



**Auditor of State
Betty Montgomery**

**ADAMS COUNTY/OHIO VALLEY LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Adams County/Ohio Valley Local School District
Adams County
141 Lloyd Road
West Union, Ohio 45693

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Adams County/Ohio Valley Local School District, Adams County, Ohio (the District), as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Adams County/Ohio Valley Local School District, Adams County, Ohio, as of June 30, 2005, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 13, 2006, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Betty Montgomery
Auditor of State

April 13, 2006

*Adams County/Ohio Valley School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited*

As management of the Adams County/Ohio Valley School District, we offer the readers of the School District's financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with the additional information that we have provided in the notes to the financial statements to enhance their understanding of the School District's performance.

This discussion and analysis of Adams County/Ohio Valley School District's financial performance is intended to serve as an introduction to the School District's basic financial statements, and provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2005. The Adams County/Ohio Valley School District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Government issued June 1999.

Financial Highlights

- The assets of the Adams County/Ohio Valley School District exceeded its liabilities at June 30, 2005 by \$22,459,714. Invested in capital assets net of related debt and net assets restricted for specific purposes totaled \$20,407,413, leaving a surplus in unrestricted net assets of \$2,052,301.
- In total, net assets increased \$1,785,935. Net assets of governmental activities increased \$1,869,766 and net assets of business-type activities decreased by \$83,831. The increase in total net assets resulted primarily from a decrease in total liabilities of \$2,436,716. See Table 1 for analysis of the change in net assets.
- General revenues accounted for \$31,170,317 or 77 percent of all revenues. Program specific revenues in the form of charges for services and sales and operating and capital grants, contributions and interest accounted for \$9,205,982 or 23 percent of total revenues of \$40,376,299.
- The School District had \$36,551,460 in expenses related to governmental activities; only \$7,266,323 of these expenses were offset by program specific charges for services and sales, operating grants, contributions and interest, and capital grants and contributions. General revenues (primarily grants, entitlements and property taxes) of \$31,154,903 were used to provide for these programs.

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- In 2004, a portion of the Adams County/Ohio Valley School District consisting of the Manchester High School and Woolard Elementary attendance areas was deconsolidated, creating Manchester Local School District. Fiscal year 2005 was the first year of operation for the School District without the Manchester attendance area.

Using the Basic Financial Statements

This report consists of a series of financial statements and the notes to the basic financial statements. These statements are organized so the reader can understand Adams County/Ohio Valley School District as a whole, an entire operating entity.

The Statement of Net Assets and the Statement of Activities provide information about the activities of the School District as a whole, and present a longer term view of those 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 what remains for future spending. The fund financial statements also look at the School District's major funds, with all other non-major funds presented in total in one column. The major funds for the Adams County/Ohio Valley School District are the General Fund and the Debt Service Fund.

Reporting the School District as a Whole

One of the most important questions asked about the School District is "How did we do financially during 2005?" The *Statement of Net Assets* and the *Statements of Activities*, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps answer this question. These government-wide financial statements include *all assets* and *liabilities* using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all current year revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in those assets. The change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the School District's property tax base, current property tax laws in Ohio restricting revenue growth, required educational programs and other factors.

In the Statement of Net Assets and the Statement of Activities, the School District is divided into two distinct kinds of activities:

- Governmental Activities – Most of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.

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Management's Discussion and Analysis
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- Business-Type Activities – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The School District's food service fund is reported as a business-type activity.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 9. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's major funds.

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 an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be 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 determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or difference) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the financial statements.

Proprietary Funds – Proprietary funds use the same basis of accounting as business-type activities; therefore, the statements for the proprietary fund will essentially match.

Fiduciary Funds - The School District's fiduciary funds consist of an agency fund and a private purpose trust fund. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds use the accrual basis of accounting.

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net assets for 2004 and 2005:

*Adams County/Ohio Valley School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited*

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Assets						
Current and Other Assets	\$17,250,483	\$15,834,388	\$997,736	\$1,187,662	\$18,248,219	\$17,022,050
Capital Assets	34,509,443	36,269,294	2,620,798	2,737,897	37,130,241	39,007,191
Total Assets	<u>51,759,926</u>	<u>52,103,682</u>	<u>3,618,534</u>	<u>3,925,559</u>	<u>55,378,460</u>	<u>56,029,241</u>
Liabilities						
Long-Term Liabilities	22,154,400	22,355,938	46,708	37,698	22,201,108	22,393,636
Other Liabilities	10,580,918	12,592,902	136,720	368,924	10,717,638	12,961,826
Total Liabilities	<u>32,735,318</u>	<u>34,948,840</u>	<u>183,428</u>	<u>406,622</u>	<u>32,918,746</u>	<u>35,355,462</u>
Net Assets						
Invested in Capital Assets, Net of Related Debt	14,565,675	15,701,996	2,620,798	2,737,897	17,186,473	18,439,893
Restricted	3,220,940	2,599,419	0	0	3,220,940	2,599,419
Unrestricted	1,237,993	(1,146,573)	814,308	781,040	2,052,301	(365,533)
Total Net Assets	<u>\$19,024,608</u>	<u>\$17,154,842</u>	<u>\$3,435,106</u>	<u>\$3,518,937</u>	<u>\$22,459,714</u>	<u>\$20,673,779</u>

Several factors contributed to a net assets increase of \$1,785,935. First and foremost, a decrease in total liabilities of \$2,436,716 contributed as intergovernmental payables in governmental activities decreased by \$1,658,209. Unrestricted net assets increased accordingly. Intergovernmental payables at June 30, 2004 were unusually high as a result of liabilities to the Manchester Local School District for the distribution of assets.

Table 2 shows the highlights of the School District's revenues and expenses. These two main components are subtracted to yield the change in net assets. This table uses the full accrual method of accounting.

Revenue is further divided into two major components: Program Revenues and General Revenues. Program Revenues are defined as charges for services and sales and restricted operating grants, contributions, and interest, and capital grants and contributions. General Revenues include taxes and unrestricted grants, such as State foundation support, gifts and donations, investment earnings and miscellaneous.

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Table 2
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues						
Program Revenues:						
Charges for Services and Sales	\$1,353,575	\$541,904	\$789,021	\$944,745	\$2,142,596	\$1,486,649
Operating Grants, Contributions and Interest	5,809,307	6,748,142	1,150,638	1,266,044	6,959,945	8,014,186
Capital Grants and Contributions	103,441	53,258	0	0	103,441	53,258
Total Program Revenues	7,266,323	7,343,304	1,939,659	2,210,789	9,205,982	9,554,093
General Revenues:						
Property Taxes	7,100,051	12,438,797	0	0	7,100,051	12,438,797
Grants and Entitlements not Restricted to Specific Programs	23,805,098	22,507,267	0	0	23,805,098	22,507,267
Gifts and Donations	19,574	1,101	0	0	19,574	1,101
Investment Earnings	120,056	61,971	15,012	7,347	135,068	69,318
Miscellaneous	110,124	105,899	402	84	110,526	105,983
Total General Revenues	31,154,903	35,115,035	15,414	7,431	31,170,317	35,122,466
Total Revenues	\$38,421,226	\$42,458,339	\$1,955,073	\$2,218,220	\$40,376,299	\$44,676,559
Program Expenses						
Instruction						
Regular	15,981,538	18,055,007	0	0	15,981,538	18,055,007
Special	3,857,512	4,093,413	0	0	3,857,512	4,093,413
Vocational	2,488,162	2,964,324	0	0	2,488,162	2,964,324
Adult/Continuing	132,198	0	0	0	132,198	0
Support Services						
Pupils	1,248,140	1,457,600	0	0	1,248,140	1,457,600
Instructional Staff	2,114,240	2,779,832	0	0	2,114,240	2,779,832
Board of Education	45,163	552,317	0	0	45,163	552,317
Administration	2,790,083	2,911,488	0	0	2,790,083	2,911,488
Fiscal	673,629	954,001	0	0	673,629	954,001
Business	305,673	280,399	0	0	305,673	280,399
Operation and Maintenance of Plant	2,733,207	3,224,236	0	0	2,733,207	3,224,236
Pupil Transportation	2,252,857	2,519,016	0	0	2,252,857	2,519,016
Central	233,453	276,297	0	0	233,453	276,297
Operation of Non-Instructional Services	128,643	157,069	0	0	128,643	157,069
Food Service	0	0	2,038,904	2,647,018	2,038,904	2,647,018
Extracurricular Activities	372,181	466,866	0	0	372,181	466,866
Interest and Fiscal Charges	1,194,781	2,181,013	0	0	1,194,781	2,181,013
Total Expenses	36,551,460	42,872,878	2,038,904	2,647,018	38,590,364	45,519,896
Extraordinary Gain/(Loss)	0	6,787,996	0	(898,408)	0	5,889,588
Change in Net Assets	\$1,869,766	\$6,373,457	(\$83,831)	(\$1,327,206)	\$1,785,935	\$5,046,251

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Governmental Activities

Grants and entitlements not restricted to specific programs made up 62 percent of total revenues for governmental activities of the Adams County/Ohio Valley School District for fiscal year 2005, while Property Taxes made up 18 percent. In fiscal year 2005, charges for services and sales increased from \$541,901 to \$1,353,575, a difference of \$811,674, primarily due to the increase in tuition from the contract with Manchester Local School District to provide students' career tech and special education needs.

Instruction comprises 61 percent of governmental program expenses. Support services expenses make up 34 percent of governmental expenses. Instruction costs decreased by \$2,653,334 because 2005 was the first fiscal year of operation after the creation of the Manchester Local School District. Interest and fiscal charges decreased by \$986,232 as a result of the Manchester Local School District becoming liable for approximately 46 percent of debt.

The Statement of Activities shows the cost of program services and the charges for services and sales, grants, contributions and interest offsetting those services. In Table 3, the total cost of services column contains all costs related to the programs and the net cost column shows how much of the total amount is not covered by program revenues. Net costs are costs that must be covered by unrestricted State aid (State Foundation) or local taxes. The difference in these two columns would represent restricted grants, fees and donations.

Table 3
Governmental Activities

	Total Cost of Services 2005	Net Cost of Services 2005	Total Cost of Services 2004	Net Cost of Services 2004
Instruction	\$22,459,410	(\$17,361,952)	\$25,112,744	(\$20,363,725)
Support Services	12,396,445	(10,478,492)	14,955,186	(12,685,942)
Operation of Non- Instructional Services	128,643	(28,893)	157,069	(20,725)
Extracurricular Activities	372,181	(221,019)	466,866	(278,169)
Interest and Fiscal Charges	1,194,781	(1,194,781)	2,181,013	(2,181,013)
Total Expenses	\$36,551,460	(\$29,285,137)	\$42,872,878	(\$35,529,574)

Business-Type Activities

The only business-type activity is the food service operation. This operation had program revenues of \$1,939,659 and expenses of \$2,038,904 for fiscal year 2005. Of the program revenues, \$789,021 was charges for services and sales and \$1,150,638 was from State and Federal grants. General revenues were \$15,012 from investment earnings, and \$402 from miscellaneous sources. Business activities receive no support from tax revenues. The School District will continue to monitor the charges for costs of this activity.

*Adams County/Ohio Valley School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited*

The School District's Funds

Information about the School District's major funds starts on page 16. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$38,123,751 and expenditures of \$35,466,810. The net change in fund balance for the year was most significant in the General Fund, an increase of \$2,406,736. This was primarily due to an increase in cash as revenues exceeded expenditures by \$2,535,244. General Fund total expenditures decreased \$4,875,526. Expenditures decreased in all categories in 2005 as this was the first year of operation for the Manchester Local School District. Revenues also decreased, but the \$2,268,931 decrease of total revenues was less than the decrease in total expenditures. Property tax revenues decreased by \$5,072,516 as the Manchester Local School assumed approximately 46 percent of the tax valuation of the former School District. However, as a result of the loss in tax valuation, the School District received an increase in State foundation revenue, which resulted in a \$1,928,380 increase in intergovernmental revenue. Additionally, tuition and fees revenue increased by \$835,912 as a result of Manchester Local School District students attending the School District's career and technical center via a contractual arrangement. The increases in intergovernmental revenue and tuition and fees revenue helped offset the loss in tax revenues. The net change in fund balance for the year in the Debt Service Fund was an increase of \$452,178 resulting from tax and intergovernmental revenues in excess of debt payments.

General Fund - Budget 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. During the course of fiscal year 2005 the School District revised its budget as it attempted to deal with unexpected changes in revenues and expenditures.

The School District's ending unobligated cash balance was \$1,605,220 above the final budgeted amount in the General Fund.

For the General Fund, budget basis revenue was \$30,611,631 with original budget estimates of \$28,894,587, a difference of six percent, and final budget estimates of \$30,413,678, a difference of less than one percent. Budget basis expenditures were \$28,754,436 with original appropriations of \$28,346,675, a difference of one percent, and final appropriations of \$29,976,500, a difference of four percent.

Capital Assets and Debt Administration

Capital Assets

The Adams County/Ohio Valley School District's investment in capital assets as of June 30, 2005 was \$37,130,241. This investment in capital assets includes land, land improvements, buildings and improvements, furniture, fixtures and equipment, vehicles, and educational media. Table 4 shows fiscal year 2005 balances compared to 2004:

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Unaudited

Table 4
Capital Assets at June 30
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land	\$573,820	\$573,820	\$30,193	\$30,193	\$604,013	\$604,013
Land Improvements	119,429	414,289	0	0	119,429	414,289
Buildings and Improvements	30,741,124	31,653,627	2,246,999	2,301,122	32,988,123	33,954,749
Furniture, Fixtures, and Equipment	1,967,447	2,283,276	343,606	406,582	2,311,053	2,689,858
Vehicles	1,089,292	1,289,294	0	0	1,089,292	1,289,294
Educational Media	18,331	54,988	0	0	18,331	54,988
Totals	<u>\$34,509,443</u>	<u>\$36,269,294</u>	<u>\$2,620,798</u>	<u>\$2,737,897</u>	<u>\$37,130,241</u>	<u>\$39,007,191</u>

Capital Assets decreased by \$1,876,950 primarily as a result of current year depreciation expense plus the disposal of assets.

Debt

At June 30, 2005 the School District had \$19,958,046 in outstanding debt, \$627,660 due within one year. Table 5 summarizes the District's outstanding debt:

Table 5
Outstanding Debt, at Year-end
Governmental Activities

	2005	2004
EPA Asbestos Loan, 1987	\$14,278	\$23,830
Energy Conservation Bonds, 2002	538,430	603,494
School Improvement Bonds, 1995	19,356,540	19,898,740
School Improvement Bonds, 1998	48,798	65,064
Totals	<u>\$19,958,046</u>	<u>\$20,591,128</u>

The District's debt decreased by \$633,082 as a result of routine principal payments. For more information on debt, see Note 13 to the basic financial statements.

EPA Asbestos Loan - On March 25, 1987, Adams County/Ohio Valley School District obtained a loan in the amount of \$317,092 for the purpose of providing asbestos removal for the School District, under the authority of Ohio Revised Code section 3317.22. The loan was issued for a twenty year period with final maturity during fiscal year 2007.

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Energy Conservation Bonds – On June 18, 2001, Adams County/Ohio Valley School District issued \$1,293,047 in unvoted general obligation bonds for the purpose of providing energy conservation measures. The bonds were issued for ten years with final maturity at July 2, 2011.

School Improvement Bonds - On May 15, 1995, Adams County/Ohio Valley School District issued \$44,000,000 in voted general obligation bonds for the purpose of building new high schools and improvements to existing buildings. The bonds were issued for a twenty-seven year period with final maturity at December 1, 2021.

School Improvement Bonds - On August 24, 1998, Adams County/Ohio Valley School District issued \$300,000 in unvoted general obligation bonds for the purpose of acquiring a bus garage. The bonds were issued for a nine year period with final maturity at December 1, 2007.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information, contact Eric Toole, Treasurer, at Adams County/Ohio Valley School District, 141 Lloyd Road, West Union, OH 45693.

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Adams County/Ohio Valley School District

Statement of Net Assets

June 30, 2005

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activity</u>	<u>Total</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$8,297,336	\$861,953	\$9,159,289
Inventory Held for Resale	0	33,548	33,548
Accounts Receivable	68,516	0	68,516
Materials and Supplies Inventory	0	6,214	6,214
Intergovernmental Receivable	1,329,522	96,021	1,425,543
Taxes Receivable	7,555,109	0	7,555,109
Capital Assets:			
Land	573,820	30,193	604,013
Depreciable Capital Assets, Net	<u>33,935,623</u>	<u>2,590,605</u>	<u>36,526,228</u>
<i>Total Assets</i>	<u>51,759,926</u>	<u>3,618,534</u>	<u>55,378,460</u>
Liabilities			
Accounts Payable	111,922	0	111,922
Accrued Wages and Benefits	2,748,456	85,775	2,834,231
Intergovernmental Payable	854,428	50,710	905,138
Deferred Revenue	6,705,554	0	6,705,554
Matured Compensated Absences Payable	64,997	235	65,232
Accrued Interest Payable	95,561	0	95,561
Long-Term Liabilities:			
Due Within One Year	737,890	2,285	740,175
Due in More Than One Year	<u>21,416,510</u>	<u>44,423</u>	<u>21,460,933</u>
<i>Total Liabilities</i>	<u>32,735,318</u>	<u>183,428</u>	<u>32,918,746</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	14,565,675	2,620,798	17,186,473
Restricted for:			
Debt Service	2,081,098	0	2,081,098
Other Purposes	1,139,842	0	1,139,842
Unrestricted	<u>1,237,993</u>	<u>814,308</u>	<u>2,052,301</u>
<i>Total Net Assets</i>	<u>\$19,024,608</u>	<u>\$3,435,106</u>	<u>\$22,459,714</u>

See accompanying notes to the basic financial statements

Adams County/Ohio Valley School District

Statement of Activities

For the Fiscal Year Ended June 30, 2005

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	
Governmental Activities				
Instruction:				
Regular	\$15,981,538	\$418,514	\$819,995	\$42,105
Special	3,857,512	195,370	2,451,602	0
Vocational	2,488,162	546,458	623,414	0
Adult/Continuing	132,198	0	0	0
Support Services:				
Pupils	1,248,140	20,285	162,773	0
Instructional Staff	2,114,240	17,303	1,240,373	0
Board of Education	45,163	0	0	0
Administration	2,790,083	905	242,413	0
Fiscal	673,629	0	18,834	0
Business	305,673	0	0	0
Operation and Maintenance of Plant	2,733,207	6,388	5,996	0
Pupil Transportation	2,252,857	1,107	90,946	61,336
Central	233,453	0	49,294	0
Operation of Non-Instructional Services	128,643	382	99,368	0
Extracurricular Activities	372,181	146,863	4,299	0
Interest and Fiscal Charges	1,194,781	0	0	0
Total Governmental Activities	36,551,460	1,353,575	5,809,307	103,441
Business-Type Activity				
Food Service	2,038,904	789,021	1,150,638	0
Total	\$38,590,364	\$2,142,596	\$6,959,945	\$103,441

General Revenues:

Property Taxes Levied for:

General Purposes

Debt Service

Grants and Entitlements not Restricted to Specific Programs

Gifts and Donations

Investment Earnings

Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activity	Total
(\$14,700,924)	\$0	(\$14,700,924)
(1,210,540)	0	(1,210,540)
(1,318,290)	0	(1,318,290)
(132,198)	0	(132,198)
(1,065,082)	0	(1,065,082)
(856,564)	0	(856,564)
(45,163)	0	(45,163)
(2,546,765)	0	(2,546,765)
(654,795)	0	(654,795)
(305,673)	0	(305,673)
(2,720,823)	0	(2,720,823)
(2,099,468)	0	(2,099,468)
(184,159)	0	(184,159)
(28,893)	0	(28,893)
(221,019)	0	(221,019)
(1,194,781)	0	(1,194,781)
(29,285,137)	0	(29,285,137)
0	(99,245)	(99,245)
(\$29,285,137)	(\$99,245)	(\$29,384,382)
5,566,243	0	5,566,243
1,533,808	0	1,533,808
23,805,098	0	23,805,098
19,574	0	19,574
120,056	15,012	135,068
110,124	402	110,526
31,154,903	15,414	31,170,317
1,869,766	(83,831)	1,785,935
17,154,842	3,518,937	20,673,779
\$19,024,608	\$3,435,106	\$22,459,714

Adams County/Ohio Valley School District

Balance Sheet
Governmental Funds
June 30, 2005

	General Fund	Debt Service Fund	All Other Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$5,441,446	\$1,986,892	\$807,662	\$8,236,000
Accounts Receivable	68,516	0	0	68,516
Interfund Receivable	69,168	474	0	69,642
Intergovernmental Receivable	127,681	0	1,201,841	1,329,522
Property Taxes Receivable	6,043,790	1,511,319	0	7,555,109
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	61,336	0	0	61,336
<i>Total Assets</i>	<u>\$11,811,937</u>	<u>\$3,498,685</u>	<u>\$2,009,503</u>	<u>\$17,320,125</u>
Liabilities				
Accounts Payable	\$61,444	\$0	\$50,478	\$111,922
Accrued Wages and Benefits	2,286,603	0	461,853	2,748,456
Interfund Payable	474	0	69,168	69,642
Intergovernmental Payable	732,955	0	121,473	854,428
Matured Compensated Absences Payable	61,895	0	3,102	64,997
Deferred Revenue	5,741,172	1,421,278	952,122	8,114,572
<i>Total Liabilities</i>	<u>8,884,543</u>	<u>1,421,278</u>	<u>1,658,196</u>	<u>11,964,017</u>
Fund Balances				
Reserved for Encumbrances	115,802	0	100,624	216,426
Reserved for Property Taxes	252,222	77,974	0	330,196
Reserved for Capital Improvements	61,336	0	0	61,336
Reserved for Unclaimed Monies	29,625	0	0	29,625
Unreserved:				
Undesignated, Reported in:				
General Fund	2,468,409	0	0	2,468,409
Special Revenue Funds	0	0	250,683	250,683
Debt Service Fund	0	1,999,433	0	1,999,433
<i>Total Fund Balances</i>	<u>2,927,394</u>	<u>2,077,407</u>	<u>351,307</u>	<u>5,356,108</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$11,811,937</u>	<u>\$3,498,685</u>	<u>\$2,009,503</u>	<u>\$17,320,125</u>

See accompanying notes to the basic financial statements

Adams County/Ohio Valley School District
 Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2005

Total Governmental Fund Balances \$5,356,108

*Amounts reported for governmental activities in the
 Statement of Net Assets are different because:*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	573,820	
Capital assets	52,779,731	
Accumulated depreciation	(18,844,108)	
Total capital assets	34,509,443	34,509,443

Some of the School District's revenues will be collected after fiscal year-end, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.

Taxes	456,896	
Intergovernmental	952,122	
	1,409,018	1,409,018

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Bonds and loans payable	(19,958,046)	
Accrued Interest on Bonds and Loans	(95,561)	
Compensated Absences	(2,196,354)	
Total liabilities	(22,249,961)	(22,249,961)

Net Assets of Governmental Activities \$19,024,608

See accompanying notes to the basic financial statements

Adams County/Ohio Valley School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2005

	General Fund	Debt Service Fund	All Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$5,581,095	\$1,541,105	\$0	\$7,122,200
Intergovernmental	23,884,099	660,729	4,832,646	29,377,474
Interest	120,056	0	0	120,056
Tuition and Fees	1,050,926	0	28,059	1,078,985
Rent	4,355	0	0	4,355
Extracurricular Activities	2,698	0	179,931	182,629
Gifts and Donations	6,574	0	33,748	40,322
Customer Sales and Services	70,208	0	17,398	87,606
Miscellaneous	60,589	0	49,535	110,124
<i>Total Revenues</i>	<u>30,780,600</u>	<u>2,201,834</u>	<u>5,141,317</u>	<u>38,123,751</u>
Expenditures				
Current:				
Instruction:				
Regular	12,407,986	0	2,279,628	14,687,614
Special	2,616,519	0	1,055,450	3,671,969
Vocational	2,279,441	0	136,838	2,416,279
Adult/Continuing	132,198	0	0	132,198
Support Services:				
Pupils	1,035,415	0	173,805	1,209,220
Instructional Staff	987,190	0	1,138,332	2,125,522
Board of Education	46,414	0	0	46,414
Administration	2,469,145	0	216,496	2,685,641
Fiscal	651,903	48,890	17,976	718,769
Business	303,607	0	0	303,607
Operation and Maintenance of Plant	2,715,540	0	8,123	2,723,663
Pupil Transportation	2,054,182	0	26,634	2,080,816
Central	217,532	0	13,779	231,311
Operation of Non-Instructional Services	8,192	0	108,805	116,997
Extracurricular Activities	209,192	0	165,932	375,124
Capital Outlay	110,900	0	0	110,900
Debt Service				
Principal Retirement	0	633,082	0	633,082
Interest and Fiscal Charges	0	1,197,684	0	1,197,684
<i>Total Expenditures</i>	<u>28,245,356</u>	<u>1,879,656</u>	<u>5,341,798</u>	<u>35,466,810</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>2,535,244</u>	<u>322,178</u>	<u>(200,481)</u>	<u>2,656,941</u>
Other Financing Sources (Uses)				
Transfers In	0	130,000	12,500	142,500
Proceeds from Sale of Capital Assets	13,992	0	0	13,992
Transfers Out	(142,500)	0	0	(142,500)
<i>Total Other Financing Sources (Uses)</i>	<u>(128,508)</u>	<u>130,000</u>	<u>12,500</u>	<u>13,992</u>
<i>Net Change in Fund Balances</i>	2,406,736	452,178	(187,981)	2,670,933
<i>Fund Balance at Beginning of Year</i>	<u>520,658</u>	<u>1,625,229</u>	<u>539,288</u>	<u>2,685,175</u>
<i>Fund Balance at End of Year</i>	<u><u>\$2,927,394</u></u>	<u><u>\$2,077,407</u></u>	<u><u>\$351,307</u></u>	<u><u>\$5,356,108</u></u>

See accompanying notes to the basic financial statements

Adams County/Ohio Valley School District
 Reconciliation of the Change in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Fiscal Year Ended June 30, 2005

Net Change in Fund Balances - Total Governmental Funds \$2,670,933

*Amounts reported for governmental activities in the
 Statement of Activities are different because:*

Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital asset additions	659,556	
Depreciation expense	<u>(1,583,298)</u>	
Excess of capital outlay over depreciation expense		(923,742)

The proceeds from the sale of capital assets are reported as revenue in the governmental funds. However, the cost of the capital assets are removed from the capital asset account in the Statement of Net Assets and offset against the proceeds from the sale of capital assets resulting in a loss on the sale of capital assets in the Statement of Activities.

Proceeds from Sale of Capital Assets	(13,992)	
Loss on Disposal of Capital Assets	<u>(822,117)</u>	
		(836,109)

Because some revenues will not be collected for several months after the School District's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds.

Delinquent Property Taxes	(22,149)	
Intergovernmental	<u>319,624</u>	
		297,475

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. In the current year, these amounts consist of:

Loan principal retirement	9,552	
Bond principal retirement	<u>623,530</u>	
Total long-term debt repayment		633,082

Some items 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. These activities consist of:

Decrease in accrued interest payable	2,903	
Increase in compensated absences	(431,544)	
Decrease in intergovernmental payable	<u>456,768</u>	
Total additional expenditures		<u>28,127</u>

Change in Net Assets of Governmental Activities \$1,869,766

See accompanying notes to the basic financial statements

Adams County/Ohio Valley School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues				
Property Taxes	\$5,443,247	\$5,536,333	\$5,583,606	\$47,273
Intergovernmental	23,145,655	23,626,920	23,812,863	185,943
Interest	40,000	128,000	120,056	(7,944)
Tuition and Fees	196,547	960,713	931,017	(29,696)
Rent	2,000	2,000	4,355	2,355
Extracurricular Activities	2,804	6,614	2,698	(3,916)
Gifts and Donations	76	3,047	6,574	3,527
Customer Sales and Services	35,419	67,860	65,156	(2,704)
Miscellaneous	28,839	82,191	85,306	3,115
<i>Total Revenues</i>	<u>28,894,587</u>	<u>30,413,678</u>	<u>30,611,631</u>	<u>197,953</u>
Expenditures				
Current:				
Instruction:				
Regular	12,542,265	13,966,203	12,683,013	1,283,190
Special	2,387,779	2,415,163	2,647,932	(232,769)
Vocational	1,501,963	2,145,010	2,311,461	(166,451)
Adult/Continuing	11,180	122,200	122,184	16
Other	159,806	109,776	59,892	49,884
Support Services:				
Pupils	1,056,419	913,704	1,042,171	(128,467)
Instructional Staff	1,049,525	944,784	1,026,619	(81,835)
Board of Education	570,297	457,831	48,505	409,326
Administration	2,227,853	2,436,652	2,472,010	(35,358)
Fiscal	728,400	640,500	637,263	3,237
Business	238,930	218,902	341,106	(122,204)
Operation and Maintenance of Plant	2,853,087	2,781,795	2,692,805	88,990
Pupil Transportation	2,324,487	2,139,377	2,024,230	115,147
Central	239,918	217,517	203,871	13,646
Operation of Non-Instructional Services	0	4,566	8,120	(3,554)
Extracurricular Activities	217,177	198,973	212,177	(13,204)
Capital Outlay	237,589	263,547	221,077	42,470
<i>Total Expenditures</i>	<u>28,346,675</u>	<u>29,976,500</u>	<u>28,754,436</u>	<u>1,222,064</u>
<i>Excess of Revenues Over Expenditures</i>	<u>547,912</u>	<u>437,178</u>	<u>1,857,195</u>	<u>1,420,017</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	0	11,740	13,992	2,252
Refund of Prior Year Expenditures	42,000	12,000	18,480	6,480
Advances In	200,000	100,000	99,849	(151)
Transfers Out	(130,000)	(342,261)	(142,500)	199,761
Refund of Prior Year Receipts	0	0	(1,559)	(1,559)
Advances Out	(200,000)	(100,000)	(121,580)	(21,580)
<i>Total Other Financing Sources (Uses)</i>	<u>(88,000)</u>	<u>(318,521)</u>	<u>(133,318)</u>	<u>185,203</u>
<i>Net Change in Fund Balance</i>	459,912	118,657	1,723,877	1,605,220
<i>Fund Balance at Beginning of Year</i>	3,037,694	3,037,694	3,037,694	0
<i>Prior Year Encumbrances Appropriated</i>	<u>609,168</u>	<u>609,168</u>	<u>609,168</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u><u>\$4,106,774</u></u>	<u><u>\$3,765,519</u></u>	<u><u>\$5,370,739</u></u>	<u><u>\$1,605,220</u></u>

See accompanying notes to the basic financial statements

Adams County/Ohio Valley School District
Statement of Fund Net Assets
Proprietary Fund
June 30, 2005

	Food Service
Assets	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$861,953
Inventory Held for Resale	33,548
Materials and Supplies Inventory	6,214
Intergovernmental Receivable	96,021
<i>Total Current Assets</i>	997,736
Capital Assets:	
Land	30,193
Depreciable Capital Assets, Net	2,590,605
<i>Total Assets</i>	3,618,534
Liabilities	
Current Liabilities:	
Accrued Wages and Benefits	85,775
Intergovernmental Payable	50,710
Matured Compensated Absences Payable	235
Compensated Absences Payable	2,285
<i>Total Current Liabilities</i>	139,005
Noncurrent Liabilities:	
Long-Term Liabilities:	
Compensated Absences Payable	44,423
<i>Total Liabilities</i>	183,428
Net Assets	
Invested in Capital Assets	2,620,798
Unrestricted	814,308
<i>Total Net Assets</i>	\$3,435,106

See accompanying notes to the basic financial statements

Adams County/Ohio Valley School District
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund
For the Fiscal Year Ended June 30, 2005

	Food Service
Operating Revenues	
Sales	\$789,021
Other	402
	789,423
<i>Total Operating Revenues</i>	<i>789,423</i>
Operating Expenses	
Salaries	537,853
Fringe Benefits	352,700
Purchased Services	49,846
Materials and Supplies	81,469
Cost of Sales	885,640
Depreciation	121,317
Other	2,114
	2,030,939
<i>Total Operating Expenses</i>	<i>2,030,939</i>
<i>Operating Loss</i>	<i>(1,241,516)</i>
Non-Operating Revenues (Expenses)	
Federal Donated Commodities	228,282
Interest	15,012
Federal and State Subsidies	922,356
Loss on Sale of Capital Assets	(7,965)
	1,157,685
<i>Total Non-Operating Revenues (Expenses)</i>	<i>1,157,685</i>
<i>Change in Net Assets</i>	<i>(83,831)</i>
<i>Net Assets Beginning of Year</i>	<i>3,518,937</i>
<i>Net Assets End of Year</i>	<i>\$3,435,106</i>

See accompanying notes to the basic financial statements

Adams County/Ohio Valley Schools
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2005

	Enterprise
<u>Increase (Decrease) in Cash and Cash Equivalents:</u>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$789,021
Other Non-Operating Revenue	402
Cash Payments to Suppliers for Goods and Services	(786,760)
Cash Payments to Employees for Services	(540,274)
Cash Payments for Employee Benefits	(435,456)
Cash Payments for Other Operating Expenses	(139,955)
	(1,113,022)
<u>Cash Flows from Noncapital Financing Activities:</u>	
Operating Grants Received	1,031,701
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Payments for Capital Acquisitions	(12,189)
Proceeds from Sale of Capital Assets	6
	(12,183)
Net Cash Used for Capital and Related Financing Activities	(12,183)
<u>Cash Flows from Investing Activities:</u>	
Interest on Investments	15,012
Net Decrease in Cash and Cash Equivalents	(78,492)
Cash and Cash Equivalents at Beginning of Year	940,445
	940,445
Cash and Cash Equivalents at End of Year	\$861,953
 <u>Reconciliation of Operating Loss to Net Cash Used for Operating Activities:</u>	
Operating Loss	(\$1,241,516)
<u>Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:</u>	
Depreciation	121,317
Donated Commodities Received During Year	228,282
<u>Changes in Assets and Liabilities:</u>	
Decrease in Inventory Held for Resale	165
Decrease in Materials and Supply Inventory	1,924
Decrease in Accrued Wages	(18,239)
Decrease in Accounts Payable	(176)
Increase in Compensated Absences Payable	9,245
Decrease in Intergovernmental Payable	(214,024)
	(214,024)
Total Adjustments	128,494
Net Cash Used for Operating Activities	(\$1,113,022)

Non-Cash Transactions:

During fiscal year 2005, the Food Service Enterprise Fund received \$228,282 in donated commodities.

See accompanying notes to the basic financial statements

Adams County/Ohio Valley School District

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2005

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$57,638	\$395,390
Taxes Receivable	0	4,387,702
<i>Total Assets</i>	<u>57,638</u>	<u>\$4,783,092</u>
Liabilities		
Intergovernmental Payable	0	\$4,387,702
Undistributed Monies	0	395,390
<i>Total Liabilities</i>	<u>0</u>	<u>\$4,783,092</u>
Net Assets		
Held in Trust for Scholarships	<u>57,638</u>	
<i>Total Net Assets</i>	<u>\$57,638</u>	

See accompanying notes to the basic financial statements

Adams County/Ohio Valley School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Year Ended June 30, 2005

	Private Purpose Trust
	Scholarship
Additions	
Gifts and Donations	\$4,450
Interest	1,008
Total Additions	5,458
Deductions	
Payments in Accordance with Trust Agreements	3,776
<i>Change in Net Assets</i>	1,682
<i>Net Assets at Beginning of Year</i>	55,956
<i>Net Assets at End of Year</i>	\$57,638

See accompanying notes to the basic financial statements

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Adams County/Ohio Valley School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Adams County/Ohio Valley 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 federal guidelines.

The Adams County/Ohio Valley School District serves an area of approximately 468 square miles, with 99 percent of its territory located in Adams County and the remaining one percent in Highland County. Political subdivisions included in the School District are the Villages of West Union, Peebles, Winchester, Sinking Spring, Cherry Fork, and Seaman, thirteen townships of Adams County and the southern half of Brush Creek Township in Highland County. The School District is staffed by 192 non-certificated employees, 324 certificated employees who provide services to 4,256 students and other community members. The School District operates ten instructional buildings, one administrative building, one bus garage and a supply warehouse.

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 Adams County/Ohio Valley School District, this includes general operations, food service, preschool 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:

Non-Public Schools - The Adams County Christian School is operated within the School District boundaries. Current State legislation provides funding to these non-public schools. These monies are received and disbursed on behalf of the non-public schools by the Treasurer of the School District, as directed by the non-public school. This activity is reflected in a special revenue fund and as part of governmental activities for financial reporting purposes.

Adams County/Ohio Valley School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

(continued)

The School District participates in three jointly governed organizations and one insurance purchasing pool. These organizations are the South Central Ohio Computer Association, the Hopewell Special Education Regional Resource Center, Southwestern Ohio Educational Purchasing Council and the Southwestern Ohio Educational Council Property, Fleet and Liability Program. Information about these organizations are presented in Note 15 and 16 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Adams County/Ohio Valley School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its proprietary fund unless they conflict with or contradict GASB pronouncements. The entity has elected not to apply FASB pronouncements and interpretations issued after November 30, 1989, to its business-type activities and enterprise fund. The more significant of the School District's accounting policies are described below.

A. Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements

The Statement of Net Assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the School District that are governmental (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges).

Adams County/Ohio Valley School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Statement of Net Assets presents the financial condition of the governmental and business-type 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 and for the single business-type activity of the School District. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business activity or governmental program 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 into 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 and enterprise 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.

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid-management by segregating transactions related to certain School District function or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds of the School District fall within three categories: governmental, proprietary and fiduciary.

Governmental Funds

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

Adams County/Ohio Valley School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

The other governmental funds of the School District account for grants and other resources of the School District whose use is restricted to a particular purpose.

Proprietary Fund

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as enterprise or internal service; the School District has no internal service funds.

Enterprise Fund – Enterprise funds are used to account for any activity for which a fee is charged to external users for goods or services. The only enterprise fund of the School District accounts for the financial transactions related to food service operations.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's only fiduciary funds are a private purpose trust fund and agency funds. The private purpose trust fund accounts for college scholarship programs for students. The School District's agency funds account for those student activities which consist of a student body, student president, student treasurer and faculty advisor. The agency funds also account for the receipt and the remittance of taxes received on behalf of the Manchester Local School District.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus

Government-wide Financial Statements

The government-wide statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the School District are included on the Statement of Net Assets. The Statement of Activities reports increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are 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.

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the Statement of Net Assets. The Statement of Revenues, Expenses, and Changes in Fund Net Assets presents increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. The Statement of Cash Flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

The private purpose trust fund is reported using the economic resources measurement focus.

D. Basis of Accounting

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

Adams County/Ohio Valley School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues – Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Measurable” means the amount of the transaction can be determined and “available” means that the resources are collectible 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. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the 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 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, accounts receivable, tuition and fees, and grants.

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Adams County/Ohio Valley School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expenses/Expenditures

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

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

E. Budgetary Process

All funds, other than agency funds, 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. The Treasurer has been authorized to allocate Board appropriations at the function and object level within each fund.

The certificate of estimated resources may be amended during the 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 statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as final budgeted amounts reflect the amounts in the amended certificate that was in effect at the time the final appropriations 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, including all supplemental appropriations.

F. Cash and Investments

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

During fiscal year 2005, the School District's investments were limited to non-negotiable certificates of deposit, which are reported at cost.

Adams County/Ohio Valley School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 2005 amounted to \$120,056, which includes \$63,008 assigned from other School District funds.

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 presented on the financial statements as cash and cash equivalents.

G. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expensed when used. Inventories consist of purchased food held for resale and consumable supplies.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2005, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

I. Capital Assets

General capital assets are those assets not specifically related to activities reported in the enterprise fund. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Assets but are not reported in the fund financial statements. Capital assets utilized by the enterprise fund are reported both in the business-type activity column of the government-wide Statement of Net Assets and in the fund.

All capital assets are capitalized at cost (or estimated historical cost which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one 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 capitalized.

Adams County/Ohio Valley School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	1 - 5 years
Buildings and Improvements	20 - 50 years
Furniture, Fixtures and Equipment	6 - 15 years
Vehicles	10 years
Educational Media	10 years

J. Interfund Balances

On government-wide financial statements, receivables and payables resulting from short-term interfund loans are classified as “Interfund Receivable” and “Interfund Payable.” These amounts are eliminated in the governmental activities column of the Statement of Net Assets.

K. Compensated Absences

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

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the School District’s past experience of making termination payments.

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

On governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due 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 employees have accumulated leave are paid. The noncurrent portion of the liability is not reported. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

Adams County/Ohio Valley School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from the enterprise fund are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current fiscal year. Bonds and long-term loans that will be paid from governmental funds are recognized as an expenditure and a liability in the governmental fund financial statements when due.

M. Interfund Transactions

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses 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 and after nonoperating revenue/expenses in the proprietary fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

N. Restricted Assets

Assets are reported as restricted when limitations on their use change the normal nature or understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors or laws of the other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund represent cash equivalents legally required to be set aside by the School District and restricted for capital impairments. See note 16 for additional information regarding set asides.

O. Fund Balance Reserves

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

Adams County/Ohio Valley School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute for fiscal year 2005. Under Ohio law, unclaimed money must be held for five years before it becomes available for appropriation. Money not yet held for the five year period is presented as reserved.

P. Estimates

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

Q. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include required resources restricted for music and athletic programs, student activities, 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 assets are available.

The government-wide statement of net assets reports \$3,220,940 of restricted net assets, of which \$2,176,659 is restricted by enabling legislation.

R. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are sales for food service. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund. All revenues and expenses not meeting this definition are classified as non-operating.

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES

For fiscal year 2005, the School District has implemented *GASB Statement No. 40, “Deposit and Investment Risk Disclosures”*, *GASB Statement No. 46, “Net Assets Restricted by Enabling Legislation”* and *GASB Technical Bulletin No. 2004-02, “Recognition of Pension and Other Post-Employment Benefit Expenditures/Expenses and Liabilities by Cost Sharing Employers”*.

Adams County/Ohio Valley School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES (continued)

GASB Statement No. 40 creates new disclosure requirements for deposits and investments related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk. The implementation of this statement had no effect on the School District's financial statements for fiscal year 2005.

GASB Statement No. 46 clarifies how legal enforceability should be applied for determining restricted net assets. The implementation of this new statement had no effect on the School District's financial statements for fiscal year 2005.

GASB Technical Bulletin No. 2004-02 addresses the amount that should be recognized as an expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other post-employment benefit (OPEB) plans. The implementation of this bulletin had no effect on the School District's financial statements for fiscal year 2005.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual for the 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 for all funds (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

Adams County/Ohio Valley School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (continued)

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

<u>Net Change in Fund Balance</u>	
GAAP Basis	\$2,406,736
Adjustments:	
Revenue Accruals	(150,489)
Expenditure Accruals	(378,568)
Advances	(21,731)
Encumbrances	<u>(132,071)</u>
Budget Basis	<u><u>\$1,723,877</u></u>

NOTE 5 - DEPOSITS AND INVESTMENTS

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

Active monies are public monies determined to be necessary to meet current demands on the School District Treasury. Active 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 has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to payment of principal and interest by the United States;

Adams County/Ohio Valley School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality including, but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAROhio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year-end, \$10,525,596 of the School District's bank balance of \$10,825,596 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Adams County/Ohio Valley School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

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 tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2005 represents collections of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed value listed as of January 1, 2004, 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 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2003, were levied after April 1, 2004, and are collected in 2005 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2005 (other than public utility property) represents the collection of 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, on the value as of December 31, 2004. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30. This year, the June 2005 tangible personal property tax was not received until July 2005.

The School District receives property taxes from Adams and Highland Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2005, are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2005, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 and the delayed settlement of personal property taxes were levied to finance current fiscal year operations and are reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

Adams County/Ohio Valley School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

NOTE 6 - PROPERTY TAXES (continued)

The amount available as an advance at June 30, 2005, was \$252,222 in the General Fund and \$77,974 in the Debt Service Fund. The amount available as an advance at June 30, 2004, was \$233,373 in the General Fund and \$67,780 in the Debt Service Fund.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

The assessed values upon which the fiscal year 2005 taxes were collected are:

	2004 Second- Half Collections		2005 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$164,446,489	65.04%	\$236,174,390	84.86%
Public Utility	76,089,355	30.10%	21,593,930	7.76%
Tangible Personal Property	12,290,275	4.86%	20,536,160	7.38%
Total Assessed Value	<u>\$252,826,119</u>	<u>100.00%</u>	<u>\$278,304,480</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$32.47		\$32.47	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2005, consisted of accounts (billings for user charged services and student fees), interfund, intergovernmental grants, and property taxes. All receivables are considered collectible in full and will be received in one year, 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.

Adams County/Ohio Valley School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

NOTE 7 – RECEIVABLES (continued)

A summary of intergovernmental receivables follows:

	<u>Amounts</u>
Governmental Activities:	
Tuition from Other Districts	\$118,611
Transportation Reimbursements from Other Districts	9,070
Public School Preschool	10,827
Student Intervention	6,132
Career Development	1,575
Alternative School Funding	4,514
Miscellaneous State Grants	37,928
Title VI-B	375,573
Carl D Perkins Vocational Education Grant	21,375
Title I	555,220
Drug Free School Grant	5,863
Early Childhood Education Grant	9,823
Title II-A	83,337
Miscellaneous Federal Grants	89,674
Total Governmental Activities	<u>1,329,522</u>
Business-Type Activity:	
Food Service - Federal and State Lunch Reimbursement	96,021
Total Intergovernmental Receivable	<u><u>\$1,425,543</u></u>

Adams County/Ohio Valley School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	Balance at 6/30/04	Additions	Deductions*	Balance at 6/30/05
<u>Governmental Activities</u>				
<i>Capital Assets, Not being Depreciated</i>				
Land	\$573,820	\$0	\$0	\$573,820
<i>Capital Assets Being Depreciated</i>				
Land Improvements	3,554,758	23,761	(285,005)	3,293,514
Buildings and Improvements	40,789,319	100,664	(877,355)	40,012,628
Furniture, Fixtures and Equipment	6,187,931	349,791	(868,822)	5,668,900
Vehicles	3,625,269	185,340	(664,311)	3,146,298
Educational Media	658,391	0	0	658,391
Total Capital Assets, Being Depreciated	<u>54,815,668</u>	<u>659,556</u>	<u>(2,695,493)</u>	<u>52,779,731</u>
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(3,140,469)	(33,616)	0	(3,174,085)
Buildings and Improvements	(9,135,692)	(820,910)	685,098	(9,271,504)
Furniture, Fixtures and Equipment	(3,904,655)	(493,229)	696,431	(3,701,453)
Vehicles	(2,335,975)	(198,886)	477,855	(2,057,006)
Educational Media	(603,403)	(36,657)	0	(640,060)
Total Accumulated Depreciation	<u>(19,120,194)</u>	<u>(1,583,298) *</u>	<u>1,859,384</u>	<u>(18,844,108)</u>
Total Capital Assets, Being Depreciated, Net	<u>35,695,474</u>	<u>(923,742)</u>	<u>(836,109)</u>	<u>33,935,623</u>
Governmental Activities Capital Assets, Net	<u>\$36,269,294</u>	<u>(\$923,742)</u>	<u>(\$836,109)</u>	<u>\$34,509,443</u>

Adams County/Ohio Valley School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

NOTE 8 - CAPITAL ASSETS (continued)

	Balance at 6/30/04	Additions	Deductions	Balance at 6/30/04
<u>Business-Type Activity</u>				
<i>Capital Assets, Not being Depreciated</i>				
Land	\$30,193	\$0	\$0	\$30,193
<i>Capital Assets Being Depreciated</i>				
Buildings and Improvements	2,963,803	0	0	2,963,803
Furniture, Fixtures and Equipment	1,147,868	12,189	(21,037)	1,139,020
Total Capital Assets, Being Depreciated	4,111,671	12,189	(21,037)	4,102,823
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	(662,681)	(54,123)	0	(716,804)
Furniture, Fixtures and Equipment	(741,286)	(67,194)	13,066	(795,414)
Total Accumulated Depreciation	(1,403,967)	(121,317)	13,066	(1,512,218)
Total Capital Assets, Being Depreciated, Net	2,707,704	(109,128)	(7,971)	2,590,605
Business-Type Activity Capital Assets, Net	\$2,737,897	(\$109,128)	(\$7,971)	\$2,620,798

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$728,463
Special	116,683
Vocational	115,540
Support Services:	
Pupils	23,906
Instructional Staff	102,698
Administration	71,014
Fiscal	9,293
Business	4,074
Operation and Maintenance of Plant	96,973
Pupil Transportation	289,358
Central	2,529
Operation of Non-Instructional Services	9,135
Extracurricular Activities	13,632
Total Depreciation Expense	<u>\$1,583,298</u>

Adams County/Ohio Valley School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

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. As of June 30, 2005, the School District obtained coverage through the Southwestern Ohio Educational Purchasing Council Property, Fleet, and Liability Program (Note 16) with Marsh Company of Toledo, Ohio, serving as the agent. General liability coverage, educator's legal liability coverage, and auto liability and physical damage coverage are provided by Selective Insurance Company of South Carolina. Property coverage is provided by Travelers Indemnity Insurance Company. Boiler and machinery coverage is provided by Federal Insurance Company, a division of Chubb & Sons Insurance Company. Umbrella coverage is provided by Westchester Fire Insurance Company. Insurance coverage provided includes the following:

Property Coverage (\$1,000 deductible)	\$300,000,000
Boiler and Machinery (\$2,500 deductible)	50,000,000
Auto Liability/Physical Damage (\$1,000 deductible)	1,000,000
General Liability (\$0 deductible)	
Aggregate	\$3,000,000
Per Occurrence	\$1,000,000
Educator's Legal Liability (\$5,000 deductible)	
Aggregate	\$1,000,000
Per Occurrence	\$1,000,000
Umbrella Coverage (\$0 deductible)	
Aggregate	\$5,000,000
Occurrence	\$5,000,000

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

The School District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Adams County/Ohio Valley School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$415,290, 371,564, and \$387,926, respectively; 50.1 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003.

B. State Teachers Retirement System of Ohio

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, OH 43215-3371 or by calling (614) 227-4090, or by visiting the STRS Ohio web site at www.strs.oh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment.

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

Adams County/Ohio Valley School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2005, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2004, the portion used to fund pension obligations was 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2005, 2004, and 2003 were \$1,911,618, \$2,299,657, and \$2,284,056, respectively; 84.6 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003. Contributions to the DC and Combined Plans for fiscal year 2005 were \$84,351 made by the School District and \$5,937 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2005, one of the School District's members of the Board of Education has elected Social Security. The School District's liability is 6.2 percent of wages paid.

NOTE 11 - POSTEMPLOYMENT BENEFITS

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

Adams County/Ohio Valley School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

NOTE 11 - POSTEMPLOYMENT BENEFITS (continued)

All STRS retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2005, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$147,048 for fiscal year 2005.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2004 (the latest information available), the balance in the Fund was \$3.1 billion. For the year-ended June 30, 2004, net health care costs paid by STRS Ohio were \$268,739,000 and STRS Ohio had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2005, employer contributions to fund health care benefits were 3.43 percent of covered payroll, a decrease of 1.48 percent from fiscal year 2004. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay was established at \$27,400. However, the surcharge is capped at two percent of each employer's SERS salaries. For the 2005 fiscal year, the School District paid \$210,699 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year-ended June 30, 2004 (the latest information available), were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

Adams County/Ohio Valley School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

NOTE 12 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from board approved benefits and State laws. Eligible classified employees earn ten to twenty-five days of vacation per fiscal year, depending upon length of service. Up to two years' accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 200 days for administrators. Classified personnel may accumulate up to a maximum of 200 days for usage purposes; however, for retirement purposes, they may accumulate up to a maximum of 260 days. Certified personnel may accumulate up to a maximum of 200 days for usage; however, for retirement purposes, they may accumulate an unlimited number of days. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 50 days for administrators and 59 ½ days for classified employees. The School District offers a super-severance provision for employees who retire in their first year of eligibility. Under this policy, payment is made for one-half of the accumulated sick leave credit up to a maximum of one hundred days.

B. Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance to all employees through Jefferson Pilot Life Insurance Company. The School District has elected to provide employee medical/surgical and dental benefits through Medical Mutual of Ohio. These benefits are provided at the expense of the Board of Education with the exception of non-certified employees hired after July 1, 1994, and certified employees hired after July 1, 2002, who contribute a portion of the total premium.

C. Perfect/Excellent Attendance Incentive

Bonus checks are issued to employees who have perfect or excellent attendance in any full work year (July 1 – June 30). The incentive pay is earned based on the following chart:

<u>Classified Employees</u>			<u>Administrators and Certified Employees</u>	
<u>Sick and Personal Days Used</u>	<u>9/10 Month Employees</u>	<u>11/12 Month Employees</u>	<u>Personal Days Used</u>	<u>Dollar Amount</u>
0	\$250	\$325	0	\$285
			1	190
			2	95

Classified employees are also paid for unused personal days at half of their daily rate.

Adams County/Ohio Valley School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

NOTE 13 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2005 were as follows:

	Amount Outstanding 6/30/04	Additions	Deductions	Amount Outstanding 6/30/05	Amounts Due in One Year
<u>Governmental Activities:</u>					
EPA Asbestos Loan					
1987 0%	\$23,830	\$0	\$9,552	\$14,278	\$9,552
Energy Conservation Bonds					
2001 5.92%	603,494	0	65,064	538,430	59,642
School Improvement Bonds					
1995 4.55% - 5.25%	19,898,740	0	542,200	19,356,540	542,200
School Improvement Bonds					
1998 4.87%	65,064	0	16,266	48,798	16,266
Compensated Absences	1,764,810	565,207	133,663	2,196,354	110,230
Total Governmental Activities					
Long-Term Obligations	<u>\$22,355,938</u>	<u>\$565,207</u>	<u>\$766,745</u>	<u>\$22,154,400</u>	<u>\$737,890</u>
<u>Business-Type Activity:</u>					
Compensated Absences	<u>\$37,698</u>	<u>\$11,159</u>	<u>\$2,149</u>	<u>\$46,708</u>	<u>\$2,285</u>

EPA Asbestos Loan - On March 25, 1987, Adams County/Ohio Valley School District obtained a loan in the amount of \$317,092 for the purpose of providing asbestos removal for the School District, under the authority of Ohio Revised Code section 3317.22. The loan was issued for a twenty year period with final maturity during fiscal year 2007. The loan will be retired from the Debt Service Fund.

Energy Conservation Bonds – On June 18, 2001, Adams County/Ohio Valley School District issued \$1,293,047 in unvoted general obligation bonds for the purpose of providing energy conservation measures. The bonds were issued for ten years with final maturity at July 2, 2011. The bonds will be retired from the Debt Service Fund.

School Improvement Bonds - On May 15, 1995, Adams County/Ohio Valley School District issued \$44,000,000 in voted general obligation bonds for the purpose of building new high schools and improvements to existing buildings. The bonds were issued for a twenty-seven year period with final maturity at December 1, 2021. The bonds will be retired from the Debt Service Fund.

Adams County/Ohio Valley School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

NOTE 13 - LONG-TERM OBLIGATIONS (continued)

School Improvement Bonds - On August 24, 1998, Adams County/Ohio Valley School District issued \$300,000 in unvoted general obligation bonds for the purpose of acquiring a bus garage. The bonds were issued for a nine year period with final maturity at December 1, 2007. The bonds will be retired from the Debt Service Fund.

Compensated absences will be paid from the General, Auxiliary Services, Public School Preschool, Disadvantaged Pupil Impact Aid, Ohio SchoolNet, Career Development, Miscellaneous State Grants, Title VI-B, Carl Perkins, Title I, Preschool Disability Grants, Title II, and Food Service funds.

The School District's overall legal debt margin was \$7,705,194 with an unvoted debt margin of \$278,304, and an Energy Conservation debt margin of \$1,966,310 at June 30, 2005.

Principal requirements to retire general obligation debt at June 30, 2005, are as follows:

<u>EPA Asbestos Loan - 1987</u>	
Fiscal year	
<u>Ending June 30,</u>	<u>Principal</u>
2006	\$9,552
2007	4,726
Total	<u>\$14,278</u>

<u>Energy Conservation Bonds - 2001</u>			
Fiscal year			
<u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$59,642	\$27,748	\$87,390
2007	78,619	26,445	105,064
2008	97,596	21,042	118,638
2009	97,596	15,264	112,860
2010	97,596	9,487	107,083
2011-2012	107,381	3,757	111,138
Total	<u>\$538,430</u>	<u>\$103,743</u>	<u>\$642,173</u>

Adams County/Ohio Valley School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

NOTE 13 - LONG-TERM OBLIGATIONS (continued)

School Improvement Bonds - 1995

Fiscal year Ending June 30,	Principal	Interest	Total
2006	\$542,200	\$1,124,306	\$1,666,506
2007	650,640	1,089,198	1,739,838
2008	704,860	1,053,264	1,758,124
2009	759,080	1,013,724	1,772,804
2010	813,300	970,470	1,783,770
2011-2015	5,205,120	3,888,387	9,093,507
2016-2020	7,157,040	1,916,441	9,073,481
2021-2022	3,524,300	187,873	3,712,173
Total	<u>\$19,356,540</u>	<u>\$11,243,663</u>	<u>\$30,600,203</u>

School Improvement Bonds - 1998

Fiscal year Ending June 30,	Principal	Interest	Total
2006	\$16,266	\$1,981	\$18,247
2007	16,266	1,189	17,455
2008	16,266	397	16,663
Total	<u>\$48,798</u>	<u>\$3,567</u>	<u>\$52,365</u>

Adams County/Ohio Valley School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

NOTE 14 – INTERFUND ACTIVITY

A. Interfund Transfers

Transfers made during the year ended June 30, 2005, were as follows:

		Transfer From General
		<u> </u>
Transfer To	Debt Service Fund	\$130,000
	All Other Governmental Funds	<u>12,500</u>
	Total	<u><u>\$142,500</u></u>

Transfers were made to make annual debt service payments and to move unrestricted balances to support programs and projects accounted for in other funds.

B. Interfund Receivables/Payables

As of June 30, 2005, receivables and payables that resulted from various interfund transactions were as follows:

		Receivable		
		Debt Service		
		General	Fund	Total
		<u> </u>	<u> </u>	<u> </u>
Payable	General Fund	\$0	\$474	\$474
	All Other Nonmajor Governmental Funds	<u>69,168</u>	<u>0</u>	<u>69,168</u>
	Total	<u><u>\$69,168</u></u>	<u><u>\$474</u></u>	<u><u>\$69,642</u></u>

The amounts due to the General Fund are the result of the School District moving unrestricted balances to support programs and projects accounted for in other funds. The General Fund will be reimbursed when funds become available in the special revenue funds. The amount due to the Debt Service fund from the General Fund resulted from misposted tax receipts.

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS

A. South Central Ohio Computer Association

The School District is a participant in the South Central Ohio Computer Association (SCOCA) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Adams, Brown, Gallia, Highland, Pickaway, 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 SCOCA consists of two representatives from each county in the SCOCA service region designated by the Ohio Department of Education, two representatives of the school treasurers, plus a representative of the fiscal agent. The School District paid SCOCA \$205,413 for services provided during the year. Financial information can be obtained from their fiscal agent, the Pike County Joint Vocational School District, P.O. Box 577, 175 Beaver Creek Road, Piketon, Ohio, 45661.

B. Hopewell Special Education Regional Resource Center (Hopewell)

The Hopewell Special Education Regional Resource Center (Hopewell) is a jointly governed organization created by the Ohio Department of Education at the request of the participating school districts to offer direct and related services to low incidence handicapped students of the region. Seventeen local, city, and exempted village school districts receive services from Hopewell. Hopewell is operated under regulations and policies established by the Ohio Department of Education, and its own governing board. The governing board is made up of superintendents from the seventeen school districts, plus a representative from the Clinton-Fayette-Highland Educational Service District, a representative from the board of mental retardation and developmental disabilities, two joint vocational school superintendents and five parents of handicapped children living in the region. The Clinton-Fayette-Highland Educational Service District acts as fiscal agent. Hopewell receives funding from the contracts with each of the member school districts and Federal and State grants. The School District paid \$289,427 to Hopewell during the year. To obtain financial information write to Hopewell at the Clinton-Fayette-Highland Educational Service District, 62 Laurel Drive, Wilmington, Ohio, 45177.

C. Southwestern Ohio Educational Purchasing Council

The School District participates in the Southwestern Ohio Educational Purchasing Council (SOEPC), a purchasing council made up of nearly 100 school districts in 12 counties. The purpose of the council is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges or other assessments as established by the SOEPC.

Adams County/Ohio Valley School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS (continued)

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. During fiscal year 2005, the Adams County/Ohio Valley School District paid \$1,930 in fees to the SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Drive, Suite 208, Vandalia, Ohio 45377.

NOTE 16 – INSURANCE PURCHASING POOL

The School District participates in the Southwestern Ohio Educational Council Property, Fleet, and Liability Program (PFL). The PFL's business and affairs are conducted by a six member committee consisting of various PFL representatives that are elected by the general assembly. The purpose of the Property, Fleet, and Liability Program of the SOEPC is to jointly provide or obtain casualty, property, employer liability, general liability, risk management, professional liability, group coverage and other protections for participating School Districts.

NOTE 17 - SET-ASIDE CALCULATIONS AND FUND RESERVES

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

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-aside Reserve Balance as of June 30, 2004	(\$1,624,592)	\$0
Current Year Set-aside Requirement	754,145	754,145
Current Year Off-sets	0	0
Qualifying Disbursements	(565,853)	(869,032)
Totals	<u>(\$1,436,300)</u>	<u>(\$114,887)</u>
Set-aside Reserve Balance as of June 30, 2005	<u>\$0</u>	<u>\$0</u>
Set-aside Reserve Balance Carried Forward to FY 2005	<u>(\$1,436,300)</u>	<u>\$0</u>

Adams County/Ohio Valley School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

NOTE 17 - SET-ASIDE CALCULATIONS AND FUND RESERVES (continued)

Although the School District had offsets and qualifying disbursements during the year that reduced the set-aside amounts to below zero for textbooks and capital acquisition, only the amount for the textbooks set-aside may be used to reduce the set-aside requirement of future years. The capital acquisition negative amount is therefore not presented as being carried forward to the next fiscal year.

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, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2005.

B. Litigation

There are currently no matters in litigation with the School District as defendant.

NOTE 19 – SUBSEQUENT EVENT

On April 10, 2005, a group of citizens known as the Committee to Create Peebles Local School District (CCPLSD) presented a proposal to the Territory Transfer Process Subcommittee of the State Board of Education. The CCPLSD asked the State Board of Education to create a new local school district in the Peebles area out of the current boundaries of the Adams County/Ohio Valley School District. On April 12, 2005, the State Board of Education passed a resolution directing the Ohio Department of Education to conduct a study which shall include a fiscal and programmatic analysis of each district affected by the creation of the proposed Peebles Local School District, as well as an analysis of the impact on State funding.

On May 9, 2005, the Ohio Department of Education reported to the State Board the results of the study and recommended that the State Board not create the Peebles Local School District. On May 10, 2005, the State Board passed a resolution to reject the Ohio Department of Education's recommendation against the formation of the Peebles Local School District. On October 11, 2005, the State Board of Education passed a resolution proposing the creation of the Peebles Local School District from part of the territory of the Adams County/Ohio Valley School District.

Adams County/Ohio Valley School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

NOTE 19 – SUBSEQUENT EVENT (continued)

Ohio Revised Code Section 3311.11, provides that if the State Board of Education adopts a resolution proposing the creation of a new local school district that was not in operation during the 2004-2005 school year, the district shall not be created unless both houses of the general assembly approve the creation of the district through passage of a concurrent resolution. As of the date of this report, the general assembly has not taken action on this matter and it is unclear whether any such action will be taken. The overall financial impact on the Adams County/Ohio Valley School District of creating a new school district out of its boundaries is not estimable.

**ADAMS COUNTY/OHIO VALLEY SCHOOL DISTRICT
ADAMS COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2005**

FEDERAL GRANTOR/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster:						
Food Distribution Program	N/A	10.550	\$0	\$228,282	\$0	\$228,282
School Breakfast Program	05-PU-04	10.553	78,766		78,766	
	05-PU-05	10.553	145,947		145,947	
Total School Breakfast Program			224,713		224,713	
National School Lunch Program	LL-P4-04	10.555	255,788		255,788	
	LL-P4-05	10.555	492,946		492,946	
Total National School Lunch Program			748,734		748,734	
Total U.S. Department of Agriculture, Child Nutrition Cluster			973,447	228,282	973,447	228,282
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Title 1 Grants to Local Educational Agencies	C1-S1-04	84.010	0		198,552	
	C1-S1-05	84.010	862,923		819,312	
Total Title 1			862,923		1,017,864	
Special Education Cluster:						
Special Education - Grants to States	6B-PM-05	84.027	25,000		20,861	
	6B-PM-04P	84.027	0		6,944	
	6B-SA-04P	84.027	21,629		19,275	
	6B-SA-05	84.027	28,027		23,536	
	6B-SF-04	84.027	89,089		121,931	
	6B-SF-05	84.027	723,184		722,705	
<i>Passed Through Hopewell Education Regional Resource Center</i>						
Baldrige Expansion Model	2003	84.027	0		2,064	
	2004	84.027	0		6,191	
		84.027	0		3,687	
Data-Based Student Progress Monitoring	2005	84.027	14,000		0	
	2006	84.027	10,000		0	
Total Special Education			910,929		927,194	
Special Education Preschool Grants	PG-S1-05	84.173	18,477		23,083	
	PG-S1-04	84.173	1,065		12,114	
			19,542		35,197	
Total Special Education Cluster			930,471		962,391	
Vocational Educational Basic Grants to States	20-C1-04	84.048	0		18,328	
	20-C1-05	84.048	110,953		127,483	
Total Vocational Education			110,953		145,811	

(Continued)

ADAMS COUNTY/OHIO VALLEY SCHOOL DISTRICT
ADAMS COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2005
(Continued)

FEDERAL GRANTOR/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
Safe and Drug -Free Schools and Communities-State Grants	DR-S1-04	84.186	0		174	
	DR-S1-05	84.186	29,040		29,000	
Total Drug-Free Schools			<u>29,040</u>		<u>29,174</u>	
Innovative Educational Program Strategies	C2-S1-05	84.298	28,401		28,401	
	C2-S1-04	84.298	4,393		3,820	
Total Innovative Educational Strategies			<u>32,794</u>		<u>32,221</u>	
Technology Literacy Challenge	TJ-SL-04	84.318	2,500		23,492	
	TJ-S1-05	84.318	27,954		39,752	
	TJ-SL-05	84.318	215,617		216,663	
	TJ-S1-04	84.318	0		130	
Total Technology Literacy Challenge			<u>246,071</u>		<u>280,037</u>	
Comprehensive School Reform Demon- stration	RF-CC-05	84.332	38,203		46,378	
Total Comprehensive School Reform Demon- stration			<u>38,203</u>		<u>46,378</u>	
Rural Education	RU-S1-05	84.358	99,593		92,013	
	RU-S1-04	84.358	0		6,115	
Total Rural Education			<u>99,593</u>		<u>98,128</u>	
Improving Teacher Quality State Grants	TR-S1-05	84.367	363,399		331,170	
	TR-S1-04	84.367	2,543		57,099	
Total Improving Teacher Quality State Grants			<u>365,942</u>		<u>388,269</u>	
Total U.S.Department of Education			<u>2,715,990</u>		<u>3,000,273</u>	
<u>U. S. ENVIRONMENTAL PROTECTION AGENCY</u>						
Toxic Substances Compliance Monitoring Cooperative		66.701	0		9,552	
<u>US DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>						
<i>passed through Ohio Department of Mental Retardation and Developmental Disabilities</i>						
Medical Assistance Program (Medicaid: Title XIX)		93.778	75,053		75,053	
State Children's Health Insurance Program (Title XXI)		93.767	650		650	
Totals			<u><u>\$3,765,140</u></u>	<u><u>\$228,282</u></u>	<u><u>\$4,058,975</u></u>	<u><u>\$228,282</u></u>

The accompanying notes to this schedule are an integral part of this schedule.

**ADAMS COUNTY OHIO VALLEY SCHOOL DISTRICT
ADAMS COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2005**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE C - MATCHING REQUIREMENTS

Certain Federal programs require that the District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

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Auditor of State Betty Montgomery

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

Adams County/Ohio Valley Local School District
Adams County
141 Lloyd Road
West Union, Ohio 45693

To the Board of Education:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Adams County/Ohio Valley Local School District, Adams County, Ohio (the District), as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 13, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated April 13, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the District's management dated April 13, 2006, we reported a matter related to noncompliance we deemed immaterial.

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

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

Betty Montgomery
Auditor of State

April 13, 2006



Auditor of State Betty Montgomery

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

Adams County/Ohio Valley Local School District
Adams County
141 Lloyd Road
West Union, Ohio 45693

To the Board of Education:

Compliance

We have audited the compliance of Adams County/Ohio Valley Local School District, Adams County, Ohio (the District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to each of its major federal programs for the year ended June 30, 2005. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Adams County/Ohio Valley Local School District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

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

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

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

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

Betty Montgomery
Auditor of State

April 13, 2006

**ADAMS COUNTY/OHIO VALLEY SCHOOL DISTRICT
ADAMS COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2005**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Child Nutrition Cluster, CFDA#'s 10.550, 10.553, & 10.555
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



**Auditor of State
Betty Montgomery**

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ADAMS COUNTY/OHIO VALLEY SCHOOL DISTRICT

ADAMS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 9, 2006**