



Mary Taylor, CPA  
Auditor of State



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

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# Mary Taylor, CPA

Auditor of State

## 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, 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, 2008, 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, each major fund, and the aggregate remaining fund information of Adams County/Ohio Valley Local School District, Adams County, Ohio, as of June 30, 2008, and the respective changes in financial position 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, 2009, 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.

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We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The federal awards receipts and 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 also 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 "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

April 13, 2009

**Adams County/Ohio Valley School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2008  
(Unaudited)**

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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 fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with the additional information that we have provided in the basic financial statements and 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, 2008. 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, 2008 by \$81,054,302. Invested in capital assets net of related debt and net assets restricted for specific purposes totaled \$76,351,316, leaving a balance in unrestricted net assets of \$4,702,986.
- Net assets of governmental activities increased \$1,497,659 which represents a 2% increase from 2007.
- General revenues accounted for \$34,190,596 or 75% of all revenues. Program specific revenues in the form of charges for services and sales and operating and capital grants and contributions accounted for \$11,360,083 or 25% of total revenues of \$45,550,679.
- The School District had \$44,053,020 in expenses related to governmental activities; only \$11,360,083 of these expenses were offset by program specific charges for services and sales, operating grants, contributions and interest, and capital grants and contributions.

## **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 nonmajor funds presented in total in one column. The major funds for the Adams County/Ohio Valley School District are the General Fund, Ohio Local Funded Initiative Fund and the Ohio Project 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 fiscal year 2008?" 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 Government-wide Financial Statements, the overall financial position of the District is presented in the following manner:

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.



## **Reporting the School District's Most Significant Funds**

### **Fund Financial Statements**

The analysis of the School District's major funds begins on the balance sheet. 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 fiscal 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.

***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. An agency fund is 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 fiscal years 2008 and 2007:

**Table 1**  
**Net Assets**

	Governmental Activities	
	2008	Restated 2007
<b>Assets</b>		
Current and Other Assets	\$91,338,493	\$96,043,654
Capital Assets	42,577,538	36,301,683
Total Assets	<u>133,916,031</u>	<u>132,345,337</u>
<b>Liabilities</b>		
Long-Term Liabilities	38,763,256	39,893,733
Other Liabilities	14,098,473	12,894,961
Total Liabilities	<u>52,861,729</u>	<u>52,788,694</u>
<b>Net Assets</b>		
Invested in Capital Assets, Net of Related Debt	24,824,258	17,765,908
Restricted	51,527,058	57,324,554
Unrestricted	4,702,986	4,466,181
Total Net Assets	<u>\$81,054,302</u>	<u>\$79,556,643</u>

Net assets increased by \$1,497,659 because total assets increased \$1,570,694 due to increases in capital assets. Total liabilities remained relatively consistent from 2007 to 2008. The District restated the 2007 numbers due to the reclassifying of the fund balance/net assets of the Food Service Fund from an Enterprise Fund to the Other Governmental Funds. For more information on the reclassification, refer to note 21 of the basic financial statements.

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.

**Table 2**  
**Change in Net Assets**

	Governmental Activities	
	2008	Restated 2007
Revenues		
Program Revenues:		
Charges for Services	\$2,229,402	\$2,206,086
Operating Grants	9,100,161	6,733,994
Capital Grants	30,520	50,985
General Revenue:		
Property Taxes	8,717,534	8,039,558
Grants and Entitlements	23,331,290	77,151,402
Other	2,141,772	1,700,644
Total Revenues	<u>45,550,679</u>	<u>95,882,669</u>
Program Expenses:		
Instruction	25,240,502	23,308,235
Support Services:		
Pupil and Instructional Staff	4,416,422	4,205,580
General and School Administrative and Fiscal	3,982,607	4,061,205
Operations and Maintenance	2,950,299	3,096,915
Pupil Transportation	2,204,842	2,173,259
Central	387,429	307,637
Operation of Non-Instructional Services	2,412,581	2,107,470
Extracurricular Activities	491,845	400,510
Interest and Fiscal Charges	1,966,493	1,582,897
Total Expenses	<u>44,053,020</u>	<u>41,243,708</u>
Change in Net Assets	1,497,659	54,638,961
Beginning Net Assets	<u>79,556,643</u>	<u>24,917,682</u>

**Governmental Activities**

Grants and entitlements not restricted to specific programs made up 51% of total revenues of the Adams County/Ohio Valley School District for fiscal year 2008, while Property Taxes made up 19%. The District had an increase in the amount of operating grants revenues received from 2007 to 2008 due to the District receiving more operating grant monies (intergovernmental revenues). The District had a significant decrease in grants and entitlements revenues from 2007 to 2008 due to the decrease in the intergovernmental receivable, which is associated with the Ohio School Facilities Commission grant (to build three new elementary buildings and demolish three old elementary buildings). In fiscal year 2008, investment earnings (included in General Revenues: Other) increased from \$1,405,089 to \$1,788,627, a difference of \$383,538, primarily due to increasing cash balances available to invest and interest rate increases during the fiscal year.

Instruction comprises 57% of governmental program expenses. Support services expenses make up 32% of governmental expenses. The District had an increase in instructional expenses when compared to 2007 due to general inflationary factors.

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 2008	Total Cost of Services 2007	Net Cost of Services 2008	Net Cost of Services 2007
Instruction	\$25,240,502	\$23,308,235	(\$18,679,792)	(\$18,552,215)
Support Services:				
Pupil and Instructional Staff	4,416,422	4,205,580	(2,801,445)	(2,668,510)
School Administrative, General Administration, Fiscal and Business	3,982,607	4,061,205	(3,361,888)	(3,753,490)
Operations and Maintenance	2,950,299	3,096,915	(2,933,876)	(3,095,904)
Pupil Transportation	2,204,842	2,173,259	(2,059,639)	(1,977,692)
Central	387,429	307,637	(374,584)	(292,938)
Operation of Non-Instructional Services	2,412,581	106,866	(231,688)	(7,589)
Extracurricular Activities	491,845	400,510	(283,532)	(224,616)
Interest and Fiscal Charges	1,966,493	1,582,897	(1,966,493)	(1,582,897)
Total Expenses	<u>\$44,053,020</u>	<u>\$39,243,104</u>	<u>(\$32,692,937)</u>	<u>(\$32,155,851)</u>

### The School District's Funds

The District has three major governmental funds: the General Fund, Ohio Local Funded Initiative Fund and the Ohio Project Fund. Assets of these funds comprised \$81,308,601 (89%) of the total \$91,485,956 governmental funds assets.

**General Fund:** Fund balance at June 30, 2008 was \$4,168,508 a decrease in fund balance of \$1,154,122 from 2007. The primary reasons for the decrease in fund balance was due to the increase in instruction expenses.

**Ohio Local Funded Initiative Fund:** Fund balance at June 30, 2008 was \$14,292,595 a decrease in fund balance of \$637,758 from 2007. The decrease in fund balance is due to the continued construction within the District.

**Ohio Project Fund:** Fund balance at June 30, 2008 was \$25,723,895 an increase in fund balance of \$17,323,086 from 2007. The primary reason for the increase in fund balance was due to the grant monies received for the Ohio School Facilities Commission Construction Project.

### **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 2008 the School District revised its budget as it attempted to deal with unexpected changes in revenues and expenditures.

For the General Fund, final budget basis revenue was \$33,524,589 with original budget estimates of \$31,781,642, a difference of five percent, and a difference of three percent from actual revenue of \$34,373,420. The original budget estimates for expenditures for the District increased when it is compared to the actual expenditures due to conservative estimates made by the District. The final budget estimated expenditures were relatively consistent with the actual expenditures for the District.

The School District's ending unobligated cash balance was \$1,362,832 higher than the final budgeted amount in the General Fund.

### **Capital Assets and Debt Administration**

#### ***Capital Assets***

The Adams County/Ohio Valley School District's investment in capital assets as of June 30, 2008 was \$42,577,538. This investment in capital assets includes land, construction in progress, land improvements, buildings and improvements, furniture, fixtures and equipment, and vehicles. Table 4 shows fiscal year 2008 balances compared to fiscal year 2007:

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

	Governmental Activities	
	2008	Restated 2007
Land	\$782,803	\$760,304
Construction in Progress	8,608,635	1,304,915
Land Improvements	34,637	41,502
Buildings and Improvements	30,699,705	31,659,248
Furniture, Fixtures, and Equipment	684,419	831,166
Vehicles	1,767,339	1,704,548
Totals	<u>\$42,577,538</u>	<u>\$36,301,683</u>

Capital Assets increased by \$6,275,855 primarily as a result of construction in progress additions. For more information on capital assets, refer to note 7 of the basic financial statements.

***Debt***

At June 30, 2008 the School District had \$36,460,453 in outstanding debt, \$1,186,676 due within one year. Table 5 summarizes the School District's outstanding debt:

**Table 5**  
**Outstanding Debt, at Fiscal Year-end**  
**Governmental Activities**

	2008	2007
Energy Conservation Bonds, 2001	\$294,440	\$392,036
School Improvement Bonds, 1995	17,458,840	18,163,700
School Improvement Bonds, 1998	0	16,266
School Improvement Bonds, 2007		
Serial Bonds 4.00% - 5.00%	6,350,000	6,570,000
Term Bonds 4.25% - 5.00%	12,100,000	12,100,000
Premium	257,173	267,064
Totals	<u>\$36,460,453</u>	<u>\$37,509,066</u>

The School District's debt decreased by \$1,048,613 because of debt payments being made. For more information on outstanding debt, refer to note 12 of the basic financial statements.

## **For the Future**

In June of 2005, the State legislature passed House Bill 66. House Bill 66 phases out the tax on tangible personal property of general business, telephone, and telecommunications companies, and railroads. The tax on general business and railroad property began being phased out in 2006 and will be eliminated by 2009. The tax on telephone and telecommunication property will begin being phased out in 2009 and will be eliminated by 2011. The tax is being phased out by reducing the assessment rate on the property each year. In the first five years, school districts are being reimbursed fully for the lost revenue; in the following seven years, the reimbursements are phased out.

This scenario requires management to plan carefully and prudently to provide the resources to meet student needs over the next several years.

All of the District's financial abilities will be needed to meet the challenges of the future. With careful planning and monitoring of the District's finances, the District's management is confident that the District can continue to provide a quality education for our students and provide a secure financial future.

## **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 Tina Hageman, Treasurer, at Adams County/Ohio Valley School District, 141 Lloyd Road, West Union, OH 45693.

Adams County/Ohio Valley School District  
Statement of Net Assets  
June 30, 2008

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$56,700,943
Restricted Cash and Investments	54,730
Receivables:	
Taxes	8,686,307
Accounts	50,806
Interest	383,422
Intergovernmental	25,202,329
Deferred Bond Issuance Costs	225,543
Inventory	34,413
Nondepreciable Capital Assets	9,391,438
Depreciable Capital Assets, Net	<u>33,186,100</u>
 Total Assets	 <u>133,916,031</u>
Liabilities:	
Accounts Payable	177,269
Accrued Wages and Benefits	4,266,210
Retainage Payable	41,749
Accrued Interest Payable	154,712
Contracts Payable	1,835,719
Unearned Revenue	7,622,814
Long-Term Liabilities:	
Due Within One Year	1,374,690
Due In More Than One Year	<u>37,388,566</u>
 Total Liabilities	 <u>52,861,729</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	24,824,258
Restricted for:	
Special Revenue	214,701
Debt Service	3,838,003
Capital Projects	47,474,354
Unrestricted	<u>4,702,986</u>
 Total Net Assets	 <u><u>\$81,054,302</u></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, 2008

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Asset
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>					
<b>Instruction:</b>					
Regular	\$18,353,133	\$500,269	\$1,722,649	\$0	(\$16,130,215)
Special	3,725,702	41,074	2,910,611	0	(774,017)
Vocational	2,781,397	668,942	590,956	0	(1,521,499)
Adult/Continuing	223,422	0	0	0	(223,422)
Student Intervention Services	156,848	31,864	94,345	0	(30,639)
<b>Support Services:</b>					
Pupil	1,574,547	23,440	56,575	0	(1,494,532)
Instructional Staff	2,841,875	5,827	1,529,135	0	(1,306,913)
General Administration	47,068	0	0	0	(47,068)
School Administration	2,748,684	483	459,677	0	(2,288,524)
Fiscal	666,998	0	160,559	0	(506,439)
Business	519,857	0	0	0	(519,857)
Operations and Maintenance	2,950,299	15,933	490	0	(2,933,876)
Pupil Transportation	2,204,842	698	113,985	30,520	(2,059,639)
Central	387,429	0	12,845	0	(374,584)
Operation of Non-Instructional Services	2,412,581	732,559	1,448,334	0	(231,688)
Extracurricular Activities	491,845	208,313	0	0	(283,532)
Interest and Fiscal Charges	1,966,493	0	0	0	(1,966,493)
<b>Total Governmental Activities</b>	<b>\$44,053,020</b>	<b>\$2,229,402</b>	<b>\$9,100,161</b>	<b>\$30,520</b>	<b>(32,692,937)</b>

**General Revenues:**

**Property Taxes Levied for:**

General Purposes	6,083,416
Special Revenue Purposes	95,826
Debt Service Purposes	2,446,083
Classroom Facilities	92,209
Grants and Entitlements not Restricted to Specific Programs	23,331,290
Unrestricted Contributions	100
Investment Earnings	1,788,627
Other Revenues	353,045

**Total General Revenues** 34,190,596

Change in Net Assets 1,497,659

Net Assets Beginning of Year, Restated 79,556,643

Net Assets End of Year \$81,054,302

See accompanying notes to the basic financial statements.

Adams County/Ohio Valley School District  
Balance Sheet  
Governmental Funds  
June 30, 2008

	General	OSFC Local Funded Initiative	OSFC Project	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>					
Equity in Pooled Cash and Investments	\$7,088,106	\$14,578,675	\$27,245,557	\$7,788,605	\$56,700,943
Restricted Cash and Investments	12,981	7,831	33,918	0	54,730
<b>Receivables:</b>					
Taxes	7,454,995	0	0	1,231,312	8,686,307
Accounts	50,481	0	0	325	50,806
Interest	215,934	114,193	53,295	0	383,422
Intergovernmental	6,485	0	24,073,144	1,122,700	25,202,329
Interfund	373,006	0	0	0	373,006
Inventory	0	0	0	34,413	34,413
<b>Total Assets</b>	<b>15,201,988</b>	<b>14,700,699</b>	<b>51,405,914</b>	<b>10,177,355</b>	<b>91,485,956</b>
<b>Liabilities and Fund Balances:</b>					
<b>Liabilities:</b>					
Accounts Payable	174,778	0	0	2,491	177,269
Accrued Wages and Benefits	3,605,549	0	0	660,661	4,266,210
Compensated Absences	0	0	0	39,874	39,874
Retainage Payable	0	7,831	33,918	0	41,749
Contracts Payable	0	293,121	1,542,598	0	1,835,719
Interfund Payable	0	0	0	373,006	373,006
Deferred Revenue	7,253,153	107,152	24,105,503	1,376,519	32,842,327
<b>Total Liabilities</b>	<b>11,033,480</b>	<b>408,104</b>	<b>25,682,019</b>	<b>2,452,551</b>	<b>39,576,154</b>
<b>Fund Balances:</b>					
Reserved for Encumbrances	322,437	1,748,720	13,198,113	36,749	15,306,019
Reserved for Inventory	0	0	0	34,413	34,413
Reserved for Property Tax Advances	376,470	0	0	170,412	546,882
Reserved for Unclaimed Monies	12,981	0	0	0	12,981
<b>Unreserved, Undesignated, Reported in:</b>					
General Fund	3,456,620	0	0	0	3,456,620
Special Revenue Funds	0	0	0	2,074,884	2,074,884
Debt Service Funds	0	0	0	3,473,506	3,473,506
Capital Projects Funds	0	12,543,875	12,525,782	1,934,840	27,004,497
<b>Total Fund Balances</b>	<b>4,168,508</b>	<b>14,292,595</b>	<b>25,723,895</b>	<b>7,724,804</b>	<b>51,909,802</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$15,201,988</b>	<b>\$14,700,699</b>	<b>\$51,405,914</b>	<b>\$10,177,355</b>	<b>\$91,485,956</b>

See accompanying notes to the basic financial statements.

Adams County/Ohio Valley School District  
 Reconciliation of Total Governmental Fund Balance to  
 Net Assets of Governmental Activities  
 June 30, 2008

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Total Governmental Fund Balance		\$51,909,802
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.		42,577,538
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Delinquent Property Taxes	\$516,611	
Interest	314,139	
Intergovernmental	<u>24,388,763</u>	
		25,219,513
In the statement of net assets interest payable is accrued when incurred, whereas in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.		(154,712)
Some liabilities reported in the statement of net assets do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds.		
Compensated Absences		(2,262,929)
Deferred bond issuance cost associated with long-term liabilities are not reported in the funds.		225,543
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.		<u>(36,460,453)</u>
Net Assets of Governmental Activities		<u><u>\$81,054,302</u></u>

See accompanying notes to the basic financial statements.

Adams County/Ohio Valley School District  
Statement of Revenues, Expenditures  
and Changes in Fund Balance  
Governmental Funds  
For the Fiscal Year Ended June 30, 2008

	General	OSFC Local Funded Initiative	OSFC Project	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Taxes	\$6,041,808	\$0	\$0	\$2,617,639	\$8,659,447
Tuition and Fees	1,136,632	0	0	13,169	1,149,801
Investment Earnings	485,900	760,287	383,917	27,369	1,657,473
Intergovernmental	25,852,379	0	22,749,095	6,903,251	55,504,725
Extracurricular Activities	30	0	0	255,336	255,366
Charges for Services	0	0	0	732,559	732,559
Other Revenues	326,184	0	1,500	117,092	444,776
<b>Total Revenues</b>	<b>33,842,933</b>	<b>760,287</b>	<b>23,134,512</b>	<b>10,666,415</b>	<b>68,404,147</b>
<b>Expenditures:</b>					
<b>Current:</b>					
<b>Instruction:</b>					
Regular	16,020,625	0	0	1,267,657	17,288,282
Special	2,744,494	0	0	974,111	3,718,605
Vocational	2,647,970	0	0	117,450	2,765,420
Adult/Continuing	223,422	0	0	0	223,422
Student Intervention Services	64,276	0	0	88,489	152,765
<b>Support Services:</b>					
Pupil	1,472,752	0	0	100,038	1,572,790
Instructional Staff	1,173,152	0	0	1,613,418	2,786,570
General Administration	47,068	0	0	0	47,068
School Administration	2,479,125	0	0	316,086	2,795,211
Fiscal	581,971	0	0	94,206	676,177
Business	512,818	0	0	0	512,818
Operations and Maintenance	3,017,072	0	0	37,494	3,054,566
Pupil Transportation	2,323,785	0	0	51,550	2,375,335
Central	374,325	0	0	14,964	389,289
Operation of Non-Instructional Services	69,316	0	0	2,256,549	2,325,865
Extracurricular Activities	253,976	0	0	233,161	487,137
Capital Outlay	81,356	1,398,045	5,811,426	0	7,290,827
<b>Debt Service:</b>					
Principal Retirement	0	0	0	1,038,722	1,038,722
Interest and Fiscal Charges	0	0	0	2,145,426	2,145,426
<b>Total Expenditures</b>	<b>34,087,503</b>	<b>1,398,045</b>	<b>5,811,426</b>	<b>10,349,321</b>	<b>51,646,295</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(244,570)</b>	<b>(637,758)</b>	<b>17,323,086</b>	<b>317,094</b>	<b>16,757,852</b>
<b>Other Financing Sources (Uses):</b>					
Proceeds from Sale of Capital Assets	21,077	0	0	3,980	25,057
Transfers In	0	0	0	930,629	930,629
Transfers (Out)	(930,629)	0	0	0	(930,629)
<b>Total Other Financing Sources (Uses)</b>	<b>(909,552)</b>	<b>0</b>	<b>0</b>	<b>934,609</b>	<b>25,057</b>
<b>Net Change in Fund Balance</b>	<b>(1,154,122)</b>	<b>(637,758)</b>	<b>17,323,086</b>	<b>1,251,703</b>	<b>16,782,909</b>
<b>Fund Balance Beginning of Year, Restated</b>	<b>5,322,630</b>	<b>14,930,353</b>	<b>8,400,809</b>	<b>6,473,101</b>	<b>35,126,893</b>
<b>Fund Balance End of Year</b>	<b>\$4,168,508</b>	<b>\$14,292,595</b>	<b>\$25,723,895</b>	<b>\$7,724,804</b>	<b>\$51,909,802</b>

See accompanying notes to the basic financial statements.

Adams County/Ohio Valley School District  
 Reconciliation of the Statement of Revenues, Expenditures, and Changes  
 in Fund Balance of Governmental Funds to the Statement of Activities  
 For the Fiscal Year Ended June 30, 2008

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Net Change in Fund Balance - Total Governmental Funds \$16,782,909

Amounts reported for governmental activities in the  
 statement of activities are different because:

Governmental funds report capital asset additions as expenditures.  
 However, in the statement of activities, the cost of those assets is  
 allocated over their estimated useful lives as depreciation  
 expense. This is the amount of the difference between capital  
 asset additions and depreciation in the current period.

Capital assets used in governmental activities	\$7,801,625	
Depreciation Expense	<u>(1,328,168)</u>	
		6,473,457

Governmental funds only report the disposal of assets to the  
 extent proceeds are received from the sale. In the statement  
 of activities, a gain or loss is reported for each disposal. The  
 amount of the proceeds must be removed and the gain or loss  
 on the disposal of capital assets must be recognized. This is the  
 amount of the difference between the proceeds and the gain or loss. (197,602)

Revenues in the statement of activities that do not provide  
 current financial resources are not reported as revenues in  
 the funds.

Delinquent Property Taxes	\$58,087	
Interest	131,154	
Intergovernmental	<u>(23,042,709)</u>	
		(22,853,468)

Repayment of bond principal is an expenditure in the  
 governmental funds, but the repayment reduces long-term  
 liabilities in the statement of net assets. 1,038,722

Interest expense in the statement of activities differs from the amount  
 reported in governmental funds for two reasons. Additional accrued  
 interest was calculated for bonds and notes payable, and the difference  
 arising from the advance refunding due to premium and bond issuance  
 costs.

Accrued Interest	177,716
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Some expenses reported in the statement of activities do not require the  
 use of current financial resources and therefore are not reported as  
 expenditures in governmental funds.

Compensated Absences	\$74,708	
Amortization of Bond Issuance Cost	(8,674)	
Amortization of Bond Premium	<u>9,891</u>	
		<u>75,925</u>

Change in Net Assets of Governmental Activities	<u><u>\$1,497,659</u></u>
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See accompanying notes to the basic financial statements.

Adams County/Ohio Valley School District  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual (Non-GAAP Budgetary Basis)  
For the Fiscal Year Ended June 30, 2008

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$6,114,361	\$6,449,680	\$6,612,984	\$163,304
Tuition and Fees	1,049,650	1,107,215	1,135,249	28,034
Investment Earnings	518,743	547,191	561,046	13,855
Intergovernmental	23,916,230	25,227,828	25,866,588	638,760
Other Revenues	182,657	192,675	197,553	4,878
<b>Total Revenues</b>	<b>31,781,641</b>	<b>33,524,589</b>	<b>34,373,420</b>	<b>848,831</b>
Expenditures:				
Current:				
Instruction:				
Regular	14,143,055	15,805,377	15,642,328	163,049
Special	2,480,090	2,771,591	2,742,999	28,592
Vocational	2,410,627	2,693,963	2,666,172	27,791
Adult/Continuing	201,275	237,862	222,612	15,250
Other	73,313	81,930	81,085	845
Support Services:				
Pupil	1,327,450	1,483,474	1,468,170	15,304
Instructional Staff	1,062,836	1,187,758	1,175,505	12,253
General Administration	47,409	52,982	52,435	547
School Administration	2,346,493	2,622,291	2,595,239	27,052
Fiscal	610,342	682,079	675,043	7,036
Business	365,746	408,735	404,518	4,217
Operations and Maintenance	2,922,276	3,265,750	3,232,060	33,690
Pupil Transportation	2,197,853	2,456,180	2,430,842	25,338
Central	342,217	382,440	378,495	3,945
Operation of Non-Instructional Services	7,157	7,999	7,916	83
Extracurricular Activities	239,195	267,310	264,552	2,758
Capital Outlay	143,120	159,942	158,292	1,650
<b>Total Expenditures</b>	<b>30,920,454</b>	<b>34,567,663</b>	<b>34,198,263</b>	<b>369,400</b>
Excess of Revenues Over (Under) Expenditures	861,187	(1,043,074)	175,157	1,218,231
Other financing sources (uses):				
Proceeds from Sale of Capital Assets	19,488	20,557	21,077	520
Advances In	863,281	910,624	933,681	23,057
Advances (Out)	(1,079,390)	(1,206,258)	(1,193,814)	12,444
Transfers In	2,603,329	2,746,099	2,815,629	69,530
Transfers (Out)	(3,387,217)	(3,785,338)	(3,746,288)	39,050
<b>Total Other Financing Sources (Uses)</b>	<b>(980,509)</b>	<b>(1,314,316)</b>	<b>(1,169,715)</b>	<b>144,601</b>
Net Change in Fund Balance	(119,322)	(2,357,390)	(994,558)	1,362,832
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	7,465,752	7,465,752	7,465,752	0
<b>Fund Balance End of Year</b>	<b>\$7,346,430</b>	<b>\$5,108,362</b>	<b>\$6,471,194</b>	<b>\$1,362,832</b>

See accompanying notes to the basic financial statements.

Adams County/Ohio Valley School District  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2008

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	Private Purpose Trust	Agency
	<u>          </u>	<u>          </u>
Assets:		
Equity in Pooled Cash and Investments	\$63,013	\$119,249
	<u>          </u>	<u>          </u>
Total Assets	63,013	119,249
	<u>          </u>	<u>          </u>
Liabilities:		
Accounts Payable	0	2,975
Other Liabilities	0	116,274
	<u>          </u>	<u>          </u>
Total Liabilities	0	\$119,249
	<u>          </u>	<u>          </u>
Net Assets:		
Held in Trust	63,013	
	<u>          </u>	
Total Net Assets	\$63,013	
	<u>          </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 Fiscal Year Ended June 30, 2008

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	Private Purpose Trust
Additions:	
Donations	\$5,500
Investment Earnings	2,842
Total Additions	<u>8,342</u>
Deductions:	
Payments in Accordance with Trust Agreements	<u>6,730</u>
Total Deductions	<u>6,730</u>
Change in Net Assets	1,612
Net Assets Beginning of Year	<u>61,401</u>
Net Assets End of Year	<u><u>\$63,013</u></u>

See accompanying notes to the basic financial statements.



**Adams County/Ohio Valley School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2008**

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**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, the thirteen townships of Adams County and the southern half of Brush Creek Township in Highland County. The School District is staffed by 202 non-certified employees and 319 certified employees as well as 31 administrative employees who provide services to 4,139 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.

The Adams County Public Library is a school district library created under Chapter 3375 of the Ohio Revised Code. The Board of Trustees of the Library controls and manages the Library and issues its own financial statements. Although the Adams County/Ohio Valley School District Board of Education is required to approve appointments to the Board of Trustees and to approve the annual budget, the Board has no authority to reject the Library's recommendations.

The School District participates in three jointly governed organizations, one insurance purchasing pool and a related organization. These organizations are the South Central Ohio Computer Association, the Hopewell Special Education Regional Resource Center, the Southwestern Ohio Educational Purchasing Council, the Southwestern Ohio Educational Council Property, Fleet and Liability Program and the Adams County Public Library. Information about these organizations is presented in Notes 14, 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 more significant of the School District's accounting policies are described below.

### **A. Measurement Focus**

#### **Government-wide Financial Statements**

The 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.

The government-wide statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the District are included on the statement of net assets. Fiduciary Funds are not included in entity-wide statements.

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

## **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 reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

## **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 two categories: governmental 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:

***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.

***Ohio School Facilities Commission (OSFC) Locally Funded Initiative Fund*** – This fund is used to account for bond proceeds that are transferred in from the Nonmajor Governmental Funds for expenditures on the building renovation that are not funded by the Ohio School Facilities Commission.

***Ohio School Facilities Commission (OSFC) Project Fund*** – This fund is used to account for all intergovernmental monies, bond proceeds transferred in from Nonmajor Governmental Funds and interest received and expended in connection with the contracts entered into by the School District and the Ohio School Facilities Commission for the building and equipping of new classroom facilities.

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.

## 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, and the receipt and remittance of Manchester Local School District's portion of the debt assumed by that District upon deconsolidation in fiscal year 2004.

### **C. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Differences in the actual 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.

#### Revenues – Exchange and Non-exchange Transactions

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, included 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. 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 District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange 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 year end: property taxes available for advance, grants and interest.

#### 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, 2008, but which were levied to finance fiscal year 2009 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.

#### Unearned Revenue

Unearned revenue represents amounts under the accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have not yet been met because such amounts have not yet been earned.

#### Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue.

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.

### **D. 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.

### **E. Equity in Pooled Cash and Investments**

To improve cash management, all cash received by the School District is pooled. Monies for all funds 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 Investments” on the financial statements.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Non-negotiable certificates of deposit are reported at cost. For investments in money market mutual funds, the fair value is determined by the fund’s current share price.

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 2008 amounted to \$485,900, \$760,287 in OSFC Local Fund Initiative Fund, \$383,917 in OSFC Project and \$27,369 in Other Governmental Funds.

### **F. Inventory**

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

### **G. 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.

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 five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not capitalized.

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

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

#### **H. Interfund Activity**

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. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

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

As a general rule the effect of interfund (internal) activity has been eliminated from the government-wide statement of activities. The interfund services provided and used are not eliminated in the process of consolidation.

#### **I. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees’ rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. 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 "Compensated Absences Payable" in the fund from which the employees who have accumulated leave are paid. The unmatured portion of the liability is not reported.

### **J. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide 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.

### **K. Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal 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 unclaimed monies and retainage in the OSFC Local Initiative Fund and OSFC Project Fund.

### **L. 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, inventory, property taxes, and unclaimed monies.

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 2008. 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.



## **M. Bond Premiums/Issuance Costs**

In the government-wide financial statements, bond premiums and issuance costs are deferred and amortized over the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method. Bond premiums are presented as an addition of the face amount of the bonds payable whereas issuance costs are recorded as deferred charges.

On the governmental fund financial statements, bond premiums and issuance costs are recognized in the period in which the debt is issued.

## **N. Estimates**

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

## **O. 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 adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for music and athletic programs and 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 \$51,527,058 of restricted net assets, none of which are restricted by enabling legislation.

## **NOTE 3 - 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).
5. Investments are recorded at fair value (GAAP basis) rather than cost (budget basis).

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

Net Change in Fund Balance	
GAAP Basis	(\$1,154,122)
Net Adjustment for Revenue Accruals	530,487
Net Adjustment for Expenditure Accruals	268,156
Transfers In	2,815,629
Transfers Out	(2,815,659)
Advances In	933,681
Advances Out	(1,193,814)
Encumbrances	(378,916)
Budget Basis	(\$994,558)

#### **NOTE 4 - 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 upon 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 principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality including, but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
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);
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. 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, \$37,161,641 of the School District's bank balance of \$37,361,641 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 policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be 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.

Investments

As of June 30, 2008, the School District had the following investments, which are in an internal investment pool:

Investment Type	Fair Value	Weighted Average Maturity (Years)
Money Market Funds	\$2,595,731	0.00
Federal Home Loan Bank	4,066,616	1.83
Federal Home Loan Mortgage	3,773,415	3.49
Farmer Mac	2,671,050	0.18
Federal National Mortgage Association	7,658,973	1.83
	\$20,765,785	
Portfolio Weighted Average Maturity		1.69

Interest Rate Risk

The School District has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk

The Money Market Funds, Federal Home Loan Bank, Federal Home Loan Mortgage, Farmer Mac and Federal National Mortgage Association carry ratings of Aaa by Moody’s. The School District has no investment policy that addresses credit risk.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Money Market Funds, Federal Home Loan Bank, Federal Home Loan Mortgage, Farmer Mac and Federal National Mortgage Association are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty’s trust department or agent but not in the School District’s name. The School District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

## Concentration of Credit Risk

The School District places no limit on the amount it may invest in any one issuer. Of the School District's total investments, 12% is invested in Money Market Funds, 20% is invested in Federal Home Loan Bank, 18% is invested in Federal Home Loan Mortgage, 13% is invested in Farmer Mac and 37% is invested in Federal National Mortgage Association.

## **NOTE 5 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis while the School District's 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 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, 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 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007, and are collected in 2008 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2007. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out. The assessment percentage for all property including inventory for 2008 is 6.25 percent. This will be reduced to zero for 2009. 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 2008 tangible personal property tax was not received until July 2008.

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 Counties by June 30, 2008, are available to finance fiscal year 2008 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, 2008, 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.

The amount available as an advance at June 30, 2008, was \$376,470 in the General Fund and \$170,412 in Other Governmental Funds. 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 2008 taxes were collected are:

	<u>2007 Second Half Collections</u>		<u>2008 First Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Real Estate	\$246,657,490	82.34%	\$275,152,990	88.00%
Public Utility Personal	22,986,960	7.67%	13,429,920	4.30%
General Business Personal	29,930,590	9.99%	24,102,250	7.70%
Total Assessed Value	<u>\$299,575,040</u>	<u>100.00%</u>	<u>\$312,685,160</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$35.87		\$34.87	

The increase in the tax rate is due to the passage of a 4.14 mill levy for bond issuance as well as .5 mills for classroom facilities maintenance on May 2, 2007.

#### **NOTE 6 - RECEIVABLES**

Receivables at June 30, 2008, consisted of property taxes, accounts (billings for user charged services and student fees), interest, intergovernmental grants and interfund. All receivables are considered collectible in full and will be received within one year with the exception of the property taxes and the grant from the Ohio School Facilities Commission. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year.

Intergovernmental Recievables at June 30, 2008 were as follows:

General Fund	\$6,485
OSFC Project Fund	24,073,144
Other Governmental Funds:	
Public Preschool	16,473
Ohio Reads	22,303
Alternative Schools	14,583
School Improvement Models	18,583
Miscellaneous State Grants	9,000
IDEA-B	282,516
Carl Perkins	33,327
Title I	390,729
Title V	6,301
Drug Free Schools	13,258
IDEA Preschools	2,049
Improving Teacher Quality	138,869
Miscellaneous Federal Grants	46,676
Food Service	128,033
Total	<u><u>\$25,202,329</u></u>

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## NOTE 7 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2008, was as follows:

	Restated Beginning Balance	Additions	Deletions	Ending Balance
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$760,304	\$22,499	\$0	\$782,803
Construction in Progress	<u>1,304,915</u>	<u>7,303,720</u>	<u>0</u>	<u>8,608,635</u>
Total Capital Assets, not being depreciated	2,065,219	7,326,219	0	9,391,438
<i>Capital Assets, being depreciated:</i>				
Land Improvements	3,201,036	21,007	0	3,222,043
Buildings and Improvements	43,734,253	24,150	144,673	43,613,730
Furniture, Fixtures and Equipment	2,733,049	62,663	268,655	2,527,057
Vehicles	<u>4,101,313</u>	<u>367,586</u>	<u>276,255</u>	<u>4,192,644</u>
<b>Total Capital Assets, being depreciated:</b>	<u>53,769,651</u>	<u>475,406</u>	<u>689,583</u>	<u>53,555,474</u>
Totals at Historical Cost	<u>55,834,870</u>	<u>7,801,625</u>	<u>689,583</u>	<u>62,946,912</u>
Less Accumulated Depreciation:				
Land Improvements	3,159,534	27,872	0	3,187,406
Buildings and Improvements	12,075,005	868,196	29,176	12,914,025
Furniture's, Fixtures and Equipment	1,901,883	174,172	233,417	1,842,638
Vehicles	<u>2,396,765</u>	<u>257,928</u>	<u>229,388</u>	<u>2,425,305</u>
Total Accumulated Depreciation	<u>19,533,187</u>	<u>1,328,168</u>	<u>491,981</u>	<u>20,369,374</u>
Governmental Activities Capital Assets, Net	<u>\$36,301,683</u>	<u>\$6,473,457</u>	<u>\$197,602</u>	<u>\$42,577,538</u>



Depreciation expense was charged to governmental functions as follows:

Instruction:		
Regular		\$895,007
Special		9,360
Vocational		29,796
Support Services:		
Pupil		2,251
Instructional Staff		10,822
School Administration		10,734
Fiscal		640
Business		1,067
Operations and Maintenance		51,744
Pupil Transportation		276,543
Central		94
Operation of Non-Instructional Services		35,402
Extracurricular Activities		4,708
Total Depreciation Expense		<u><u>\$1,328,168</u></u>

#### **NOTE 8 - 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, 2008, 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 American Alternative 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
Per Occurrence		5,000,000

Settled claims have not exceeded commercial coverage in any of the past three fiscal years. There has been no significant reduction in coverage from the prior fiscal 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 9 - PENSION PLANS**

### **SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO**

#### Plan Description

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under *Forms and Publications*.

#### Funding Policy

Plan members are required to contribute 10% of their annual covered salary and District is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's contributions to SERS for the years ended June 30, 2008, 2007, and 2006 were \$689,184, \$463,090, and \$471,748, respectively; 48% has been contributed for fiscal year 2008 and 100% for fiscal years 2007 and 2006.

### **STATE TEACHERS RETIREMENT SYSTEM OF OHIO**

#### Plan Description

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution, or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof. Additional information or copies of STRS Ohio's *Comprehensive Annual Financial Report* can be requested by writing to STRS Ohio, 275 E. Broad Street, Columbus, OH 43215-3771, by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio web site at [www.strsoh.org](http://www.strsoh.org).

### Plan Options

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

### DB Plan Benefits

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

### DC Plan Benefits

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

### Combined Plan Benefits

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

Eligible faculty of Ohio's public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offered by their employer. Employees have 120 days from their employment date to select a retirement plan.

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

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

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

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 members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

### Funding Policy

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

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2008, were 10% of covered payroll for members and 14% for employers. The District's contributions to STRS for the years ended June 30, 2008, 2007, and 2006 were \$2,362,800, \$2,139,846, and \$2,134,526, respectively; 83% has been contributed for fiscal year 2008 and 100% for fiscal years 2007 and 2006.

## **NOTE 10 – POST EMPLOYMENT BENEFITS**

### **SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO**

#### Plan Description

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

#### Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2007 (the latest information available) was \$93.50; SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2007 (the latest information available), the actuarially required allocation was .68%. District contributions for the year ended June 30, 2008 were \$33,475, which equaled the required contributions for the year.

#### Health Care Plan

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

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2007 (the latest information available), the health care allocation was 3.32%. The actuarially required contribution (ARC), as of the December 31, 2006 annual valuation, was 11.50% of covered payroll. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities of the plan over a period not to exceed thirty years. The District contributions for the years ended June 30, 2008, 2007, and 2006 were \$163,435, \$156,087, and \$146,569, respectively.

An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2007 (the latest information available), the minimum compensation level was established at \$35,800.

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

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

## **STATE TEACHERS RETIREMENT SYSTEM OF OHIO**

### Plan Description

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

Ohio law authorized STRS Ohio to offer a cost-sharing, multi-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the defined benefit or combined plans. Coverage under the current programs includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

Pursuant to 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care cost in the form of monthly premiums.

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

### Funding Policy

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contributions rate, 1% of covered payroll was allocated to post-employment health care for the year ended June 30, 2008, 2007 and 2006. The 14% employer contribution rate is the maximum rate established under Ohio law. The District contributions for the years ended June 30, 2008, 2007, and 2006 were \$168,771, \$164,604, and \$164,194, respectively.

## **NOTE 11 - EMPLOYEE BENEFITS**

### **A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from board approved contracts 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 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 215 days for administrators. One third of each administrator's accumulated sick leave over 200 days shall be paid out at the end of each fiscal year. Classified personnel may accumulate up to a maximum of 200 days for usage purposed; 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 usages; 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 payment of 50 days for administrators and 65 days for classified employees. Certified employees receive one-fourth of their unused sick leave upon retirement. 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 payment of 100 days.

Teachers, administrators, and classified personnel earn three days of personal leave per school year. Unused days are paid in July of each year, at the rate of \$115 per day for teachers and administrators. Classified personnel are paid at the rate of \$80 per day for unused days in July each year.

### **B. Insurance Benefits**

The School District provides life insurance and accidental death and dismemberment insurance to all employees through Lincoln Financial Group (formerly known as Jefferson Pilot Life Insurance Company). The School District has elected to provide medical/surgical, dental and vision benefits through Anthem Blue Cross and Blue Shield. Dental and vision benefits are provided at the expense of the Board of Education. Effective with the 2007-2008 fiscal year, teachers, administrators and classified employees agreed to contribute \$60.00 per month and \$25.00 per month towards family and single medical plans respectively with the Board of Education assuming the remaining expense.

### **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).

Eleven and twelve month classified employees with perfect attendance receive a bonus of \$400. Nine and ten month classified employees with perfect attendance receive a bonus of \$300.

Teachers with perfect attendance receive a bonus of \$400.

## NOTE 12 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2008 were as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due In One Year
<b>Governmental Activities:</b>					
Energy Conversation Bonds					
2001 5.92%	\$392,036	\$0	\$97,596	\$294,440	\$97,596
School Improvement Bonds					
1995 4.55% - 5.25%	18,163,700	0	704,860	17,458,840	759,080
School Improvement Bonds					
1998 4.87%	16,266	0	16,266	0	0
School Improvement Bonds 2007					
Serial Bonds 4.00% - 5.00%	6,570,000	0	220,000	6,350,000	330,000
Term Bonds 4.25% - 5.00%	12,100,000	0	0	12,100,000	0
Premium on Debt Issue	267,064	0	9,891	257,173	0
Total Long-Term Loans and Bonds	<u>37,509,066</u>	<u>0</u>	<u>1,048,613</u>	<u>36,460,453</u>	<u>1,186,676</u>
Compensated Absences	<u>2,384,667</u>	<u>147,429</u>	<u>229,293</u>	<u>2,302,803</u>	<u>188,014</u>
Total Governmental Activities	<u><u>\$39,893,733</u></u>	<u><u>\$147,429</u></u>	<u><u>\$1,277,906</u></u>	<u><u>\$38,763,256</u></u>	<u><u>\$1,374,690</u></u>

*Energy Conservation Bonds* - On June 18, 2001, the 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. Manchester Local School District assumed \$509,030 of the outstanding bond amount as of July 1, 2004. The bonds will be retired from the Debt Service Fund.

*School Improvement Bonds 1995* - On May 15, 1995, the School District issued \$44,000,000 in voted general obligation bonds for the purpose of building new high schools and making improvements to existing buildings. The bonds were issued for a twenty-seven year period with final maturity at December 1, 2021. Manchester Local School District assumed \$16,801,260 of the outstanding bond amount as of July 1, 2004. The bonds will be retired from the Debt Service Fund.

*School Improvement Bonds 1998* - On August 24, 1998, the 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. Manchester Local School District assumed \$54,936 of the outstanding bond amount as of July 1, 2004. The bonds will be retired from the Debt Service Fund.



*School Improvement Bonds 2007* - On February 15, 2007, the School District issued \$18,670,000 in voted general obligation bonds for the purpose of retiring \$14,800,000 in bond anticipation notes that were issued on November 16, 2007, and for constructing new buildings and improving existing buildings. Of these bonds, \$6,570,000 are serial bonds and \$12,100,000 are term bonds. The bonds were issued for a twenty-seven year period with final maturity at December 1, 2033. The bonds will be retired from the Debt Service Fund.

The term bonds, issued at \$12,100,000, are due on December 1 of each year, according to the following schedule:

<u>Year</u>	<u>Amount</u>
2022	\$1,375,000
2024	1,525,000
2026	1,670,000
2028	1,835,000
2033	<u>5,695,000</u>
Total	<u><u>\$12,100,000</u></u>

The bonds due December 1, 2022 are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2021, at 100 percent of the principal amount of \$665,000, plus accrued interest. Unless otherwise called for redemption, the remaining \$710,000 principal amount of these bonds is to be paid at stated maturity.

The bonds due December 1, 2024 are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2023, at 100 percent of the principal amount of \$745,000, plus accrued interest. Unless otherwise called for redemption, the remaining \$780,000 principal amount of these bonds is to be paid at stated maturity.

The bonds due December 1, 2026 are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2025, at 100 percent of the principal amount of \$815,000, plus accrued interest. Unless otherwise called for redemption, the remaining \$855,000 principal amount of these bonds is to be paid at stated maturity.

The bonds due December 1, 2028 are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2027, at 100 percent of the principal amount of \$895,000, plus accrued interest. Unless otherwise called for redemption, the remaining \$940,000 principal amount of these bonds is to be paid at stated maturity.

The bonds due December 1, 2033 are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2029, at 100 percent of the principal amount, plus accrued interest, according to the following schedule:

Year	Amount
2029	\$985,000
2030	1,030,000
2031	1,175,000
2032	1,220,000
Total	<u>\$4,410,000</u>

Unless otherwise called for redemption, the remaining \$1,285,000 principal amount of these bonds is to be paid at stated maturity. The serial bonds with maturity dates on December 1, 2017 and thereafter are subject to optional redemption in whole or in part on any date in any order of maturity at the option of the issuer on or after June 1, 2017, at par plus accrued interest to the date of redemption. The bonds will be retired from the Debt Service Fund.

Compensated absences will be paid from the Termination Benefits Fund and Food Service Funds.

The School District's overall legal debt margin was (\$6,959,344) with an unvoted debt margin of \$327,686. Ohio Revised Code section 133.06(I) allows a school district to incur net indebtedness in excess of the legal debt limitation when necessary to raise the school district's local portion of Ohio School Facilities construction project cost.

Principal requirements to retire general obligation debt at June 30, 2008, are as follows:

Energy Conservation Bonds - 2001			
Fiscal year Ending June 30,	Principal	Interest	Total
2009	\$97,596	\$15,264	\$112,860
2010	97,596	9,487	107,083
2011	97,596	3,709	101,305
2012	1,652	48	1,700
Total	<u>\$294,440</u>	<u>\$28,508</u>	<u>\$322,948</u>

School Improvement Bonds - 1995			
Fiscal year Ending June 30,	Principal	Interest	Total
2009	\$759,080	\$1,013,725	\$1,772,805
2010	813,300	970,470	1,783,770
2011	881,075	917,064	1,798,139
2012	948,850	853,016	1,801,866
2013	1,030,180	783,750	1,813,930
2014-2018	6,397,960	2,715,488	9,113,448
2019-2022	6,628,395	723,383	7,351,778
Total	<u>\$17,458,840</u>	<u>\$7,976,896</u>	<u>\$25,435,736</u>

School Improvement Bonds - 2007

Fiscal Year Ending June 30,	Serial Bonds Principal	Serial Bonds Interest	Term Bonds Principal	Term Bonds Interest	Total
2009	\$330,000	\$253,250	\$0	\$562,288	\$1,145,538
2010	330,000	240,050	0	562,288	1,132,338
2011	330,000	226,850	0	562,288	1,119,138
2012	400,000	212,250	0	562,288	1,174,538
2013	420,000	195,850	0	562,288	1,178,138
2014-2018	2,635,000	683,025	0	2,811,440	6,129,465
2019-2023	1,905,000	115,900	665,000	2,743,815	5,429,715
2024-2028	0	0	3,905,000	1,975,190	5,880,190
2029-2033	0	0	5,025,000	876,901	5,901,901
2034	0	0	2,505,000	27,306	2,532,306
<b>Total</b>	<b>\$6,350,000</b>	<b>\$1,927,175</b>	<b>\$12,100,000</b>	<b>\$11,246,092</b>	<b>\$31,623,267</b>

**NOTE 13 - INTERFUND ACTIVITY**

Interfund transactions at June 30, 2008, consisted of the following individual interfund receivables, interfund payables, transfers in and transfers out:

	Interfund		Transfers	
	<u>Receivable</u>	<u>Payable</u>	<u>In</u>	<u>Out</u>
General Fund	\$373,006	\$0	\$0	\$930,629
Other Governmental Funds	0	373,006	930,629	0
<b>Total All Funds</b>	<b>\$373,006</b>	<b>\$373,006</b>	<b>\$930,629</b>	<b>\$930,629</b>

Interfund balances/transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorization; to segregate and to return money to the fund from which it was originally provided once a project is completed. All interfund payables are expected to be repaid during the next fiscal year. The above interfund transactions comply with the requirements of the Ohio Revised Code.

## **NOTE 14 - 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 \$372,727 for services provided during the fiscal year. Financial information can be obtained from their fiscal agent, the Pike County Joint Vocational School District, Tonya Cooper who serves as Treasurer, P.O. Box 577, 175 Beaver Creek Road, Piketon, Ohio, 45661.

### **B. Hopewell Special Education Regional Resource Center**

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. Eighteen 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 advisory board. The advisory board is made up of superintendents from the eighteen school districts or their designee, plus a representative from the Southern Ohio Educational Service Center, 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 Southern Ohio Educational Service Center acts as fiscal agent. Hopewell receives funding from the contracts with each of the member school districts and federal and State grants. To obtain financial information, write to Hopewell at the Southern Ohio Educational Service Center, 3321 Airborne 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 SOEPC 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. Each member district has one voting representative. 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 during the one year period. Payments to SOEPC are made from the General Fund. During fiscal year 2008, the School District paid \$131,193 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council,

Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

#### **NOTE 15 - INSURANCE PURCHASING POOL**

##### **Southwestern Ohio Educational Purchasing Council Property, Fleet and Liability Program**

The School District participates in the Southwestern Ohio Educational Purchasing 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 16 - RELATED ORGANIZATION**

##### **Adams County Public Library**

The Adams County Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Adams County/Ohio Valley School District Board of Education. The Board possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the School District for operational subsidies. Although the School District does serve as the taxing authority for the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information may be obtained by contacting the Clerk/Treasurer at the Adams County Public Library at 157 High Street, Peebles, Ohio 45660.

#### **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 fiscal year-end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end and carried forward to be used for the same purposes in future fiscal years.

The following cash basis information describes the change in the fiscal 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, 2007	(\$1,455,980)	\$0
Current Year Set Aside Requirements	658,416	658,416
Qualified Disbursements	<u>(634,425)</u>	<u>(909,724)</u>
Set Aside Reserve Balance as of June 30, 2008	<u>(\$1,431,989)</u>	<u>(\$251,308)</u>
Restricted Cash as of June 30, 2008	<u>\$0</u>	<u>\$0</u>
Carried Forward to FY 2009	<u>(\$1,431,989)</u>	

Although the School District had offsets and qualifying disbursements during the fiscal 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 fiscal 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, 2008.

##### **B. Litigation**

The School District is not involved in any litigation as of June 30, 2008.

#### **NOTE 19 – ACCOUNTABILITY**

The following funds had deficit fund balances at June 30, 2008:

Poverty Based Assistance	\$52,042
Carl Perkins	1
Title I	2,092
IDEA Preschool	1,712
Improving Teacher Quality	782

These deficits were created by the recognition of accrued liabilities.

## NOTE 20 – CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2008, the District has implemented GASB Statement No. 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions” and GASB Statement No. 50 “Pension Disclosures”.

Statement No. 45 addresses how state and local governments should account for and report their costs and obligations related to postemployment healthcare and other non-pension benefits. This also establishes disclosure requirements for information about the plans in which an employer participates, the funding policy followed, the actuarial valuation process and assumptions, and for certain employers, the extent to which the plan has been funded over time. Collectively, these benefits are commonly referred to as “other postemployment benefits (OPEB).”

Statement No. 50 requires employers contributing to defined benefit pension plans to include the legal or contractual maximum contribution rates in the notes to the financial statements.

There was no effect on fund balance/net assets as a result of the implementation of these new standards.

## NOTE 21 – PRIOR PERIOD ADJUSTMENT

A prior period adjustment was made to reclassify the fund balance/net assets of the Food Service fund from an Enterprise Fund to the Other Governmental Funds and to reclassify fund balance from the General Fund to Other Governmental Funds.

These adjustments had the following effect on the fund balance/net assets at June 30, 2007:

	Enterprise Fund	General Fund	Other Governmental Fund	Governmental Activities	Business-Type Activities
Ending Fund Balances/Net Assets as of June 30, 2007	\$762,263	\$5,622,630	\$5,410,838	\$76,463,479	\$3,093,164
Reclassification	(762,263)	0	762,263	0	
Reclassification	0	(300,000)	300,000	3,093,164	(3,093,164)
Beginning Fund Balance/Net Assets as of July 1, 2007, Restated	<u>\$0</u>	<u>\$5,322,630</u>	<u>\$6,473,101</u>	<u>\$79,556,643</u>	<u>\$0</u>

## NOTE 22 - SUBSEQUENT EVENT

On July 28, 2008, the School District entered into contractual agreements with the following contractors for work on the School District's Ohio School Facilities Commission construction project:

<u>Contractor</u>	<u>Work to Be Performed</u>	<u>Contract Amount</u>
Johnson Controls	HVAC Controls – North Adams Elementary HVAC Controls – Peebles Elementary HVAC Controls – West Union Elementary	\$412,000
Nor- Com, Inc.	Technology Cabling, Equipment, Communications & Electronic Safety and Security – North Adams, Peebles, and West Union Elementary Schools	\$2,159,000
Nor-Com, Inc.	Alternate 7 – Wireless Networks	\$80,645
Nor-Com, Inc.	Alternate 8 – GPS Clocks	\$46,311
Stonecreek Interior Systems, LLC	Casework – North Adams, Peebles and West Union Elementary Schools	\$1,022,200
Feldkamp Enterprises, Inc	Plumbing – North Adams, Peebles and West Union Elementary Schools	\$2,592,000
The Kenny Huston Company	Masonry – North Adams, Peebles, and West Union Elementary Schools	\$6,805,000
B.B. & E. Inc.	HVAC – North Adams, Peebles, and West Union Elementary Schools	\$5,969,000
Accurate Electric	Electrical and Fire Alarms – North Adams, Peebles, and West Union Elementary Schools	\$5,225,000
Cincy Fireprotection, Inc	Fire Suppression – North Adams Elementary	\$212,000
Cincy Fireprotection, Inc.	Fire Suppression – West Union Elementary	\$182,000
Cincy Fireprotection, Inc	Fire Suppression – Peebles Elementary	\$219,000
Perkins Carmack Construction	General Trades – North Adams	\$4,870,000
Perkins Carmack Construction	Alternate 6 – Gym Divider Curtains	\$8,000
Monarch Construction Co.	General Trades – West Union Elementary	\$5,513,000
Monarch Construction Co.	Alternate 6 – Gym Divider Curtains	\$12,800
Performance Construction	General Trades – Peebles Elementary	\$5,100,000
Performance Construction	Alternate 6 – Gym Divider Curtains	\$8,300



ADAMS COUNTY/OHIO VALLEY SCHOOL DISTRICT  
ADAMS COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

<u>FEDERAL GRANTOR/ Pass Through Grantor Program Title</u>	<u>Pass Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Receipts</u>	<u>Non-Cash Receipts</u>	<u>Disbursements</u>	<u>Non-Cash Disbursements</u>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster:						
Food Distribution Program		10.550	\$0	\$207,877	\$0	\$207,877
National School Breakfast Program		10.553	309,491		309,491	
National School Lunch Program		10.555	911,868		911,868	
Total Child Nutrition Cluster			<u>1,221,359</u>	<u>0</u>	<u>1,221,359</u>	<u>0</u>
Total U.S. Department of Agriculture			<u>1,221,359</u>	<u>207,877</u>	<u>1,221,359</u>	<u>207,877</u>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Title 1 Grants to Local Educational Agencies	2007	84.010	260,465		203,894	
	2008	84.010	1,040,866		1,082,215	
Total Title 1			<u>1,301,331</u>		<u>1,286,109</u>	
Special Education - Grants to States	2007	84.027	228,527		187,498	
	2008	84.027	875,415		951,057	
<i>Passed Through Hopewell Education Regional Resource Center</i>						
Data-Based Student Progress Monitoring	2005	84.027	0		962	
	2007	84.027	0		2,297	
Total Special Education			<u>1,103,942</u>		<u>1,141,814</u>	
Special Education Preschool Grants	2007	84.173	0		6,445	
	2008	84.173	20,422		19,935	
Total Special Education Preschool Grants			<u>20,422</u>		<u>26,380</u>	
Total Special Education Cluster			<u>1,124,364</u>		<u>1,168,194</u>	
Vocational Educational Basic Grants to States	2007	84.048	16,487		0	
	2008	84.048	82,144		115,471	
Total Vocational Education			<u>98,631</u>		<u>115,471</u>	
Safe and Drug -Free Schools and Communities-State Grants	2007	84.186	2,300		2,300	
	2008	84.186	16,803		16,803	
Total Safe and Drug-Free Schools			<u>19,103</u>		<u>19,103</u>	
Innovative Educational Program Strategies	2008	84.298	3,540		3,540	
Technology Literacy Challenge	2008	84.318	11,329		12,805	
Total Technology Literacy Challenge			<u>11,329</u>		<u>12,805</u>	
Rural Education	2008	84.358	79,014		79,860	
Improving Teacher Quality State Grants	2007	84.367	71,000		53,407	
	2008	84.367	272,777		315,042	
Total Improving Teacher Quality State Grants			<u>343,777</u>		<u>368,449</u>	
Total U.S. Department of Education			<u>2,981,089</u>		<u>3,053,531</u>	
<b><u>US DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>						
<i>Passed through Ohio Department of Health</i>						
Medical Assistance		93.778	318,084		0	
<b>Totals</b>			<u>\$4,520,532</u>	<u>\$207,877</u>	<u>\$4,274,890</u>	<u>\$207,877</u>

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

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

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2008**

**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**

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

**NOTE C – FOOD DONATION PROGRAM**

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

**NOTE D - 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.

**NOTE E – MEDICAID COMMUNITY ALTERNATIVE FUNDING SYSTEM**

The District received \$318,084 for CAFS settlement during the fiscal year. This settlement amount relates to CAFS service provided during prior years.



# Mary Taylor, CPA

Auditor of State

## 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, 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, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 13, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

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

We noted certain matters that we reported to the District's management in a separate letter dated April 13, 2009.

### **Compliance and Other Matters**

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

We did note certain noncompliance or other matters that we reported to the District's management in a separate letter dated April 13, 2009.

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

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

April 13, 2009



# Mary Taylor, CPA

Auditor of State

## 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 the 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 its major federal program for the year ended June 30, 2008. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. 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 its major federal program for the year ended April 13, 2009.

### Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that the District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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

We intend this report solely for the information and use of 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 "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

April 13, 2009

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

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2008**

**1. SUMMARY OF AUDITOR'S RESULTS**

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







Mary Taylor, CPA  
Auditor of State

ADAMS COUNTY/OHIO VALLEY LOCAL 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 7, 2009