
Interest and Fiscal Charges	23,498	20,135	43,633
Issuance Costs	-	31,522	31,522
<i>Total Expenditures</i>	<u>9,664,701</u>	<u>2,554,746</u>	<u>12,219,447</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(576,560)</u>	<u>85,936</u>	<u>(490,624)</u>
OTHER FINANCING SOURCES AND USES:			
Transfers In	-	31,698	31,698
Refunding Bonds Issued	-	1,215,000	1,215,000
Premium on Refunding Bonds Issued	-	56,640	56,640
Proceeds from Sale of Capital Assets	150	-	150
Inception of Capital Leases	220,144	-	220,144
Payment to Refunded Bond Escrow Agent	-	(1,239,162)	(1,239,162)
Transfers Out	(31,698)	-	(31,698)
<i>Total Other Financing Sources and Uses</i>	<u>188,596</u>	<u>64,176</u>	<u>252,772</u>
<i>Net Change in Fund Balances</i>	(387,964)	150,112	(237,852)
<i>Fund Balances at Beginning of Year - As Restated, See Note 20</i>	<u>2,932,275</u>	<u>1,014,538</u>	<u>3,946,813</u>
<i>Fund Balances at End of Year</i>	<u>\$ 2,544,311</u>	<u>\$ 1,164,650</u>	<u>\$ 3,708,961</u>

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

Paint Valley Local School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2011*

Net Change in Fund Balances - Total Governmental Funds	\$	(237,852)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital asset additions in the current period.</p>		
Capital Asset Additions	524,643	
Current Year Depreciation	(968,230)	
Total	(443,587)	(443,587)
<p>Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities a gain or loss is reported for each disposal.</p>		
Proceeds from the Sale of Capital Assets	(150)	
Loss on Disposal of Capital Assets	(68,938)	
Total	(69,088)	(69,088)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Taxes	(3,672)	
Intergovernmental	(521,424)	
Total	(525,096)	(525,096)
<p>Premiums on issuance of debt are recorded as revenues in the governmental funds but are not reported on the statement of activities.</p>		
		(56,640)
<p>The amortization of premium from the sale of bonds is recorded as a reduction of liability in the statement of net assets, but does not result in an expenditure in the governmental funds.</p>		
		5,664
<p>Bond issuance costs are recorded as an expenditure in the governmental funds, but are recognized as an asset and are not recorded in the statement of activities.</p>		
		31,522
<p>The amortization of debt issuance costs are reported in the statement of activities but are not reported as expenditures in the governmental funds.</p>		
		(3,152)
<p>Repayment of bond principal to bond escrow agents are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net assets and does not result in an expense in the statement of activities.</p>		
	1,239,162	
<p>Change to interest expense due to refunding is not recorded as an expenditure in the governmental funds, but is recorded in the statement of activities.</p>		
Total	(24,162)	1,215,000
<p>Repayment of capital lease obligations are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net assets and does not result in an expense in the statement of activities.</p>		
		126,833
<p>Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces liabilities in the statement of net assets and does not result in an expense in the statement of activities.</p>		
		100,000
<p>Proceeds from the refunding and capital appreciation bonds in the statement of revenues, expenditures, and changes in fund balances that are reported as other financing sources are not reported as revenues in the statement of activities.</p>		
		(1,215,000)
<p>Proceeds from the inception of capital lease in the statement of revenues, expenditures, and changes in fund balances that are reported as other financing sources are not reported as revenues in the statement of activities.</p>		
		(220,144)
<p>The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue of the internal service fund is allocated amount the governmental activities.</p>		
		(5,997)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>		
Increase in Compensated Absences	(27,560)	
Increase in Interest Payable	(1,943)	
Increase in Accreted Debt	(6,026)	
Total	(35,529)	(35,529)
Net Change in Net Assets of Governmental Activities	\$	(1,333,066)

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

Paint Valley Local School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual (Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Total Revenues and Other Financing Sources	\$ 8,990,047	\$ 9,169,726	\$ 9,169,726	\$ -
Total Expenditures and Other Financing Uses	<u>11,561,153</u>	<u>11,740,832</u>	<u>9,787,410</u>	<u>1,953,422</u>
Net Change in Fund Balance	(2,571,106)	(2,571,106)	(617,684)	1,953,422
Fund Balance at Beginning of Year	2,404,306	2,404,306	2,404,306	-
Prior Year Encumbrances Appropriated	<u>166,800</u>	<u>166,800</u>	<u>166,800</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,953,422</u>	<u>\$ 1,953,422</u>

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

Paint Valley Local School District
Statement of Net Assets
Governmental Activities
Internal Service Fund
June 30, 2011

	<u>Internal Service Fund</u>
ASSETS:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 99,877</u>
<i>Total Assets</i>	<u>99,877</u>
NET ASSETS:	
Unrestricted	<u>99,877</u>
<i>Total Net Assets</i>	<u><u>\$ 99,877</u></u>

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

Paint Valley Local School District
Statement of Revenues, Expenses and Changes in Fund Net Assets
Governmental Activities
Internal Service Fund
For the Fiscal Year Ended June 30, 2011

	Internal Service Fund
OPERATING REVENUES:	
Charges for Services	\$ 82,735
<i>Total Operating Revenues</i>	<i>82,735</i>
OPERATING EXPENSES:	
Claims	88,732
<i>Total Operating Expenses</i>	<i>88,732</i>
<i>Change in Net Assets</i>	<i>(5,997)</i>
<i>Net Assets at Beginning of Year</i>	<i>105,874</i>
<i>Net Assets at End of Year</i>	<i>\$ 99,877</i>

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

Paint Valley Local School District
Statement of Cash Flows
Governmental Activities
Internal Service Fund
For the Fiscal Year Ended June 30, 2011

	<u>Internal Service Fund</u>
<i>Decrease in Cash and Cash Equivalents</i>	
<i>Cash Flows from Operating Activities:</i>	
Cash Received from Customers	\$ 82,735
Cash Payments for Claims	<u>(88,732)</u>
<i>Net Cash Used for Operating Activities</i>	<u>(5,997)</u>
Decrease in Cash and Cash Equivalents	(5,997)
Cash and Cash Equivalents at Beginning of Year	<u>105,874</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 99,877</u></u>
 <i>Reconciliation of Operating Loss to Net Cash Used for Operating Activities</i>	
Operating Loss	<u><u>\$ (5,997)</u></u>

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

Paint Valley Local School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011

	Private Purpose Trust Fund	Agency Fund
ASSETS:		
Equity in Pooled Cash and Cash Equivalents	<u>\$ 13,575</u>	<u>\$ 29,299</u>
LIABILITIES:		
Undistributed Monies		<u>\$ 29,299</u>
NET ASSETS:		
Held in Trust for Scholarships	<u>\$ 13,575</u>	

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

Paint Valley Local School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2011

	<u>Private Purpose Trust Fund</u>
ADDITIONS:	
Gifts and Contributions	\$ 8,078
Miscellaneous	<u>6,342</u>
<i>Total Additions</i>	14,420
DEDUCTIONS:	
Payments in Accordance with Trust Agreements	<u>8,426</u>
<i>Total Deductions</i>	<u>8,426</u>
Change in Net Assets	5,994
Net Assets Beginning of Year	<u>7,581</u>
Net Assets End of Year	<u><u>\$ 13,575</u></u>

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

Paint Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1956 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 121 square miles. It is located in Ross County, and includes all of the Villages of Bainbridge and Bourneville and portions of Paxton, Paint and Twin Townships. It is staffed by 34 non-certificated employees and 83 certificated full-time teaching personnel who provide services to 1,010 students and other community members. The School District currently operates 3 instructional buildings and 1 bus garage.

Reporting Entity:

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

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

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

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

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

Paint Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis Of Presentation - Fund Accounting

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

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

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

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

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

Governmental funds:

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

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

Paint Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis of Presentation - Fund Accounting (continued)

Proprietary Fund Type:

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

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

Fiduciary Fund Type:

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

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

B. Measurement Focus and Basis of Accounting

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

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

Paint Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Measurement Focus and Basis of Accounting (continued)

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

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

Revenues-Exchange and Non-exchange Transactions

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

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

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

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 operations, have been recorded as deferred revenue. Under the modified accrual basis of accounting, receivables that will not be collected within the available period have also been reported as deferred revenue.

Paint Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Measurement Focus and Basis of Accounting (continued)

Expenses/Expenditures

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

C. Budgetary Process

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

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

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

D. Cash and Cash Equivalents

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

During fiscal year 2011, investments were limited to STAROhio and certificates of deposit. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

Paint Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Cash and Cash Equivalents (continued)

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2011. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2011.

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 2011 amounted to \$7,060. All Other Governmental Funds received \$313.

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

E. Capital Assets

The School District's only capital assets are general capital assets. General capital assets are those assets specifically related to governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

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

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

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

Paint Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Compensated Absences

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

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

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

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

G. Accrued Liabilities and Long-Term Liabilities

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

H. Interfund Transactions

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

I. Restricted Assets

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

J. Fund Balance

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

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

Paint Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Fund Balance (continued)

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

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

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

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

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

K. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

L. Interfund Balances

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

M. Net Assets

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

Paint Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Net Assets (continued)

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

Of the School District's \$1,359,970 in restricted net assets, none is restricted by enabling legislation.

N. Operating Revenues and Expenses

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

O. Unamortized Bond Issuance Costs/Bond Premium and Discount

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

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

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

NOTE 3 – ACCOUNTABILITY

Accountability

At June 30, 2011, the Early Childhood Education, Education Jobs, Title I, Title II-A and Miscellaneous Federal Grants Special Revenue Funds had deficit fund balances of \$758, \$6,378, \$557, \$1,082 and \$2,456, respectively, which were created by the application of accounting principles generally accepted in the United States of America. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Paint Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

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

1. Revenues are recorded when received in cash (Budget Basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (Budget Basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (Budget Basis) rather than as a restriction, commitment, or assignment of fund balance (GAAP basis).

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

Net Change in Fund Balance

	General Fund
GAAP Basis	\$ (387,964)
Revenue Accruals	(98,914)
Expenditure Accrual	(14,913)
Perspective Difference:	
Activity of Funds Reclassified for GAAP Reporting Purposes	2,709
Encumbrances	(118,602)
 Budget Basis	 \$ (617,684)

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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

Paint Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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

1. United States treasury notes, bills, bonds, or other obligations of or securities issued by the United States treasury or any other obligation guaranteed as to the payment of principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations of or securities issued by any federal government agency or instrumentality, including, but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. Interim deposits in the eligible institutions applying for interim money as provided in section 135.08 of the Revised Code;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time;
9. Linked deposits as authorized by ordinance adopted pursuant to section 135.80 of the Revised Code;
10. Commercial paper notes issued by any entity that is defined in division (D) of section 1705.01 of the Revised Code and has assets exceeding five hundred million dollars, and to which notes are rated at the time of purchase in the highest classification established by at least two standard rating services; the aggregate value of the notes does not exceed ten percent of the aggregate value of the outstanding commercial paper of the issuing corporation; the notes mature no later than one hundred eighty days after purchase; and
11. Bankers' acceptances of banks that are members of the federal deposit insurance corporation to which both the obligations are eligible for purchase by the federal reserve system and the obligations mature no later than one hundred eighty days after purchase.

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

Paint Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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

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

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

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

As of June 30, 2011, the School District’s bank balance of \$273,180 was either covered by FDIC or collateralized by the financial institutions' public entity deposit pools in the manner described above.

Investments As of June 30, 2011, the School District had the following investments and maturities:

	Carrying/Fair Value	Weighted Average Maturity (Years)
STAR Ohio	\$ 4,415,285	< 1 year
Total Investment	\$ 4,415,285	

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

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

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

Custodial credit risk – Custodial credit risk is the risk that in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the School District’s securities are either insured and registered in the name of the School District or at least registered in the name of the School District. The School District has no investment policy.

Paint Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2011 represents collections of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed value listed as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2011 represents collections of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien on December 31, 2010, were levied after April 1, 2010, and are collected in 2011 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2011 (other than public utility property tax) represents the collection of 2011 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2011 were levied after April 1, 2010, on the value as of December 31, 2010. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The assessed values upon which fiscal year 2011 taxes were collected are:

	<u>2010 Second- Half Collections</u>		<u>2011 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 76,113,430	94.58%	\$ 80,262,590	94.80%
Public Utility	3,820,350	4.75%	4,145,770	4.90%
Tangible Personal Property	<u>538,880</u>	<u>0.67%</u>	<u>255,670</u>	<u>0.30%</u>
Total Assessed Value	<u>\$ 80,472,660</u>	<u>100.00%</u>	<u>\$ 84,664,030</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$ 34.70		\$ 34.70	

Paint Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 6 - PROPERTY TAXES (continued)

The School District receives property taxes from Ross County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2011. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2011, was \$338,707 in the General Fund, \$5,967 in the Non-major Classroom Facilities Maintenance Special Revenue Fund, \$27,597 in the Non-major Debt Service Fund, and \$22,376 in the Non-major Permanent Improvement Capital Projects Fund.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2011 consisted of property taxes and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

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

	<u>Total</u>
General Fund	\$ 3,304
Non-Major Funds	
Early Childhood Education	11,969
Special Education, Title VI-B	32,220
Title I	85,567
Title II-A	<u>11,338</u>
Total Intergovernmental Receivable	<u>\$ 144,398</u>

Paint Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 8 - CAPITAL ASSETS

A summary of the changes in capital assets during fiscal year 2011 follows:

	<u>Balance at</u> 6/30/2010	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> 6/30/2011
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$ 35,188	\$ -	\$ -	\$ 35,188
Total Capital Assets, Not Being Depreciated	35,188	-	-	35,188
Capital Assets, Being Depreciated				
Land Improvements	1,121,027	-	-	1,121,027
Buildings and Building Improvements	23,874,600	60,769	-	23,935,369
Furniture and Equipment	1,662,319	287,908	(86,359)	1,863,868
Vehicles	1,339,918	168,670	-	1,508,588
Infrastructure	102,496	7,296	-	109,792
Textbooks	357,341	-	-	357,341
Total Capital Assets, Being Depreciated	28,457,701	524,643	(86,359)	28,895,985
Accumulated Depreciation				
Land Improvements	(504,245)	(43,970)	-	(548,215)
Buildings and Building Improvements	(7,734,831)	(745,853)	-	(8,480,684)
Furniture and Equipment	(811,243)	(115,831)	17,271	(909,803)
Vehicles	(1,077,967)	(54,526)	-	(1,132,493)
Infrastructure	(38,075)	(8,050)	-	(46,125)
Textbooks	(357,341)	-	-	(357,341)
Total Accumulated Depreciation	(10,523,702)	(968,230)	17,271	(11,474,661)
Total Capital Assets Being Depreciated, Net	17,933,999	(443,587)	(69,088)	17,421,324
Governmental Activities Capital Assets, Net	<u>\$ 17,969,187</u>	<u>\$ (443,587)</u>	<u>\$ (69,088)</u>	<u>\$ 17,456,512</u>

Depreciation expense was charged to governmental functions as follows:

<i>Instruction:</i>	
Regular	\$679,900
Vocational	284
<i>Support Services:</i>	
Administration	19,880
Operation and Maintenance of Plant	114,259
Pupil Transportation	59,973
Operation of Non-Instructional Services	8,193
Extracurricular Activities	85,741
Total	<u>\$968,230</u>

Paint Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 9 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2011, the School District contracted with the Ohio Casualty Insurance Company for property, fleet, and liability insurance coverage.

Coverages provided by the Ohio Casualty Insurance Company are as follows:

Building and Contents - replacement cost (\$1,000 deductible)	\$32,739,324
Automobile Liability (comprehensive and collision – \$1,000 deductible - buses, \$500 deductible – all other automobiles)	1,000,000
General Liability	
Per occurrence	1,000,000
Total per year	2,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. For fiscal year 2011, the School District reviewed its insurance policies and adjusted certain coverages as it deemed appropriate.

For fiscal year 2011, the School District participated in the Ohio School Boards Association Workers Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the Equity Pooling Fund. This equity pooling arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement provides administrative, cost control and actuarial services to the GRP.

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

The School District is self-insured for vision and dental insurance through Professional Risk Management. The School District determined that no claims were outstanding as of June 30, 2011.

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

	<u>Balance at</u> <u>Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Balance at End of</u> <u>Year</u>
2010	\$ 195,001	\$ 419,081	\$ 614,082	\$ -
2011	-	88,732	88,732	-

Paint Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 10- DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year 2011, the allocation to pension and death benefits is 11.81 percent. The remaining 2.19 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The School District's contributions to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$171,797, \$205,940, and \$109,049, respectively; 41 percent has been contributed for fiscal year 2011 and 100 percent for the fiscal years 2010 and 2009. \$84,901 represents the unpaid contribution for fiscal year 2011 and is recorded as a liability within the respective funds.

B. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system.

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

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

Paint Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 10- DEFINED BENEFIT PENSION PLANS (continued)

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation of every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

Combined Plan Benefits – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying 1% of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

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

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

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

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

Paint Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 10- DEFINED BENEFIT PENSION PLANS (continued)

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

For the fiscal years ended June 30, 2011, 2010, and 2009, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010, and 2009 were \$541,391, \$559,773, and \$583,655, respectively; 90 percent of the required contribution has been made for fiscal year 2011 and 100 percent of the required contribution has been made for fiscal years 2010 and 2009. \$51,900 represents the unpaid contribution for fiscal year 2011 and is recorded as a liability within the respective funds.

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

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, 2011, no members of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 11 - POSTEMPLOYMENT BENEFITS

A. State Teachers Retirement System

STRS Ohio administers a pension plan that is comprised of: a defined benefit plan; a self-directed defined contribution plan; and a combined plan which is a hybrid of the defined benefit and defined contribution plan.

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

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

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2011, 2010 and 2009. The 14 percent employer contribution rate is the maximum rate established under Ohio law. For the School District, these amounts equaled \$45,325, \$43,218, and \$45,498, for fiscal years 2011, 2010, and 2009, respectively, which equaled the required allocation for each year.

Paint Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 11 - POSTEMPLOYMENT BENEFITS (continued)

B. School Employees Retirement System

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

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal years 2011, 2010, and 2009, the actuarially required allocations were 0.76 percent, 0.76 percent, and 0.75 percent. For the School District, contributions for the years ended June 30, 2011, 2010, and 2009, were \$11,242, \$9,513, and \$9,676, which equaled the required contributions for those years.

Health Care Plan

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

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

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

Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. At June 30, 2011, 2010, and 2009, the health care allocations were 1.43 percent, 0.46 percent, and 4.16 percent, respectively. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. For the School District, the amounts assigned to health care, including the surcharge, during the 2011, 2010, and 2009 fiscal years equaled \$33,377, \$29,362, and \$71,068, respectively, which equaled the required allocation for each year.

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

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

Paint Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 12 - EMPLOYEE BENEFITS

A. Compensated Absences

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

B. Life and Accident Insurance

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

C. Retirement Incentive

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

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

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

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

Paint Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 13 - CAPITAL LEASES - LESSEE DISCLOSURE

During 2011 the School District entered into a capital lease for copiers. In previous fiscal years, the School District entered into capital leases for equipment and furniture and fixtures. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds.

The capital assets acquired by the leases have been capitalized in the statement of net assets for governmental activities in the amount of \$220,144 which is equal to the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded on the statement of net assets for governmental activities. Principal payments in fiscal year 2011 totaled \$126,833 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, 2011.

Fiscal Year Ending June 30,	<u>Amount</u>
2012	\$ 49,853
2013	49,853
2014	49,853
2015	49,853
2016	<u>24,924</u>
Total	224,336
Less Amount Representing Interest	<u>(23,819)</u>
Present Value of Net Minimum Lease Payments	<u><u>\$ 200,517</u></u>

NOTE 14 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2011 were as follows:

	<u>Principal Outstanding 06/30/10</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding 06/30/11</u>	<u>Due in One Year</u>
School Improvement General					
Obligation Bonds 5.25%	\$ 1,215,000	\$ -	\$ 1,215,000	\$ -	\$ -
School Improvement					
Refunding Bonds 1%-3.15%					
Serial Bonds	-	1,170,000	100,000	1,070,000	110,000
Capital Appreciation Bond	-	45,000	-	45,000	-
Accretion	-	6,026	-	6,026	-
Premium	-	56,640	5,664	50,976	-
Capital Leases	107,206	220,144	126,833	200,517	40,752
Compensated Absences	<u>458,844</u>	<u>645,841</u>	<u>618,281</u>	<u>486,404</u>	<u>31,547</u>
Total Long-Term Obligations	<u><u>\$ 1,781,050</u></u>	<u><u>\$ 2,143,651</u></u>	<u><u>\$ 2,065,778</u></u>	<u><u>\$ 1,858,923</u></u>	<u><u>\$ 182,299</u></u>

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

Paint Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 14 - LONG-TERM OBLIGATIONS (continued)

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

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

The capital appreciation bonds, issued at \$45,000, are not subject to prior redemption. The capital appreciation bonds will mature in fiscal year 2016. The maturity amount of the capital appreciation bonds is \$120,000. For fiscal year 2011, the capital appreciation bonds were accreted \$6,026. Total accretion as of June 30, 2011 was \$6,026.

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

The School District's overall legal debt margin was \$6,687,523 with an unvoted debt margin of \$84,664.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2011, are as follows:

Year	Serial Bonds		Capital Appreciation	Total
	Principal	Interest	Principal	
2012	\$110,000	\$23,978	\$0	\$133,978
2013	115,000	22,565	0	137,565
2014	110,000	20,603	0	130,603
2015	115,000	18,353	0	133,353
2016	120,000	16,003	120,000	256,003
2017-2021	500,000	120,791	0	620,791
Totals	<u>\$1,070,000</u>	<u>\$222,293</u>	<u>\$120,000</u>	<u>\$1,412,293</u>

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

Paint Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS

South Central Ohio Computer Association - The School District is a participant in the South Central Ohio Computer Association (SCOCA) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Highland, Adams, Pickaway, Gallia, Pike, Scioto, Brown, Ross, Jackson, Vinton and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each of the participating member counties, two school treasurers, plus one representative from the fiscal agent. The School District paid SCOCA \$84,367 for services provided during the year. Financial information can be obtained from their fiscal agent, the Pike County CTC District Treasurer, at P.O. Box 577, 23365 St. Rt. 124, Piketon, Ohio 45661.

Pickaway-Ross County Career and Technical Center (CTC) - The Pickaway-Ross County CTC is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of eleven representatives from the various City and County Boards within Pickaway and Ross Counties, each of which possesses its own budgeting and taxing authority. To obtain financial information write to the Pickaway-Ross County CTC, Ben Vanhorn, who serves as Treasurer, at 895 Crouse Chapel Road, Chillicothe, Ohio 45601.

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

NOTE 16 - INSURANCE PURCHASING POOLS

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

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

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

Paint Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 17 - SET-ASIDE CALCULATIONS AND FUND RESERVES

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

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

	Textbooks	Capital Acquisition
Set-aside Reserve Cash Balance as of June 30, 2010	\$ 211,442	\$ -
Current Year Set-aside Requirement	148,054	148,054
Current Year Offsets	-	(148,054)
Current Year Disbursements	(192,004)	-
Total	167,492	-
Set-aside Reserve Cash Balance as of June 30, 2011	\$ 167,492	\$ -

The amount presented for Current Year Offset from Bond Proceeds is limited to an amount needed to reduce the reserve for capital improvements to zero. The School District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods, which was \$0 at June 30, 2011.

NOTE 18 - INTERFUND ACTIVITY

Interfund Transfers

During the fiscal year ended June 30, 2011, transfers that resulted from various interfund transactions were as follows:

Interfund Loans	Transfers In	Transfers Out
Major Fund:		
General Fund	\$ -	\$ 31,698
Nonmajor Funds:		
Pay to Participate	13,198	-
Athletic Fund	18,500	-
Total Nonmajor Funds	31,698	-
Total	\$ 31,698	\$ 31,698

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

Paint Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 19 - CONTINGENCIES

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2011.

Litigation

The School District is not party to legal proceedings.

NOTE 20 – CHANGES IN ACCOUNTING PRINCIPLES

For fiscal year 2011, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.”

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement resulted in the reclassification of certain funds, and resulted in the following restatement of the School District’s financial statements:

	<u>General</u>	<u>Classroom Facilities</u>	<u>All Other Governmental</u>	<u>Total</u>
Fund Balances, June 30, 2010	\$2,913,292	\$82,097	\$951,424	\$3,946,813
Change in Major Funds	0	(82,097)	82,097	0
GASB 54 Fund Reclassifications	18,983	0	(18,983)	0
Restated Fund Balances, June 30, 2010	<u>\$2,932,275</u>	<u>\$0</u>	<u>\$1,014,538</u>	<u>\$3,946,813</u>

Paint Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 21 – FUND BALANCES

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

Fund Balances	General	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable			
Scholarships	0	3,000	3,000
Restricted for			
Food Service Operations	0	78,993	78,993
Other Purposes	0	23,388	23,388
Classroom Maintenance	0	331,029	331,029
Textbooks	167,492	0	167,492
Debt Services Payments	0	210,357	210,357
Capital Improvements	0	517,883	517,883
Total Restricted	<u>167,492</u>	<u>1,161,650</u>	<u>1,329,142</u>
Assigned to			
Other Purposes	<u>106,481</u>	<u>0</u>	<u>106,481</u>
Unassigned (Deficit)	<u>2,270,338</u>	<u>0</u>	<u>2,270,338</u>
Total Fund Balances	<u>\$2,544,311</u>	<u>\$1,164,650</u>	<u>\$3,708,961</u>

Paint Valley Local School District
 Ross County
 Schedule of Federal Awards Receipts and Expenditures
 For the Fiscal Year Ended June 30, 2011

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
United States Department of Agriculture						
<i>Passed through Ohio Department of Education</i>						
<i>Nutrition Cluster:</i>						
School Breakfast Program	3L70	10.553	\$ 82,286	\$ -	\$ 82,286	\$ -
National School Lunch Program	3L60	10.555	213,584	19,733	213,584	19,733
Total Nutrition Cluster			<u>295,870</u>	<u>19,733</u>	<u>295,870</u>	<u>19,733</u>
Total United States Department of Agriculture			<u>295,870</u>	<u>19,733</u>	<u>295,870</u>	<u>19,733</u>
United States Department of Education						
<i>Passed through Ohio Department of Education:</i>						
<i>Title I, Part A Cluster</i>						
Title I Grants to Local Education Agencies	3M00	84.010	296,099	-	296,818	-
Title I Grants to Local Education Agencies ARRA	3DK0	84.389	151,888	-	151,566	-
Total Title I, Part A Cluster			<u>447,987</u>	<u>-</u>	<u>448,384</u>	<u>-</u>
<i>Special Education Cluster (IDEA)</i>						
Special Education Grants to States	3M20	84.027	241,576	-	237,041	-
Special Education Grants to States ARRA	3DJ0	84.391	262,437	-	261,505	-
Total Special Education Cluster (IDEA)			<u>504,013</u>	<u>-</u>	<u>498,546</u>	<u>-</u>
<i>Education Technology State Grants Cluster</i>						
Education Technology State Grants	3S20	84.318	3,319	-	1,002	-
Total Education Technology State Grants Cluster			<u>3,319</u>	<u>-</u>	<u>1,002</u>	<u>-</u>
<i>State Fiscal Stabilization Fund Cluster</i>						
State Fiscal Stabilization Fund (SFSF) - Education State Grants - ARRA	GRF	84.394	537,902	-	537,902	-
Total State Fiscal Stabilization Fund Cluster			<u>537,902</u>	<u>-</u>	<u>537,902</u>	<u>-</u>
<i>Rural Education</i>						
Rural Education	3Y80	84.358	23,632	-	23,632	-
Improving Teacher Quality - State Grants	3Y60	84.367	79,994	-	80,351	-
Total United States Department of Education			<u>1,596,847</u>	<u>-</u>	<u>1,589,817</u>	<u>-</u>
Total Federal Financial Assistance			<u>\$ 1,892,717</u>	<u>\$ 19,733</u>	<u>\$ 1,885,687</u>	<u>\$ 19,733</u>

See Notes to the Schedule of Federal Awards Receipts and Expenditures.

Paint Valley Local School District
Notes to the Schedule of Federal Awards Receipts and Expenditures
For the Fiscal Year Ended June 30, 2011

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – NATIONAL SCHOOL LUNCH AND BREAKFAST PROGRAMS

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

NOTE C – FOOD DONATION

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



Balestra, Harr & Scherer, CPAs, Inc.

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Paint Valley Local School District, Ross County, Ohio (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 23, 2011 wherein we noted that the District implemented GASB Statements No. 54. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

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

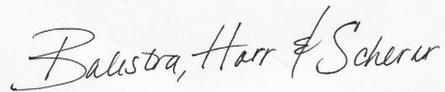
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. *A material weakness* is a deficiency, or combination of internal control deficiencies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

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

Compliance and Other Matters

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

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

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.
November 23, 2011



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

www.bhscpas.com

Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133

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

Compliance

We have audited the compliance of Paint Valley Local School District, Ross County, Ohio (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Paint Valley Local School District's major federal programs for the year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the 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 could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

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

Members of the Board of Education
Paint Valley Local School District
Report on Compliance with Requirements Applicable to each Major Federal Program and on
Internal Control Over Compliance Required by OMB Circular A-133
Page 2

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

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

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



Balestra, Harr & Scherer, CPAs, Inc.
November 23, 2011

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

**Schedule of Findings
OMB Circular A-133 Section §.505
June 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant control deficiencies 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 weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant internal control deficiencies reported for major federal programs?	No
(d)(1)(v)	Type of Major Program's Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under §.510(a)?	No
(d)(1)(vii)	Major Programs (list):	Nutrition Cluster: School Breakfast Program; CFDA# 10.553 National School Lunch Program; CFDA# 10.555 Special Education Cluster: Special Education Grants to States; CFDA# 84.027 Special Education Grants to States – ARRA; CFDA# 84.391 State Fiscal Stabilization Fund (SFSF)-Education State Grants, ARRA; CFDA# 84.394 Title I, Part A Cluster: Title I Grants to Local Education Agencies; CFDA# 84.010 Title I Grants to Local Education Agencies, ARRA; CFDA# 84.389
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

**Schedule of Findings
OMB Circular A-133 Section §.505
June 30, 2011**

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

None noted

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None noted



Balestra, Harr & Scherer, CPAs, Inc.

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Independent Auditor's Report on Applying Agreed Upon Procedures

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

To the Board of Education:

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on February 22, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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

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

Balestra, Harr & Scherer, CPAs, Inc.

November 23, 2011

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Dave Yost • Auditor of State

PAINT VALLEY LOCAL SCHOOL DISTRICT

ROSS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 31, 2012**