

Paint Valley Local School District
Ross County
Single Audit
For the Fiscal Year Ended June 30, 2017



Millhuff-Stang, CPA, Inc.
1428 Gallia Street / Portsmouth, Ohio 45662 / Phone: 740.876.8548
45 West Second Street, Suite D / Chillicothe, Ohio 45601 / Phone: 740.851.4978
Fax: 888.876.8549
natalie@millhuffstangcpa.com / roush@millhuffstangcpa.com
www.millhuffstangcpa.com



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Paint Valley Local School District, Ross County, prepared by Millhuff-Stang, CPA, Inc., for the audit period July 1, 2016 through June 30, 2017. 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

February 7, 2017

This page intentionally left blank.

Paint Valley Local School District
Table of Contents
For the Fiscal Year Ended June 30, 2017

Title	Page
Independent Auditor’s Report	1
Management’s Discussion and Analysis	4
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position.....	12
Statement of Activities.....	13
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	14
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	15
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis) – General Fund.....	18
Statement of Fund Net Position – Governmental Activities – Internal Service Fund	19
Statement of Revenues, Expenses and Changes in Fund Net Position – Governmental Activities – Internal Service Fund.....	20
Statement of Cash Flows – Governmental Activities – Internal Service Fund	21
Statement of Fiduciary Net Position - Fiduciary Funds	22
Statement of Changes in Fiduciary Net Position – Fiduciary Fund	23
Notes to the Basic Financial Statements.....	24
Required Supplementary Information:	
Schedule of the School District’s Proportionate Share of the Net Pension Liability-Last Four Years	56
Schedule of School District Contributions – Last Ten Years	58
Notes to Required Supplementary Information	60
Schedule of Federal Awards Expenditures.....	61
Notes to the Schedule of Federal Awards Expenditures.....	62

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	63
Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	65
Schedule of Findings and Questioned Costs	67
Schedule of Prior Audit Findings	68

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Paint Valley Local School District, Ross County, Ohio (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Paint Valley Local School District, Ross County, Ohio, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows and the budgetary comparison for the General Fund thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of the School District's Proportionate Share of the Net Pension Liability, and the Schedule of School District Contributions on pages 4 through 11, 56 through 57, and 58 through 59, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

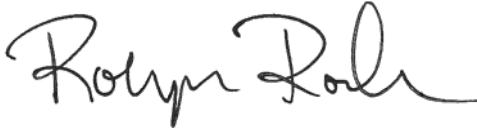
Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

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

December 20, 2017

Paint Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(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, 2017. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- The School District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at June 30, 2017 by \$5,232,014.
- The School District's net position of governmental activities decreased \$266,480.
- General revenues accounted for \$9,266,763 in revenue or 78 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,630,604 or 22 percent of total revenues of \$11,897,367.
- The School District had \$12,163,847 in expenses related to governmental activities; \$2,630,604 of these expenses were offset by program specific charges for services and sales and operating grants and contributions.

USING THIS ANNUAL FINANCIAL REPORT

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

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

REPORTING THE SCHOOL DISTRICT AS A WHOLE

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

Paint Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)

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

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

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

REPORTING THE SCHOOL DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

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

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

Paint Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)

THE SCHOOL DISTRICT AS A WHOLE

As stated previously, the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2017 compared to 2016.

Table 1
Net Position

	2017	2016
Assets:		
Current and Other Assets	\$ 7,209,836	\$ 6,999,046
Capital Assets, Net	13,982,398	14,138,683
Total Assets	21,192,234	21,137,729
Deferred Outflows of Resources:		
Pensions	2,737,958	1,441,221
Total Deferred Outflows of Resources	2,737,958	1,441,221
Liabilities:		
Current and Other Liabilities	899,204	834,224
Long-Term Liabilities:		
Due Within One Year	232,918	151,038
Due in More than One Year:		
Net Pension Liabilities	13,854,422	11,803,543
Other Amounts	1,505,328	1,748,645
Total Liabilities	16,491,872	14,537,450
Deferred Inflows of Resources:		
Pensions	672,918	991,559
Property Taxes not Levied to Finance the Current Year	1,533,388	1,551,447
Total Deferred Inflows of Resources	2,206,306	2,543,006
Net Position:		
Net Investment in Capital Assets	12,537,282	13,414,873
Restricted	441,198	490,349
Unrestricted (Deficit)	(7,746,466)	(8,406,728)
Total Net Position	\$ 5,232,014	\$ 5,498,494

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

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

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

Paint Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)

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

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

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

Total net position of the School District as a whole decreased \$266,480. The increase to current and other assets is primarily due to increases in cash, intergovernmental receivables, and taxes receivable. Capital assets, net decreased due to current year depreciation expense, which was partially offset by current year additions. Deferred outflows of resources increased due to pension activity.

Long-term liabilities increased primarily due to net pension liabilities, which were partially offset by principal payments on debt obligations.

Deferred inflows of resources decreased due primarily to pension activity.

Paint Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)

Table 2 shows the changes in net position for the fiscal years ended June 30, 2017 and 2016.

Table 2
Change in Net Position

	Governmental Activities	
	2017	2016
Revenues		
Program Revenues:		
Charges for Services and Sales	\$ 884,060	\$ 788,167
Operating Grants & Contributions	1,746,544	1,560,162
Total Program Revenues	2,630,604	2,348,329
General Revenues:		
Property Taxes	2,041,950	2,072,602
Grants and Entitlements, Not Restricted to Specific Programs	7,152,004	6,724,218
Gifts and Donations, Not Restricted to Specific Programs	3,209	-
Investment Earnings	34,460	12,664
Miscellaneous	35,140	48,236
Total General Revenues	9,266,763	8,857,720
Total Revenues	11,897,367	11,206,049
Program Expenses		
Instruction		
Regular	5,246,877	4,676,420
Special	1,847,982	1,771,250
Vocational	2,259	5,341
Other	1,058,880	1,058,133
Support Services		
Pupils	290,751	337,234
Instructional Staff	184,159	159,015
Board of Education	139,572	121,451
Administration	707,787	510,931
Fiscal	380,250	314,811
Operation and Maintenance of Plant	907,956	920,370
Pupil Transportation	591,941	642,059
Central	86,277	81,345
Operation of Non-Instructional Services	371,012	397,904
Extracurricular Activities	303,407	260,729
Interest and Fiscal Charges	44,737	33,730
Issuance Costs	-	20,838
Total Expenses	12,163,847	11,311,561
Change in Net Position	(266,480)	(105,512)
Net Position at Beginning of Year	5,498,494	5,604,006
Net Position at End of Year	\$ 5,232,014	\$ 5,498,494

Paint Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)

Governmental Activities

Grants and Entitlements not restricted increased due to an increase in state foundation receipts for capacity aid. Charges for Services and Sales increased as a result of increased tuition and fees. Operating Grants and Contributions increased due to funding for lunchroom. Administration increased due to the School District adding a new position for Special Ed Coordinator. Regular instruction increased due to an increase in pension expense.

Charges for services and sales comprised 7 percent of revenue for governmental activities, while operating grants and contributions comprised 15 percent of revenue for governmental activities of the School District for fiscal year 2017. 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 15 percent of governmental expenses. Operation and maintenance of plant support services also represents a significant portion of expenses, comprising 7 percent of total expenses.

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

Table 3
 Total and Net Cost of Program Services
 Governmental Activities

	2017		2016	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 8,155,998	\$ 6,371,902	\$ 7,511,144	\$ 5,943,825
Support Services	3,288,693	2,970,052	3,087,216	2,818,385
Operation of Non-Instructional Services	371,012	42,485	397,904	81,063
Extracurricular Activities	303,407	106,568	260,729	65,796
Interest and Fiscal Charges and Issuance Costs	44,737	42,236	54,568	54,163
Total Expenses	\$ 12,163,847	\$ 9,533,243	\$ 11,311,561	\$ 8,963,232

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 \$11,931,435 and expenditures and other financing uses of \$11,847,916. The net change in fund balance for the year was most significant in the General Fund.

The fund balance of the General Fund increased by \$830,361. This increase was due primarily to an increase to intergovernmental and tuition and fees revenue.

Paint Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(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 2017 there were several revisions to the General Fund budget. Actual and final budgeted revenues were higher than original estimated numbers due to additional intergovernmental revenues received. Final appropriations were less than original budgeted numbers due to the School District's less than expected expenditures for salaries and benefits and other uses of funds. The Treasurer has been given the authority by the Board of Education to make line item adjustments within the budget. The General Fund's ending unobligated cash balance was \$4,172,427.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2017 the School District had \$13,982,398 invested in its capital assets. Table 4 shows the fiscal year 2017 balances compared to 2016.

Table 4
 Capital Assets
 (Net of Accumulated Depreciation)

	Governmental Activities	
	2017	2016
Land	\$ 186,696	\$ 186,696
Construction in Progress	-	40,346
Land Improvements	311,475	367,493
Buildings and Building Improvements	12,191,072	12,423,583
Furniture and Equipment	665,653	632,313
Vehicles	571,343	454,145
Infrastructure	39,111	34,107
Textbooks	17,048	-
	\$ 13,982,398	\$ 14,138,683
Totals		

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

Paint Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)

Debt

At June 30, 2017 the School District had one outstanding capital lease, an outstanding refunding bond, and an outstanding energy conservation bond. The capital lease is for copiers. The refunding bond was for the purpose of refunding the School District loan through the Ohio School Facilities Commission. The outstanding energy conservation bond is for the purpose of energy conservation measures throughout the School District. The outstanding capital lease, refunding bond amounts, and energy conservation bond (excluding premium and accretion) totaled \$88,675, \$500,000, and \$820,000 respectively. See Note 14 to the basic financial statements for more detailed information regarding debt.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

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

Paint Valley Local School District
Statement of Net Position
June 30, 2017

	Governmental Activities
Assets	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 4,924,901
Accrued Interest Receivable	75
Accounts Receivable	4,261
Intergovernmental Receivable	266,544
Taxes Receivable	2,014,055
Noncurrent Assets:	
Nondepreciable Capital Assets	186,696
Depreciable Capital Assets, Net	13,795,702
<i>Total Assets</i>	21,192,234
Deferred Outflows of Resources	
Pension:	
State Teachers Retirement System	2,078,475
School Employees Retirement System	659,483
<i>Total Deferred Outflows of Resources</i>	2,737,958
Liabilities	
Current Liabilities:	
Accounts Payable	99,757
Accrued Wages and Benefits Payable	662,568
Intergovernmental Payable	125,768
Accrued Interest Payable	3,038
Claims Payable	8,073
Noncurrent Liabilities:	
Due Within One Year	232,918
Due in More Than One Year	
Net Pension Liability (See Note 10)	13,854,422
Other Amounts Due in More Than One Year	1,505,328
<i>Total Liabilities</i>	16,491,872
Deferred Inflows of Resources	
Pensions:	
State Teachers Retirement System	572,703
School Employees Retirement System	100,215
Property Taxes not Levied to Finance Current Year Operations	1,533,388
<i>Total Deferred Inflows of Resources</i>	2,206,306
Net Position	
Net Investment in Capital Assets	12,537,282
Restricted for:	
Debt Service	21,946
Capital Outlay	187,859
Classroom Facilities Maintenance	170,299
Other Purposes	57,865
Restricted - Permanent	
Expendable	229
Nonexpendable	3,000
Unrestricted (Deficit)	(7,746,466)
<i>Total Net Position</i>	\$ 5,232,014

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, 2017

		Program Revenues			
Expenses	Charges for Services and Sales	Operating Grants and Contributions			Net (Expense) Revenue and Changes in Net Position
Governmental Activities:					
Instruction:					
Regular	\$ 5,246,877	\$ 311,552	\$ 69,156		\$ (4,866,169)
Special	1,847,982	99,235	1,176,938		(571,809)
Vocational	2,259	86	32,871		30,698
Other	1,058,880	94,258	-		(964,622)
Support Services:					
Pupils	290,751	23,290			(267,461)
Instructional Staff	184,159	12,581	19,657		(151,921)
Board of Education	139,572	12,612			(126,960)
Administration	707,787	51,308			(656,479)
Fiscal	380,250	36,486	2,419		(341,345)
Operation and Maintenance of Plant	907,956	75,035	26,237		(806,684)
Pupil Transportation	591,941	50,453			(541,488)
Central	86,277	8,563			(77,714)
Operation of Non-Instructional Services	371,012	11,620	316,907		(42,485)
Extracurricular Activities	303,407	94,480	102,359		(106,568)
Interest and Fiscal Charges	44,737	2,501			(42,236)
Total Governmental Activities	\$ 12,163,847	\$ 884,060	\$ 1,746,544		(9,533,243)
General Revenues:					
Property Taxes Levied for:					
General Purposes					1,805,530
Permanent Improvements					103,199
Classroom Facilities Maintenance					27,841
Debt Service					105,380
Grants and Entitlements not Restricted to Specific Programs					7,152,004
Gifts and Donations not Restricted to Specific Programs					3,209
Investment Earnings					34,460
Miscellaneous					35,140
Total General Revenues					9,266,763
Change in Net Position					(266,480)
Net Position Beginning of Year					5,498,494
Net Position End of Year					\$ 5,232,014

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, 2017

	General	All Other Governmental Funds	Total Governmental Funds
ASSETS:			
Equity in Pooled Cash and Cash Equivalents	\$ 4,359,037	\$ 532,352	\$ 4,891,389
Accrued Interest Receivable	-	75	75
Accounts Receivable	4,261	-	4,261
Interfund Receivable	33,105	-	33,105
Intergovernmental Receivable	89,911	176,633	266,544
Taxes Receivable	1,779,741	234,314	2,014,055
<i>Total Assets</i>	<u>\$ 6,266,055</u>	<u>\$ 943,374</u>	<u>\$ 7,209,429</u>
LIABILITIES:			
Accounts Payable	\$ 99,757	-	\$ 99,757
Accrued Wages and Benefits	566,031	96,537	662,568
Interfund Payable	-	33,105	33,105
Intergovernmental Payable	105,988	19,780	125,768
<i>Total Liabilities</i>	<u>771,776</u>	<u>149,422</u>	<u>921,198</u>
DEFERRED INFLOWS OF RESOURCES:			
Property Taxes not Levied to Finance Current Year Operations	1,354,194	179,194	1,533,388
Unavailable Revenue - Delinquent Taxes	78,344	10,162	88,506
Unavailable Revenue - Grants	-	157,268	157,268
<i>Total Deferred Inflows of Resources</i>	<u>1,432,538</u>	<u>346,624</u>	<u>1,779,162</u>
FUND BALANCES:			
Nonspendable	-	3,000	3,000
Restricted	-	576,719	576,719
Committed	1,021,986	-	1,021,986
Assigned	3,039,755	-	3,039,755
Unassigned (Deficit)	-	(132,391)	(132,391)
<i>Total Fund Balances</i>	<u>4,061,741</u>	<u>447,328</u>	<u>4,509,069</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$ 6,266,055</u>	<u>\$ 943,374</u>	<u>\$ 7,209,429</u>

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

Paint Valley Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 June 30, 2017*

Total Governmental Fund Balances		\$ 4,509,069
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		13,982,398
Other long-term assets are not available to pay for current period expenditures and therefore are unavailable in the funds.		
Taxes	88,506	
Intergovernmental	157,268	
Total		245,774
An internal service fund is used by management to charge the cost of insurance to individuals. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		25,439
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the funds.		
Deferred outflows of resources related to pensions	2,737,958	
Deferred inflows of resources related to pensions	(672,918)	
Net Pension Liability	(13,854,422)	
Total		(11,789,382)
Accrued interest payable on long-term debt is not reported in the funds.		(3,038)
Long-term liabilities, including bonds, accreted debt, premiums, capital lease obligations, and the long-term portion of compensated absences are not due and payable in the current period and therefore are not reported in the funds.		
Capital Lease Obligations	(88,675)	
Compensated Absences	(293,130)	
General Obligation Refunding Serial Bonds	(500,000)	
Premium from Refunding Bonds	(16,992)	
Energy Conservation Bonds	(820,000)	
Premium from Energy Conservation Bonds	(19,449)	
Total		(1,738,246)
Net Position of Governmental Activities		<u>\$ 5,232,014</u>

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

Paint Valley Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2017

	General	All Other Governmental Funds	Total Governmental Funds
REVENUES:			
Property Taxes	\$ 1,789,162	\$ 234,521	\$ 2,023,683
Intergovernmental	7,813,869	1,007,579	8,821,448
Interest	34,443	17	34,460
Tuition and Fees	791,492	-	791,492
Rent	795	-	795
Extracurricular Activities	35,475	45,569	81,044
Gifts and Donations	3,209	6,792	10,001
Customer Sales and Services	1,535	9,194	10,729
Miscellaneous	34,452	688	35,140
<i>Total Revenues</i>	<u>10,504,432</u>	<u>1,304,360</u>	<u>11,808,792</u>
EXPENDITURES:			
Current:			
Instruction:			
Regular	3,970,315	69,767	4,040,082
Special	1,223,028	569,680	1,792,708
Vocational	1,721	-	1,721
Other	1,057,443	-	1,057,443
Support Services:			
Pupils	274,274	-	274,274
Instructional Staff	152,872	21,873	174,745
Board of Education	137,766	-	137,766
Administration	648,097	-	648,097
Fiscal	323,802	8,125	331,927
Operation and Maintenance of Plant	740,376	29,351	769,727
Pupil Transportation	485,620	-	485,620
Central	76,890	-	76,890
Operation of Non-Instructional Services	1,511	356,296	357,807
Extracurricular Activities	160,301	114,510	274,811
Capital Outlay	217,128	869,440	1,086,568
Debt Service:			
Principal	52,226	120,000	172,226
Interest and Fiscal Charges	28,058	14,803	42,861
<i>Total Expenditures</i>	<u>9,551,428</u>	<u>2,173,845</u>	<u>11,725,273</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>953,004</u>	<u>(869,485)</u>	<u>83,519</u>
OTHER FINANCING SOURCES AND USES:			
Transfers In	-	122,643	122,643
Transfers Out	(122,643)	-	(122,643)
<i>Total Other Financing Sources and Uses</i>	<u>(122,643)</u>	<u>122,643</u>	<u>-</u>
<i>Net Change in Fund Balances</i>	830,361	(746,842)	83,519
<i>Fund Balances at Beginning of Year</i>	<u>3,231,380</u>	<u>1,194,170</u>	<u>4,425,550</u>
<i>Fund Balances at End of Year</i>	<u>\$ 4,061,741</u>	<u>\$ 447,328</u>	<u>\$ 4,509,069</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, 2017*

Net Change in Fund Balances - Total Governmental Funds	\$	83,519
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital asset additions in the current period.		
Capital Asset Additions		1,079,835
Current Year Depreciation		(1,236,120)
Total		(156,285)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes		18,267
Intergovernmental		70,308
Total		88,575
The amortization of premium from the sale of bonds is recorded as a reduction of liability in the statement of net position, but does not result in an expenditure in the governmental funds.		
		7,053
Repayment of capital lease obligations are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net position and does not result in an expense in the statement of activities.		
		27,226
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces liabilities in the statement of net position and does not result in an expense in the statement of activities.		
		145,000
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
		733,351
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(1,168,852)
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		
		(8,271)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Increase in Compensated Absences		(8,867)
Decrease in Interest Payable		46
Increase in Accreted Debt		(8,975)
Total		(17,796)
Net Change in Net Position of Governmental Activities	\$	(266,480)

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, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Total Revenues and Other Financing Sources	\$ 9,563,349	\$ 10,718,718	\$ 10,718,718	\$ -
Total Expenditures and Other Financing Uses	<u>12,987,234</u>	<u>10,020,100</u>	<u>10,020,100</u>	<u>-</u>
Net Change in Fund Balance	(3,423,885)	698,618	698,618	-
Fund Balance at Beginning of Year	3,332,132	3,332,132	3,332,132	-
Prior Year Encumbrances Appropriated	<u>141,677</u>	<u>141,677</u>	<u>141,677</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 49,924</u>	<u>\$ 4,172,427</u>	<u>\$ 4,172,427</u>	<u>\$ -</u>

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

Paint Valley Local School District
Statement of Fund Net Position
Governmental Activities
Internal Service Fund
June 30, 2017

	<u>Internal Service Fund</u>
ASSETS:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 33,512
<i>Total Assets</i>	33,512
LIABILITIES:	
Current Liabilities:	
Claims Payable	8,073
<i>Total Liabilities</i>	8,073
NET POSITION:	
Unrestricted	25,439
<i>Total Net Position</i>	\$ 25,439

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

Paint Valley Local School District
Statement of Revenues, Expenses and Changes in Fund Net Position
Governmental Activities
Internal Service Fund
For the Fiscal Year Ended June 30, 2017

	Internal Service Fund
OPERATING REVENUES:	
Charges for Services	\$ 65,480
<i>Total Operating Revenues</i>	65,480
OPERATING EXPENSES:	
Claims	73,751
<i>Total Operating Expenses</i>	73,751
<i>Change in Net Position</i>	(8,271)
<i>Net Position at Beginning of Year</i>	33,710
<i>Net Position at End of Year</i>	\$ 25,439

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, 2017

	<u>Internal Service Fund</u>
<i>Decrease in Cash and Cash Equivalents</i>	
<i>Cash Flows from Operating Activities:</i>	
Cash Received from Customers	\$ 65,480
Cash Payments for Claims	<u>(71,374)</u>
<i>Net Cash Used for Operating Activities</i>	<u>(5,894)</u>
Decrease in Cash and Cash Equivalents	(5,894)
Cash and Cash Equivalents at Beginning of Year	<u>39,406</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 33,512</u></u>
 <i>Reconciliation of Operating Loss to Net Cash Used for Operating Activities</i>	
Operating Loss	\$ (8,271)
 <i>Changes in Liabilities:</i>	
Increase in Claims Payable	<u>2,377</u>
<i>Net Cash Used for Operating Activities</i>	<u><u>\$ (5,894)</u></u>

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

Paint Valley Local School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017

	Private Purpose Trust Fund	Agency Fund
	<u> </u>	<u> </u>
ASSETS:		
Equity in Pooled Cash and Cash Equivalents	<u>\$ 6,856</u>	<u>\$ 33,579</u>
LIABILITIES:		
Undistributed Monies		<u>\$ 33,579</u>
NET POSITION:		
Held in Trust for Scholarships	<u>\$ 6,856</u>	

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

Paint Valley Local School District
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2017

	<u>Private Purpose Trust Fund</u>
ADDITIONS:	
Gifts and Contributions	\$ 3,000
Miscellaneous	<u>658</u>
<i>Total Additions</i>	3,658
DEDUCTIONS:	
Payments in Accordance with Trust Agreements	<u>6,594</u>
<i>Total Deductions</i>	<u>6,594</u>
Change in Net Position	(2,936)
Net Position Beginning of Year	<u>9,792</u>
Net Position End of Year	<u><u>\$ 6,856</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, 2017

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 32 non-certificated employees and 62 certificated full-time teaching personnel who provide services to 925 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 activities are included within the reporting entity:

Paint Creek Academy – Within the School District boundaries, the Paint Creek Academy provides classes for 9th through 12th grade. Current State legislation provides funding to this private school. Monies are received and disbursed on behalf of the academy by the Treasurer of Paint Valley Local School District, as directed by the academy. The activity of these State monies is reflected in a special revenue fund for financial report purposes.

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

Paint Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis Of Presentation - Fund Accounting

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

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

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

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

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

Governmental funds:

Governmental funds are those through which most governmental functions of the School District are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance. The following 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, 2017

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. In the statement of activities internal service fund operating activity is eliminated to avoid overstatement of revenues and expenses.

Fiduciary Fund Type:

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

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

B. Measurement Focus and Basis of Accounting

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

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

Paint Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Measurement Focus and Basis of Accounting (continued)

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

Revenues-Exchange and Non-exchange Transactions

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

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

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

Deferred Outflows and Deferred Inflows of Resources

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

Paint Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Budgetary Process

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

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

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

D. Cash and Cash Equivalents

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

During fiscal year 2017, 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.

STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

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 2017 amounted to \$34,443. All Other Governmental Funds received \$17.

Paint Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Cash and Cash Equivalents (continued)

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

E. Capital Assets

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

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

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

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

F. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The School District had no matured compensated absences as of June 30, 2017.

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. The School District did not have any matured compensated absences payable as of June 30, 2017.

Paint Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Accrued Liabilities and Long-Term Liabilities

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

H. Interfund Transactions

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

I. Fund Balance

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

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

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

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

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

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

Paint Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Fund Balance (continued)

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

J. Estimates

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

K. Interfund Balances

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

L. Net Position

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

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

Of the School District’s \$441,198 in restricted net position, none is restricted by enabling legislation.

M. Operating Revenues and Expenses

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

N. Unamortized Bond Issuance Costs/Bond Premium and Discount

On the government-wide financial statements, bond issuance costs are expensed in the year the costs are incurred. Bond premiums are deferred and amortized over the term of the bonds. Bond premiums are presented as an addition to the face amount of the bonds. Capital appreciation bond discounts are accreted over the term of the bonds.

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

Paint Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Pensions

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

NOTE 3 – ACCOUNTABILITY

At June 30, 2017, the Lunchroom, Early Childhood, Title VI-B, Title I, Class Size Reduction, and Miscellaneous Grants Funds had deficit fund balances of \$4,883, \$5,695, \$43,886, \$59,340, \$12,568, and \$6,019, respectively, which were created by the application of accounting principles generally accepted in the United States of America. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

Net Change in Fund Balance

	General Fund
GAAP Basis	\$ 830,361
Revenue Accruals	262,475
Expenditure Accrual	(233,565)
Perspective Difference:	
Activity of Funds Reclassified for GAAP Reporting Purposes	1,006
Encumbrances	(161,659)
Budget Basis	\$ 698,618

Paint Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

Paint Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

9. Bankers' acceptances of banks that are members of the federal deposit insurance corporation to which both the obligations are eligible for purchase by the Federal Reserve System and the obligations mature no later than one hundred eighty days after purchase.

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

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

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

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

As of June 30, 2017, the School District's bank balance of \$180,990 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, 2017, the School District had the following investments and maturities:

	Carrying/Fair Value	Weighted Average Maturity (Years)
STAR Ohio	<u>\$ 4,805,592</u>	<u>< 1 year</u>
Total Investment	<u>\$ 4,805,592</u>	

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the School District's recurring fair value measurements as of June 30, 2017. As discussed further in Note 2D, STAR Ohio is reported at its share price.

Interest rate risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The School District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio. The School District's investment policy requires that investment maturities be limited to five years or less unless matched to a specific cash flow requirement.

Paint Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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

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

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

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility (used in business) located in the School District. Real property tax revenue received in calendar year 2017 represents collections of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed value listed as of January 1, 2016, 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 2017 represents collections of calendar year 2016 taxes. Public utility real and tangible personal property taxes received in calendar year 2017 became a lien on December 31, 2015, were levied after April 1, 2016, and are collected in 2017 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The assessed values upon which fiscal year 2017 taxes were collected are:

	<u>2016 Second- Half Collections</u>		<u>2017 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 90,503,720	95.34%	\$ 95,977,680	95.67%
Public Utility	4,426,390	4.66%	4,348,950	4.33%
Total Assessed Value	<u>\$ 94,930,110</u>	<u>100.00%</u>	<u>\$ 100,326,630</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$ 34.20		\$ 34.20	

Paint Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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, 2017, are available to finance fiscal year 2017 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, 2017. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to unavailable revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2017, was \$347,203 in the General Fund, \$5,266 in the Non-major Classroom Facilities Maintenance Special Revenue Fund, \$20,824 in the Non-major Debt Service Fund, and \$18,868 in the major Permanent Improvement Capital Projects Fund.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2017 consisted of accounts, interest, interfund, property taxes, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

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

	Total
General Fund	\$ 89,911
Non-Major Funds:	
Lunchroom Fund	15,219
Public School Preschool	47,567
Title VI-B Fund	43,088
Title I Fund	49,680
Title II-A	12,478
Miscellaneous Grants	8,601
Total Non-Major Funds	176,633
Total Intergovernmental Receivable	\$ 266,544

Paint Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 8 - CAPITAL ASSETS

A summary of the changes in capital assets during fiscal year 2017 follows:

	<u>Balance at</u> 6/30/2016	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> 6/30/2017
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$ 186,696	\$ -	\$ -	\$ 186,696
Construction in Progress	40,346	-	(40,346)	-
Total Capital Assets, Not Being Depreciated	<u>227,042</u>	<u>-</u>	<u>(40,346)</u>	<u>186,696</u>
Capital Assets, Being Depreciated				
Land Improvements	1,161,125	-	-	1,161,125
Buildings and Building Improvements	24,669,632	630,388	-	25,300,020
Furniture and Equipment	1,921,336	267,577	-	2,188,913
Vehicles	1,341,776	195,267	-	1,537,043
Infrastructure	122,542	9,612	-	132,154
Textbooks	357,341	17,337	-	374,678
Total Capital Assets, Being Depreciated	<u>29,573,752</u>	<u>1,120,181</u>	<u>-</u>	<u>30,693,933</u>
Accumulated Depreciation				
Land Improvements	(793,632)	(56,018)	-	(849,650)
Buildings and Building Improvements	(12,246,049)	(862,899)	-	(13,108,948)
Furniture and Equipment	(1,289,023)	(234,237)	-	(1,523,260)
Vehicles	(887,631)	(78,069)	-	(965,700)
Infrastructure	(88,435)	(4,608)	-	(93,043)
Textbooks	(357,341)	(289)	-	(357,630)
Total Accumulated Depreciation	<u>(15,662,111)</u>	<u>(1,236,120)</u>	<u>-</u>	<u>(16,898,231)</u>
Total Capital Assets Being Depreciated, Net	<u>13,911,641</u>	<u>(115,939)</u>	<u>-</u>	<u>13,795,702</u>
Governmental Activities Capital Assets, Net	<u>\$ 14,138,683</u>	<u>\$ (115,939)</u>	<u>\$ (40,346)</u>	<u>\$ 13,982,398</u>

Depreciation expense was charged to governmental functions as follows:

<i>Instruction:</i>	
Regular	\$1,044,965
Special	9,576
Vocational	284
<i>Support Services:</i>	
Instructional Staff	847
Administration	3,409
Fiscal	1,556
Operation and Maintenance of Plant	81,697
Pupil Transportation	69,868
Operation of Non-Instructional Services	2,512
Extracurricular Activities	21,406
Total	<u>\$1,236,120</u>

Paint Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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 2017, the School District contracted with the Ohio School Plan for property, fleet, and liability insurance coverage.

Coverages provided by the Ohio School Plan are as follows:

Building and Contents - replacement cost (\$1,000 deductible)	\$41,212,726
Automobile Liability (comprehensive and collision – \$1,000 deductible - buses, \$500 deductible – all other automobiles)	3,000,000
General Liability	
Per occurrence	3,000,000
Total per year	5,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. For fiscal year 2017, the School District reviewed its insurance policies and adjusted certain coverages as it deemed appropriate.

For fiscal year 2017, the School District participated in the Ohio School Boards Association Workers Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the Equity Pooling Fund. This equity pooling arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement provides administrative, cost control and actuarial services to the GRP.

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

The School District is self-insured for vision and dental insurance through Medical Mutual. The claims liability of \$8,073 reported in the Internal Service Fund as of June 30, 2017 is based upon an estimate prepared by Medical Mutual based upon an analysis of claims paid after fiscal year end.

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

	<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>
2016	\$ 10,000	\$ 69,929	\$ 74,233	\$ 5,696
2017	5,696	73,751	71,374	8,073

Paint Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 10- DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Paint Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 10- DEFINED BENEFIT PENSION PLANS (continued)

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

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the entire allocation was designated to pension, death benefits, and Medicare B. There was no percentage allocated to the Health Care Fund for fiscal year 2017.

The School District’s contractually required contribution to SERS was \$194,683 for fiscal year 2017. Of this amount \$3,889 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

Paint Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 10- DEFINED BENEFIT PENSION PLANS (continued)

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

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

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

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

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year June 30, 2017, the employer rate was 14% and the member rate was 14% of covered payroll. The statutory employer rate for fiscal year 2016 and subsequent years is 14%. The statutory member contribution rate increased to 14% on July 1, 2016. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS Ohio was \$538,668 for fiscal year 2017. Of this amount \$83,276 is reported as an intergovernmental payable.

Paint Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 10- DEFINED BENEFIT PENSION PLANS (continued)

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

The net pension liability reported as of June 30, 2017 was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share as well as the pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability - Current Year	0.0323806%	0.03430961%	
Proportionate Share of the Net Pension Liability - Prior Year	<u>0.0298667%</u>	<u>0.03654265%</u>	
Change in Proportionate Share	<u>0.0025139%</u>	<u>-0.00223304%</u>	
Proportion of the Net Pension Liability	\$2,369,961	\$11,484,461	\$13,854,422
Pension Expense	\$375,301	\$793,551	\$1,168,852

At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual economic experience	\$31,965	\$464,027	\$495,992
Difference from a change in proportion and differences between School District contributions and proportionate share of contributions	79,140	122,262	201,402
Changes of assumptions	158,208	-	158,208
Differences between projected and actual investment earnings	195,487	953,518	1,149,005
School District contributions subsequent to the measurement date	<u>194,683</u>	<u>538,668</u>	<u>733,351</u>
Total	<u>\$659,483</u>	<u>\$2,078,475</u>	<u>\$2,737,958</u>
Deferred Inflows of Resources			
Difference from a change in proportion and differences between School District contributions and proportionate share of contributions	<u>\$100,215</u>	<u>\$572,703</u>	<u>\$672,918</u>
Total	<u>\$100,215</u>	<u>\$572,703</u>	<u>\$672,918</u>

\$733,351 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Paint Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 10- DEFINED BENEFIT PENSION PLANS (continued)

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

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2018	\$83,669	\$121,207	\$204,876
2019	83,045	121,207	204,252
2020	141,678	487,098	628,776
2021	56,193	237,592	293,785
Total	\$364,585	\$967,104	\$1,331,689

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, are presented below:

Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	3.00 percent
Inflation	3.00 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females.

Paint Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 10- DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions - SERS (continued)

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an experience study that was completed June 30, 2015. As a result of the actuarial experience study, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, and (g) mortality among disable member was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Estate	15.00	5.00
Multi-Asset Strategy	10.00	3.00
 Total	100.00 %	

Discount Rate The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

Paint Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 10- DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions - SERS (continued)

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$3,137,681	\$2,369,961	\$1,727,348

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

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

* Includes the real rate of return and inflation of 2.5% and does not include investment expenses.

Paint Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 10- DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions – STRS (continued)

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$15,261,915	\$11,484,461	\$8,297,955

Changes Between Measurement Date and Report Date In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to School District's NPL is expected to be significant.

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, 2017, no members of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 11 - POSTEMPLOYMENT BENEFITS

State Teachers Retirement System

Plan Description – The School District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2019. The Plan is included in the report of STRS Ohio which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Paint Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 11 - POSTEMPLOYMENT BENEFITS (continued)

State Teachers Retirement System (continued)

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2017, STRS Ohio allocated employer contributions equal to 0 percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015, were \$0 for each year, which equaled the required contributions each year.

School Employees Retirement System

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

Health Care Plan

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

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

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. At June 30, 2017, 2016, and 2015, the health care allocations were 0 percent, 0 percent, and 0.82 percent. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the minimum compensation level was established at \$23,500.

The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. For the School District, the amounts assigned to health care, including the surcharge, during the 2017, 2016, and 2015 fiscal years equaled \$16,914, \$16,181, and \$11,600, respectively, which is equal to the required amounts for those years.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending upon the plan selected, qualified years of service, Medicare eligibility, and retirement status. The financial reports of SERS' Health Care plan is included in its *Comprehensive Annual Financial Report*. The report can be obtained on SERS' website at www.ohsers.org under *Employer/Audit Resources*.

Paint Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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 Dearborn Insurance Company. The School District has elected to provide employee medical/surgical benefits and prescription drug benefits through the Ross County School Employees Insurance Consortium. The employees share the cost of the monthly premium with the Board. The premium varies per employee depending on the terms of the union contract.

NOTE 13 - CAPITAL LEASES - LESSEE DISCLOSURE

In a previous fiscal year, the School District entered into a capital lease for copiers. During the fiscal year, the School District entered into a capital lease for copiers to replace the copiers from prior lease. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds.

The capital assets acquired by the leases have been capitalized in the statement of net position for governmental activities in the amount of \$142,037 which is equal to the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded on the statement of net position for governmental activities. Principal payments in fiscal year 2017 totaled \$27,226 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, 2017.

Fiscal Year Ending June 30,	<u>Amount</u>
2018	\$ 31,459
2019	31,459
2020	<u>31,459</u>
Total	94,377
Less Amount Representing Interest	<u>(5,702)</u>
Present Value of Net Minimum Lease Payments	<u><u>\$ 88,675</u></u>

Paint Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 14 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2017 were as follows:

	Principal Outstanding 06/30/16	Additions	Deductions	Principal Outstanding 06/30/17	Due in One Year
School Improvement					
Refunding Bonds 1%-3.15%					
Serial Bonds	\$ 500,000	\$ -	\$ -	\$ 500,000	\$ 120,000
Capital Appreciation Bond	45,000	-	45,000	-	-
Accretion	66,025	8,975	75,000	-	-
Premium	22,656	-	5,664	16,992	-
Energy Conservation Improvement					
Bonds 2.87%	845,000	-	25,000	820,000	50,000
Premium	20,838	-	1,389	19,449	-
Net Pension Liability:					
STRS	10,099,320	1,385,141	-	11,484,461	-
SERS	1,704,223	665,738	-	2,369,961	-
Capital Leases	115,901	-	27,226	88,675	28,360
Compensated Absences	284,263	571,075	562,208	293,130	34,558
Total Long-Term Obligations	\$ 13,703,226	\$ 2,630,929	\$ 741,487	\$ 15,592,668	\$ 232,918

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

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

Paint Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 14 - LONG-TERM OBLIGATIONS (continued)

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 matured in fiscal year 2017. The refunding bonds are being repaid from the Debt Service Fund.

The capital appreciation bonds, issued at \$45,000, are not subject to prior redemption. The capital appreciation bonds matured in fiscal year 2017. The maturity amount of the capital appreciation bonds was \$120,000. For fiscal year 2017, the capital appreciation bonds were accreted \$8,975. Total accretion at the date of pay off was \$75,000.

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

Capital leases are being paid from the General Fund. The compensated absences will be paid from the funds from which the employees' salaries are paid, with the General Fund being the most significant fund. The School District pays obligations related to employee compensation from the fund benefitting from their service.

The School District's overall legal debt margin was \$7,894,844 with an unvoted debt margin of \$100,327.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2017, are as follows:

Year	Serial Bonds		Energy Conservation Bonds	
	Principal	Interest	Principal	Interest
2018	\$ 120,000	\$ 13,182	\$ 50,000	\$ 22,816
2019	120,000	9,762	50,000	21,382
2020	130,000	6,014	50,000	19,947
2021	130,000	2,032	55,000	18,439
2022	-	-	55,000	16,861
2023-2027	-	-	290,000	59,984
2028-2031	-	-	270,000	15,785
Totals	<u>\$ 500,000</u>	<u>\$ 30,990</u>	<u>\$ 820,000</u>	<u>\$ 175,214</u>

Paint Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS

South Central Ohio Computer Association Regional Council of Governments - The School District is a participant in the South Central Ohio Computer Association Regional Council of Governments (SCOCARCoG), which is organized under ORC Code Chapter 167 as a council of governments. SCOCARCoG is an association of public school districts within the boundaries of Pickaway, Gallia, Adams, Brown, Highland, Pike, Ross, Scioto, Vinton, Jackson, 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 SCOCARCoG consists of two representatives from each county in the SCOCARCoG service region designated by the Ohio Department of Education and two representatives of the school treasurers. The Board exercises total control over the operations of SCOCARCoG including budgeting, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board.

During fiscal year 2016, SCOCARCoG entered into a merger agreement with Metropolitan Educational Technology Association ("META"). Pursuant to an addendum to the agreement, certain liabilities will remain the sole responsibility of SCOCARCoG, and once these remaining liabilities are satisfied, SCOCARCoG will be dissolved and the member districts will become members of META. SCOCARCoG entered into a subcontract agreement with META to provide services to SCOCARCoG, and on behalf of SCOCARCoG, to the member districts. Consistent with the merger agreement and updated bylaws, SCOCARCoG is currently governed by a four person executive governing board. The School District paid SCOCARCoG \$44,826 for services provided during the fiscal year.

Metropolitan Educational Technology Association - META is an educational solutions partner providing services across Ohio. META provides cost-effective fiscal, network, technology and student services, a purchasing cooperative, and other individual services based on each client's needs.

The governing board of META consists of a president, vice president and six board members who represent the members of META. The board works with META's Chief Executive Officer, Chief Operating Officer, and Chief Financial Officer to manage operations and ensure the continued progress of the organization's mission, vision, and values. The Board exercises total control over the operations of the Council including budgeting, appropriating, contracting and designating management. Each member's degree of control is limited to its representation on the Board. The School District paid META \$25,759 for services provided during the fiscal year. Financial information can be obtained from David Varda, who serves as Chief Financial Officer, at 100 Executive Drive, Marion, Ohio 43302.

Pickaway-Ross Career and Technology Center (CTC) - The Pickaway-Ross CTC is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of eleven representatives from the various City and County Boards within Pickaway and Ross Counties, each possesses its own budgeting and taxing authority. To obtain financial information write to the Pickaway-Ross CTC, Todd Stahr, 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.

Paint Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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.

NOTE 17 - SET-ASIDE CALCULATIONS

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

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

	Capital Acquisition
Set-aside Cash Balance as of June 30, 2016	\$ -
Current Year Set-aside Requirement	155,624
Current Year Offsets	(155,624)
Set-aside Cash Balance as of June 30, 2017	\$ -

Paint Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 18 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2017, if applicable, cannot be determined at this time.

B. Litigation

The School District not currently party to any legal proceedings.

C. Foundation

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2017 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2017 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to or liability of, the School District.

NOTE 19 – FUND BALANCES

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

Fund Balances	General	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable			
Scholarships	\$0	\$3,000	\$3,000
Restricted for			
Other Purposes	0	17,777	17,777
Classroom Maintenance	0	169,108	169,108
Debt Services Payments	0	206,267	206,267
Capital Improvements	0	183,567	183,567
Total Restricted	<u>0</u>	<u>576,719</u>	<u>576,719</u>
Committed to			
Health Care	945,567	0	945,567
Technology	76,419	0	76,419
Total Committed	<u>1,021,986</u>	<u>0</u>	<u>1,021,986</u>
Assigned to			
Other Purposes	<u>3,039,755</u>	<u>0</u>	<u>3,039,755</u>
Unassigned (Deficit)			
	<u>0</u>	<u>(132,391)</u>	<u>(132,391)</u>
Total Fund Balances	<u>\$4,061,741</u>	<u>\$447,328</u>	<u>\$4,509,069</u>

Paint Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 20 - INTERFUND ACTIVITY

Interfund Payables/Receivables

As of June 30, 2017, receivables and payables that resulted from various interfund transactions were as follows:

	Interfund Receivable	Interfund Payable
Major Fund:		
General Fund	\$ 33,105	\$ -
Special Revenue Fund, Non-Major:		
Early Childhood Education	-	990
Title II-A	-	2,525
Miscellaneous Grant	-	1,045
Title I	-	16,168
Title VI-B	-	12,377
Total All Funds	\$ 33,105	\$ 33,105

The School District made advances to certain grant funds in anticipation of grant receipts. These advances are expected to be repaid during fiscal year 2018.

Interfund Transfers

As of June 30, 2017, transfers were as follows:

	Transfer To	Transfer From
Major Fund:		
General Fund	\$ -	\$ 122,643
Non-Major Funds:		
Lunchroom	45,979	-
Athletic	76,664	-
Total All Funds	\$ 122,643	\$ 122,643

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

NOTE 21 – NEW ACCOUNTING PRINCIPLES

For the fiscal year ended June 30, 2017, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 77, Tax Abatement Disclosures.

GASB Statement No. 77 requires governments that enter into tax abatement agreements to disclose the certain information about the agreements including brief descriptive information such as the tax being abated, the authority under and mechanism by which tax abatements are provided, eligibility criteria, provisions for recapturing abated taxes, the types of commitments made by tax abatement recipients, the gross dollar amount of taxes abated during the period, and commitments made by a government, other than to abate taxes, as part of a tax abatement agreement. The implementation of GASB Statement No. 77 did not have an effect on the financial statements of the School District as there were no tax abatements in effect.

Paint Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 22 – OUTSTANDING COMMITMENTS

Encumbrances

At June 30, 2017, the School District had significant encumbrance commitments in governmental funds as follows:

<u>Fund</u>	<u>Amount</u>
Major Fund:	
General	\$161,659

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

	2017	2016	2015	2014
Total plan pension liability	\$ 19,770,708,121	\$ 18,503,280,961	\$ 17,881,827,171	\$ 17,247,161,078
Plan net position	12,451,630,823	12,797,184,030	12,820,884,107	11,300,482,029
Net pension liability	7,319,077,298	5,706,096,931	5,060,943,064	5,946,679,049
School District's proportion of the net pension liability	0.0323806%	0.0298667%	0.0320100%	0.0320100%
School District's proportionate share of the net pension liability	\$ 2,369,961	\$ 1,704,223	\$ 1,620,008	\$ 1,903,532
District's covered-employee payroll	\$ 1,505,707	\$ 899,112	\$ 930,137	\$ 1,059,357
School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	157.40%	189.55%	174.17%	179.69%
Plan fiduciary net position as a percentage of the total pension liability	62.98%	69.16%	71.70%	65.52%

(1) Information prior to 2014 is not available.
Amounts presented as of the School District's measurement date which is the prior fiscal year.

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

	2017	2016	2015	2014
Total plan pension liability	\$ 100,756,422,489	\$ 99,014,653,744	\$ 96,167,057,104	\$ 94,366,693,720
Plan net position	67,283,408,184	71,377,578,736	71,843,596,331	65,392,746,348
Net pension liability	33,473,014,305	27,637,075,008	24,323,460,773	28,973,947,372
School District's proportion of the net pension liability	0.03430961%	0.03654265%	0.03591231%	0.03591231%
School District's proportionate share of the net pension liability	\$ 11,484,461	\$ 10,099,320	\$ 8,735,117	\$ 10,405,214
School District's covered-employee payroll	\$ 3,764,829	\$ 3,812,614	\$ 3,669,354	\$ 4,494,492
School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	305.05%	264.89%	238.06%	231.51%
Plan fiduciary net position as a percentage of the total pension liability	66.78%	72.09%	74.71%	69.30%

(1) Information prior to 2014 is not available.
Amounts presented as of the School District's measurement date which is the prior fiscal year.

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	\$ 194,683	\$ 210,799	\$ 118,503	\$ 128,917	\$ 146,615	\$ 148,793	\$ 171,797	\$ 205,940	\$ 109,049	\$ 126,233
Contributions in relation to the contractually required contribution	(194,683)	(210,799)	(118,503)	(128,917)	(146,615)	(148,793)	(171,797)	(205,940)	(109,049)	(126,233)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District's covered-employee payroll	\$1,390,593	\$1,505,707	\$ 899,112	\$ 930,137	\$1,059,357	\$1,106,268	\$1,366,722	\$1,520,975	\$1,108,222	\$1,285,468
Contributions as a percentage of covered employee payroll	14.00%	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	\$ 538,668	\$ 527,076	\$ 533,766	\$ 477,016	\$ 584,284	\$ 710,328	\$ 541,391	\$ 559,773	\$ 583,655	\$ 606,699
Contributions in relation to the contractually required contribution	(538,668)	(527,076)	(533,766)	(477,016)	(584,284)	(710,328)	(541,391)	(559,773)	(583,655)	(606,699)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District covered-employee payroll	\$ 3,847,629	\$ 3,764,829	\$ 3,812,614	\$ 3,669,354	\$ 4,494,492	\$ 5,464,062	\$ 4,164,546	\$ 4,305,946	\$ 4,489,654	\$ 4,666,915
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

Paint Valley Local School District
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2017

SERS

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rate, and (g) mortality among disable member was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

STRS

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017. See the notes to the basic financials for the methods and assumptions in this calculation.

Paint Valley Local School District
Ross County
Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 2017

Federal Grantor/Pass Through Grantor/Program Title	Pass Through Entity Number	Federal CFDA Number	Federal Expenditures
<u>United States Department of Agriculture</u>			
<i>Passed through the Ohio Department of Education</i>			
Child Nutrition Cluster:			
School Breakfast Program	3L70	10.553	\$87,997
National School Lunch Program	3L60	10.555	224,256
National School Lunch Program - Non-Cash Assistance	N/A	10.555	25,012
Total Child Nutrition Cluster			<u>337,265</u>
Total United States Department of Agriculture			337,265
<u>United States Department of Education</u>			
<i>Passed through the Ohio Department of Education</i>			
Special Education Cluster:			
Special Education-Grants to States	3M20	84.027	219,554
Total Special Education Cluster			<u>219,554</u>
Title I Grants to Local Educational Agencies	3M00	84.010	294,838
Supporting Effective Instruction State Grant	3Y60	84.367	52,226
Rural Education	3Y80	84.358	15,889
Total United States Department of Education			<u>582,507</u>
Total Federal Financial Assistance			<u><u>\$919,772</u></u>

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

Paint Valley Local School District
Notes to the Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 2017

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Federal Awards Expenditures (the Schedule) includes the federal award activity of Paint Valley Local School District (the District) under programs of the federal government for the year ended June 30, 2017. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or, where applicable, cash flows of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C - CHILD NUTRITION CLUSTER

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

NOTE D – FOOD DONATION PROGRAM

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

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Paint Valley Local School District, Ross County, Ohio (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 20, 2017.

Internal Control Over Financial Reporting

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

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

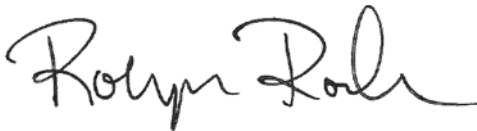
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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



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

December 20, 2017

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

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited Paint Valley Local School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2017. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

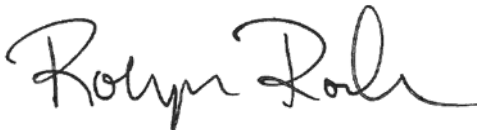
Report on Internal Control Over Compliance

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

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

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

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



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

December 20, 2017

Paint Valley Local School District
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2017

Section I – Summary of Auditor’s Results

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

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

Paint Valley Local School District
Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2017

Finding Number	Finding Summary	Status	Additional Information
2016-001	Noncompliance/Material Weakness - Child Nutrition Cluster, CFDA#10.553/#10.555 – Special Tests and Provisions – Verification of Free and Reduced Price Applications	No longer valid	The District was eligible for Community Eligibility Provision for fiscal year 2017 and not required to take verification steps.
2016-002	Noncompliance/Material Weakness - Child Nutrition Cluster, CFDA#10.553/#10.555 – Suspension and Debarment	Corrected	



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
FEBRUARY 20, 2018