



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

**SINGLE AUDIT**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2003**



**Auditor of State  
Betty Montgomery**



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

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Adams County Ohio Valley 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, business-type activities, each major fund, and the aggregate remaining fund information of the Adams County Ohio Valley School District, Adams County, Ohio (the District), as of and for the fiscal year ended June 30, 2003, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2003, and the respective changes in financial position and the cash flows, where applicable, and the respective budgetary comparison for the General Fund for the year ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the fiscal year ended June 30, 2003, the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis- for State and Local Governments*. The District also adopted Governmental Accounting Standards Board Statements 37, 38, 41 and Interpretation 6.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2004 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to form opinions on the financial statements that collectively comprise the District's basic financial statements. The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is 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.



**Betty Montgomery**  
Auditor of State

June 24, 2004

*Adams County/Ohio Valley School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2003  
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 year ended June 30, 2003. We encourage readers to consider the information presented here in conjunction with the additional information that we have provided in the notes to the financial statements to enhance their understanding of the School District's performance.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standard Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Government issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A. However, because this is the first year of implementing the new reporting model, certain necessary comparative information of the previous year was not prepared. Considering the financial resources necessary to prepare this information of the prior year, and that the GASB Statement No. 34 permits the omission of the comparative information in the first year of adoption of the new reporting model, the School Board had elected to exclude the information in this report. Subsequent reports will include the comparative information.

**Financial Highlights**

- ‡ The assets of the Adams County/Ohio Valley School District exceeded its liabilities at June 30, 2003 by \$15,632,498. Of this amount, \$867,214 may be used to meet the School District's ongoing financial obligations. The remaining amount represents capital assets net of related debt and net asset amounts restricted for specific purposes.
- ‡ In total, net assets increased \$1,247,516. Net assets of governmental activities increased \$1,407,942 and net assets of business-type activities decreased by \$160,426. The increase in total net assets resulted from an increase in current assets, primarily cash, offset by a decrease in capital assets. See Table 1 on page 4 for analysis of the change in net assets.
- ‡ General revenues accounted for \$33,253,792 or 78 percent of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$9,302,603 or 22 percent of total revenues of \$42,556,395.
- ‡ The School District had \$39,274,573 in expenses related to governmental activities; only \$7,443,314 of these expenses were offset by program specific charges for services, and operating grants and contributions. General revenues (primarily grants, entitlements and property taxes) of \$33,239,201 were used to provide for these programs along with unrestricted net assets from the prior year.

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Unaudited*

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### **Using the Basic Financial Statements**

This report consists of a series of financial statements and the notes to the 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 *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 major funds presented in total in one column. The major funds for the Adams County/Ohio Valley School District are the general fund and the debt service fund.

### **Reporting the School District as a Whole**

One of the most important questions asked about the School District is "How did we do financially during 2003?" The *Statement of Net Assets* and the *Statements of Activities*, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps answer this question. These government-wide financial statements include *all assets* and *liabilities* using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all current year revenues and expenses regardless of when cash is received or paid.

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

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

- ‡ Governmental Activities – Most of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extra-curricular activities.
- ‡ Business-Type Activities – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The School District's food service fund is reported as a business-type activity.



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

### **Fund Financial Statements**

The analysis of the School District's major funds begins on page 8. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's major funds.

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

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

### **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 2003 and 2002:

**Adams County/Ohio Valley School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2003**  
**Unaudited**

(Table 1)

**Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
<b>Assets</b>						
Current and Other Assets	\$20,269,925	\$19,063,887	\$1,312,956	\$1,372,806	\$21,582,881	\$20,436,693
Capital Assets	47,427,464	49,211,280	3,643,011	3,790,145	51,070,475	53,001,425
Total Assets	<u>67,697,389</u>	<u>68,275,167</u>	<u>4,955,967</u>	<u>5,162,951</u>	<u>72,653,356</u>	<u>73,438,118</u>
<b>Liabilities</b>						
Long-Term Liabilities	41,835,427	42,872,802	56,498	48,920	41,891,925	42,921,722
Other Liabilities	15,050,975	15,791,836	77,958	132,094	15,128,933	15,923,930
Total Liabilities	<u>56,886,402</u>	<u>58,664,638</u>	<u>134,456</u>	<u>181,014</u>	<u>57,020,858</u>	<u>58,845,652</u>
<b>Net Assets</b>						
Invested in Capital Assets,						
Net of Related Debt	8,168,852	8,771,657	3,643,011	3,790,145	11,811,863	12,561,802
Restricted	2,953,421	3,878,457	0	0	2,953,421	3,878,457
Unrestricted	(311,286)	(3,247,069)	1,178,500	1,191,792	867,214	(2,055,277)
Total Net Assets	<u>\$10,810,987</u>	<u>\$9,403,045</u>	<u>\$4,821,511</u>	<u>\$4,981,937</u>	<u>\$15,632,498</u>	<u>\$14,384,982</u>

Several factors contributed to a net assets increase of \$1,247,516. Current assets increased by \$1,146,188, which resulted primarily from an increased cash balance at fiscal year-end. Equity in pooled cash and cash equivalents in Governmental Activities increased by \$2,765,826 over the prior fiscal year-end cash balance. This resulted from a concerted effort to improve cash flow management, as well as routine cyclical fluctuations. In 2002, cash flow was a problem in various grant funds, evidenced by \$1,182,453 in Intergovernmental Receivable in Governmental Activities at June 30, 2002, as compared to \$65,146 at June 30, 2003. Capital Assets decreased by \$1,930,950 as a result of routine annual depreciation. The decrease in capital assets was offset by a decrease in long-term liabilities related to capital assets of \$1,029,797 from principal payments made during the year. The net effect of the decrease in capital assets and the decrease in long-term liabilities was a decrease in invested in capital assets, net of related debt of \$749,939.

Table 2 shows the highlights the 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 restricted operating grants and contributions. General Revenues include taxes and unrestricted grants, such as state foundation support.

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Management's Discussion and Analysis  
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Unaudited*

Since this is the first year the School District has prepared financial statements following GASB 34, revenue and expense comparisons to fiscal year 2002 are not available. This table will present two fiscal years in side-by-side comparisons in successive reporting years.

(Table 2)  
Change in Net Assets

	Governmental Activities 2003	Business-Type Activities 2003	Total 2003
<b>Revenues</b>			
Program Revenues:			
Charges for Services and Sales	\$373,384	\$959,223	\$1,332,607
Operating Grants and Contributions	7,069,930	900,066	7,969,996
<b>Total Program Revenues</b>	<b>7,443,314</b>	<b>1,859,289</b>	<b>9,302,603</b>
General Revenues:			
Property Taxes	12,209,212	0	12,209,212
Grants and Entitlements not Restricted to Specific Programs	20,918,262	0	20,918,262
Investment Earnings	68,205	13,591	81,796
Gain on Sale of Capital Assets	0	1,000	1,000
Rent	1,064	0	1,064
Miscellaneous	42,458	0	42,458
<b>Total General Revenues</b>	<b>33,239,201</b>	<b>14,591</b>	<b>33,253,792</b>
<b>Total Revenues</b>	<b>\$40,682,515</b>	<b>\$1,873,880</b>	<b>\$42,556,395</b>

(continued)

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(Table 2)  
Change in Net Assets  
(continued)

	Governmental Activities 2003	Business-Type Activities 2003	Total 2003
<b>Program Expenses</b>			
Instruction			
Regular	\$16,195,824	\$0	\$16,195,824
Special	4,513,594	0	4,513,594
Vocational	2,462,429	0	2,462,429
Adult/Continuing	2,238	0	2,238
Support Services			
Pupils	1,253,747	0	1,253,747
Instructional Staff	2,348,113	0	2,348,113
Board of Education	521,316	0	521,316
Administration	2,646,504	0	2,646,504
Fiscal	1,012,478	0	1,012,478
Business	188,290	0	188,290
Operation and Maintenance of Plant	2,894,652	0	2,894,652
Pupil Transportation	2,064,718	0	2,064,718
Central	251,992	0	251,992
Operation of Non-Instructional Services	118,926	0	118,926
Extracurricular Activities	451,600	0	451,600
Interest and Fiscal Charges	2,348,152	0	2,348,152
Food Services	0	2,034,306	2,034,306
Total Expenses	<u>39,274,573</u>	<u>2,034,306</u>	<u>\$41,308,879</u>
Increase/(Decrease) in Net Assets	<u>\$1,407,942</u>	<u>(\$160,426)</u>	<u>\$1,247,516</u>

**Governmental Activities**

Grants and Entitlements not Restricted to Specific Programs made up 51 percent of revenues for governmental activities of the Adams County/Ohio Valley School District for fiscal year 2003, while Property Taxes made up 30 percent.

Instruction comprises 59 percent of governmental program expenses. Support services expenses make up 34 percent of governmental expenses.

The Statement of Activities shows the cost of program services and the charges for services and grants 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

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covered by program revenues. Net costs are cost 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 2003	Net Cost of Services 2003
Instruction	\$23,174,085	\$17,368,392
Support Services	13,181,810	11,883,480
Operation of Non-		
Instructional Services	118,926	(7,824)
Extracurricular Activities	451,600	239,059
Interest and Fiscal Charges	2,348,152	2,348,152
Total Expenses	\$39,274,573	\$31,831,259

**Business-Type Activities**

The only business-type activity is the food service operation. This program had revenues of \$1,873,880 and expenses of \$2,034,306 for fiscal year 2003. Of the revenues, \$959,223 were charges for services, \$900,066 was from State and Federal grants, \$13,591 was from investment earnings, and \$1,000 was from the gain on sale of capital assets. Business activities receive no support from tax revenues. The School District will continue to monitor the charges for costs of this activity.

**The School District's Funds**

Information about the School District's major funds starts on page 18. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$41,509,339 and expenditures and other financing uses of \$38,783,757. The net change in fund balance for the year was most significant in the general fund, an increase of \$1,555,240. This was primarily due to an increase in intergovernmental revenue of \$3,559,768, netted against a decrease of \$2,180,786 property tax revenue. The property tax revenue decrease was a result of reduction in tax valuation from public utilities deregulation. The reduction in tax valuation shifts more of the funding responsibility to the state and results in increased Intergovernmental Revenue in the form of school foundation support. Instructional expenditures increased by \$373,245 resulting from increases in staff salaries, while operation and maintenance of plant expenditures decreased by \$1,441,941 resulting from energy conservation measures and repair projects which were completed in fiscal year 2002.

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Unaudited*

**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 2003 the School District revised its budget as it attempted to deal with unexpected changes in revenues and expenditures.

The School District's ending unobligated cash balance was \$1,714,777 above the final budgeted amount in the General Fund.

For the general fund, budget basis revenue was \$31,187,316 with original budget estimates of \$29,479,700, a difference of 6 percent.

**Capital Assets and Debt Administration**

***Capital Assets***

The Adams County/Ohio Valley School District's investment in capital assets as of June 30, 2003 was \$51,070,475. This investment in capital assets includes land, land improvements, buildings and improvements, furniture, fixtures and equipment, vehicles, and educational media.. Table 4 shows fiscal year 2003 balances compared to 2002:

(Table 4)

Capital Assets at June 30  
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
Land	\$889,018	\$889,018	\$0	\$0	\$889,018	\$889,018
Land Improvements	68,577	108,257	0	0	68,577	108,257
Buildings and Improvements	41,795,785	42,792,603	3,049,370	3,122,207	44,845,155	45,914,810
Furniture and Equipment	3,445,456	3,908,109	593,641	667,938	4,039,097	4,576,047
Vehicles	953,299	1,079,245	0	0	953,299	1,079,245
Educational Media	275,329	434,048	0	0	275,329	434,048
Totals	<u>\$47,427,464</u>	<u>\$49,211,280</u>	<u>\$3,643,011</u>	<u>\$3,790,145</u>	<u>\$51,070,475</u>	<u>\$53,001,425</u>

Depreciation expense for fiscal year 2003 was \$2,323,949, and capital asset additions were \$428,773, contributing to a decrease in net capital assets of \$1,930,950 from the prior fiscal year.

For more information on capital assets, refer to Note 9 to the basic financial statements.

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Unaudited*

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**Debt**

At June 30, 2003 the School District had \$39,258,612 in outstanding debt, \$1,281,616 due within one year. Table 5 summarizes the District's outstanding debt:

(Table 5)  
Outstanding Debt, at Year End  
Governmental Activities

	2003	2002
EPA Asbestos Loan, 1987	\$61,565	\$79,181
Energy Conservation Loan, 1999	174,000	347,395
Energy Conservation Bonds, 2002	1,173,047	1,233,047
School Improvement Bonds, 1995	37,700,000	38,600,000
School Improvement Bonds, 1998	150,000	180,000
Totals	\$39,258,612	\$40,439,623

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

*Energy Conservation Loan* - On July 1, 1999, Adams County/Ohio Valley School District obtained a loan in the amount of \$870,000 for the purpose of providing energy conservation measures for the School District, under the authority of Ohio Revised Code sections 133.06(G) and 3313.372. The loan was issued for a six year period with final maturity during fiscal year 2004.

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

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

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

For more information about debt, refer to Note 14 to the basic financial statements.

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## **District Challenges for the Future**

### *District Deconsolidation*

On January 13, 2004, the South Central Ohio Educational Service Center (the ESC) Governing Board passed a resolution creating the Manchester Local School District, effective January 13, 2004. This newly-created school district is anticipated to begin operations on July 1, 2004.

The deconsolidation of the Adams County/Ohio Valley School District causes much uncertainty regarding the future financial status of our School District. The School District will be losing approximately 36% of its assessed tax valuation, while only losing approximately 17% of its enrollment. The School District's tax valuation has been largely dependent for the last three decades on two power plants along the Ohio River. These power plants are located in the new Manchester Local School District.

The creation of this new school district will result in a division of the existing assets and liabilities between the Adams County/Ohio Valley School District and the Manchester Local School District. The process by which this division will occur has not been finalized as of this date and the overall financial impact on Adams County/Ohio Valley is not estimable.

Additionally, the deconsolidation will alter the School District's state foundation funding. Under the current foundation formula, the School District's revenue would increase as a result of the loss of assessed tax valuation. However, it is uncertain whether the increased state funding would offset the loss of local tax revenue. Loss of tax valuation, uncertainty regarding the division of existing assets, and state funding concerns all indicate that the District's biggest challenge for the future is operating within the resources available to our School District, while continuing to provide a quality education to our students.

### *Ohio School Funding System*

The uncertainty of our School District's financial status as a result of the deconsolidation adds to financial concerns already existing as a result of the State of Ohio's current public education funding system. While the Ohio Supreme Court ruled in March of 1997, that Ohio's funding of public schools unconstitutional and needs to be restructured, subsequent Court reviews of the legislature's responses have found the State legislature has not adequately responded to the specifics of the ruling. Thus, many school districts believe Ohio's public schools continue to be funded through an inadequate and inequitable system.

The State legislature has created other opportunities for school children in Ohio that has caused more funding concerns for Ohio's public schools. The creation and increase of community schools, the liberalization of home schooling requirements, post-secondary options and intra-district open enrollment are programs that have created additional competition for the limited funding available for education in Ohio.

Projection of student enrollment is another issue that is hard to forecast. Fluctuations in enrollment make it very difficult to forecast an accurate financial picture for the School District.



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The transient nature of the School District's residents, students choosing open enrollment, parents utilizing home schooling and students selecting the post-secondary option makes estimating the number of students to be funded through the school foundation program difficult.

Even though our national economy is showing a slight improvement, our state economy may still have difficulties, such as the possible repeal of the one percent increase in sales tax. Unless Ohio's economy takes a positive turn, the funding for Ohio's public schools may not be sufficient to finance the educational programs necessary for our students.

**Contacting the School District's Financial Management**

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

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**Adams County/OhioValley School District**

*Statement of Net Assets*

*June 30, 2003*

	Governmental Activities	Business-Type Activities	Total
	<hr/>	<hr/>	<hr/>
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$7,177,957	\$1,059,963	\$8,237,920
Inventory Held for Resale	0	25,183	25,183
Materials and Supplies Inventory	0	8,006	8,006
Accounts Receivable	1,987	0	1,987
Intergovernmental Receivable	65,146	219,804	284,950
Prepaid Items	29,903	0	29,903
Property Taxes Receivable	12,994,932	0	12,994,932
Capital Assets:			
Land	889,018	0	889,018
Depreciable Capital Assets, Net	46,538,446	3,643,011	50,181,457
	<hr/>	<hr/>	<hr/>
<i>Total Assets</i>	<i>67,697,389</i>	<i>4,955,967</i>	<i>72,653,356</i>
	<hr/>	<hr/>	<hr/>
<b>Liabilities</b>			
Accounts Payable	91,542	0	91,542
Accrued Wages and Benefits	2,973,576	25,475	2,999,051
Matured Compensated Absences Payable	38,939	0	38,939
Intergovernmental Payable	764,958	52,483	817,441
Accrued Interest Payable	202,545	0	202,545
Deferred Revenue	10,979,415	0	10,979,415
Long-Term Liabilities:			
Due Within One Year	1,390,677	1,484	1,392,161
Due in More Than One Year	40,444,750	55,014	40,499,764
	<hr/>	<hr/>	<hr/>
<i>Total Liabilities</i>	<i>56,886,402</i>	<i>134,456</i>	<i>57,020,858</i>
	<hr/>	<hr/>	<hr/>
<b>Net Assets</b>			
Invested in Capital Assets	8,168,852	3,643,011	11,811,863
Restricted for Debt Service	2,446,884	0	2,446,884
Restricted for Capital Outlay	12,352	0	12,352
Restricted for Other Purposes	494,185	0	494,185
Unrestricted	(311,286)	1,178,500	867,214
	<hr/>	<hr/>	<hr/>
<i>Total Net Assets</i>	<i>\$10,810,987</i>	<i>\$4,821,511</i>	<i>\$15,632,498</i>
	<hr/>	<hr/>	<hr/>

See accompanying notes to the basic financial statements

*Adams County/OhioValley School District  
Statement of Activities  
For the Fiscal Year Ended June 30, 2003*

	Program Revenues		
	Expenses	Charges for Services and Sales	Operating Grants and Contributions
<b>Governmental Activities</b>			
Instruction:			
Regular	\$16,195,824	\$105,987	\$1,985,582
Special	4,513,594	3,389	3,089,011
Vocational	2,462,429	52,808	568,916
Adult/Continuing	2,238	0	
Support Services:			
Pupils	1,253,747	14,580	44,838
Instructional Staff	2,348,113	3,933	983,632
Board of Education	521,316	0	0
Administration	2,646,504	124	195,873
Fiscal	1,012,478	0	17,057
Business	188,290	0	0
Operation and Maintenance of Plant	2,894,652	444	2,403
Pupil Transportation	2,064,718	713	6,207
Central	251,992	0	28,526
Operation of Non-Instructional Services:	118,926	526	126,224
Extracurricular Activities	451,600	190,880	21,661
Interest and Fiscal Charges	2,348,152	0	0
<i>Total Governmental Activities</i>	39,274,573	373,384	7,069,930
<b>Business-Type Activities</b>			
Food Service Fund	2,034,306	959,223	900,066
<i>Total</i>	\$41,308,879	\$1,332,607	\$7,969,996

**General Revenues**

Property Taxes Levied for:  
    General Purposes  
    Debt Service  
Grants and Entitlements not Restricted to Specific Programs  
Investment Earnings  
Gain on Sale of Capital Assets  
Rent  
Miscellaneous

*Total General Revenues*

Change in Net Assets

*Net Assets Beginning of Year*

*Net Assets End of Year*

See accompanying notes to the basic financial statements

Net(Expense)Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(\$14,104,255)	\$0	(\$14,104,255)
(1,421,194)	0	(1,421,194)
(1,840,705)	0	(1,840,705)
(2,238)	0	(2,238)
(1,194,329)	0	(1,194,329)
(1,360,548)	0	(1,360,548)
(521,316)	0	(521,316)
(2,450,507)	0	(2,450,507)
(995,421)	0	(995,421)
(188,290)	0	(188,290)
(2,891,805)	0	(2,891,805)
(2,057,798)	0	(2,057,798)
(223,466)	0	(223,466)
7,824	0	7,824
(239,059)	0	(239,059)
(2,348,152)	0	(2,348,152)
(31,831,259)	0	(31,831,259)
0	(175,017)	(175,017)
(31,831,259)	(175,017)	(\$32,006,276)
9,605,131	0	9,605,131
2,604,081	0	2,604,081
20,918,262	0	20,918,262
68,205	13,591	81,796
0	1,000	1,000
1,064	0	1,064
42,458	0	42,458
33,239,201	14,591	33,253,792
1,407,942	(160,426)	1,247,516
9,403,045	4,981,937	14,384,982
\$10,810,987	\$4,821,511	\$15,632,498

**Adams County/Ohio Valley School District**

*Balance Sheet*

*Governmental Funds*

*June 30, 2003*

	<u>General</u>	<u>Debt Service</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$3,039,938	\$2,222,541	\$1,439,372	\$6,701,851
Accounts Receivable	1,987	0	0	1,987
Interfund Receivable	68,091	474	0	68,565
Intergovernmental Receivable	10,887	0	54,259	65,146
Prepaid Items	29,903	0	0	29,903
Property Taxes Receivable	11,602,202	1,392,730	0	12,994,932
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	<u>476,106</u>	<u>0</u>	<u>0</u>	<u>476,106</u>
<i>Total Assets</i>	<u>\$15,229,114</u>	<u>\$3,615,745</u>	<u>\$1,493,631</u>	<u>\$20,338,490</u>
<b>Liabilities</b>				
Accounts Payable	\$69,397	\$0	\$22,145	\$91,542
Accrued Wages and Benefits	2,458,650	0	514,926	2,973,576
Matured Compensated Absences Payable	37,211	0	1,728	38,939
Interfund Payable	474	0	68,091	68,565
Intergovernmental Payable	458,223	0	53,186	511,409
Deferred Revenue	<u>11,129,698</u>	<u>1,262,527</u>	<u>24,056</u>	<u>12,416,281</u>
<i>Total Liabilities</i>	<u>14,153,653</u>	<u>1,262,527</u>	<u>684,132</u>	<u>16,100,312</u>
<b>Fund Balances</b>				
Reserved for Encumbrances	730,779	0	158,397	889,176
Reserved for Property Taxes	369,041	106,895	0	475,936
Reserved for Budget Stabilization	367,868	0	0	367,868
Reserved for Bus Purchases	108,238	0	0	108,238
Reserved for Unclaimed Monies	26,227	0	0	26,227
Unreserved:				
Undesignated, Reported in:				
General Fund	(526,692)	0	0	(526,692)
Special Revenue Funds	0	0	644,579	644,579
Debt Service Fund	0	2,246,323	0	2,246,323
Capital Projects Funds	<u>0</u>	<u>0</u>	<u>6,523</u>	<u>6,523</u>
<i>Total Fund Balances</i>	<u>1,075,461</u>	<u>2,353,218</u>	<u>809,499</u>	<u>4,238,178</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$15,229,114</u>	<u>\$3,615,745</u>	<u>\$1,493,631</u>	<u>\$20,338,490</u>

See accompanying notes to the basic financial statements

*Adams County/Ohio Valley School District  
 Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 June 30, 2003*

**Total Governmental Fund Balances** \$4,238,178

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

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

Land	889,018	
Capital assets	70,796,336	
Accumulated depreciation	<u>(24,257,890)</u>	
Total capital assets		47,427,464

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

Taxes	1,412,810	
Intergovernmental	<u>24,056</u>	
		1,436,866

Intergovernmental payable includes contractually required pension contributions not expected to be paid with expendable available financial resources and therefore not reported in the funds. (253,549)

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

Bonds and loans payable	(39,258,612)	
Accrued Interest on Bonds and Loans	(202,545)	
Compensated Absences	<u>(2,576,815)</u>	
Total liabilities		<u>(42,037,972)</u>

**Net Assets of Governmental Activities** \$10,810,987

See accompanying notes to the basic financial statements

**Adams County/OhioValley School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
**Governmental Funds**  
*For the Fiscal Year Ended June 30, 2003*

	General	Debt Service	All Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property Taxes	\$9,221,895	\$2,499,676	\$0	\$11,721,571
Intergovernmental	21,606,858	1,127,104	6,218,807	28,952,769
Interest	68,205	0	0	68,205
Tuition and Fees	87,627	0	6,710	94,337
Rent	1,064	0	0	1,064
Extracurricular Activities	2,943	0	224,520	227,463
Gifts and Donations	15	0	57,569	57,584
Customer Sales and Services	51,584	0	0	51,584
Miscellaneous	42,458	0	47,737	90,195
<i>Total Revenues</i>	<u>31,082,649</u>	<u>3,626,780</u>	<u>6,555,343</u>	<u>41,264,772</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	12,878,435	0	2,127,875	15,006,310
Special	2,673,294	0	1,697,706	4,371,000
Vocational	2,187,802	0	115,124	2,302,926
Adult/Continuing	0	0	2,238	2,238
Support Services:				
Pupils	1,136,014	0	64,934	1,200,948
Instructional Staff	1,026,098	0	1,086,160	2,112,258
Board of Education	521,583	0	0	521,583
Administration	2,363,970	0	186,204	2,550,174
Fiscal	946,120	85,650	12,015	1,043,785
Business	188,885	0	0	188,885
Operation and Maintenance of Plant	2,936,308	0	6,393	2,942,701
Pupil Transportation	1,954,626	0	9,036	1,963,662
Central	218,839	0	29,808	248,647
Operation of Non-Instructional Services	348	0	107,888	108,236
Extracurricular Activities	242,193	0	188,528	430,721
Capital Outlay	13,701	0	0	13,701
Debt Service:				
Principal	0	1,181,011	0	1,181,011
Interest	0	2,353,091	0	2,353,091
<i>Total Expenditures</i>	<u>29,288,216</u>	<u>3,619,752</u>	<u>5,633,909</u>	<u>38,541,877</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,794,433</u>	<u>7,028</u>	<u>921,434</u>	<u>2,722,895</u>
<b>Other Financing Sources and Uses</b>				
Transfers-In	0	240,278	1,602	241,880
Proceeds from Sale of Fixed Assets	2,687	0	0	2,687
Transfers-Out	(241,880)	0	0	(241,880)
<i>Total Other Financing Sources and Uses</i>	<u>(239,193)</u>	<u>240,278</u>	<u>1,602</u>	<u>2,687</u>
<i>Net Change in Fund Balances</i>	1,555,240	247,306	923,036	2,725,582
<i>Fund Balance (Deficit) at Beginning of Year</i>	<u>(479,779)</u>	<u>2,105,912</u>	<u>(113,537)</u>	<u>1,512,596</u>
<i>Fund Balance at End of Year</i>	<u>\$1,075,461</u>	<u>\$2,353,218</u>	<u>\$809,499</u>	<u>\$4,238,178</u>

See accompanying notes to the basic financial statements



**Adams County/Ohio Valley School District**  
*Reconciliation of the Change in Fund Balances of Governmental Funds  
to the Statement of Activities  
For the Fiscal Year Ended June 30, 2003*

**Net Change in Fund Balances - Total Governmental Funds** \$2,725,582

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

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

Capital asset additions	411,987	
Depreciation expense	<u>(2,160,029)</u>	
Excess of capital outlay over depreciation expense		(1,748,042)

The proceeds from the sale of fixed assets are reported as revenue in the governmental funds. However, the cost of the capital assets are removed from the capital asset account in the statement of net assets and offset against the proceeds from the sale of fixed assets resulting in a loss on the sale of fixed assets in the statement of activities.

Proceeds from Sale of Capital Assets	(2,687)	
Loss on Disposal of Capital Assets	<u>(33,087)</u>	
		(35,774)

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

Delinquent Property Taxes	487,641	
Intergovernmental	<u>(1,069,898)</u>	
		(582,257)

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

Loan principal retirement	191,011	
Bond principal retirement	<u>990,000</u>	
Total long-term debt repayment		1,181,011

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in Accrued Interest	4,939	
Increase in compensated absences	(143,636)	
Decrease in intergovernmental payable	<u>6,119</u>	
Total additional expenditures		<u>(132,578)</u>

**Change in Net Assets of Governmental Activities** \$1,407,942

See accompanying notes to the basic financial statements

*Adams County/Ohio Valley School District  
Statement of Revenues, Expenditures and Changes  
In Fund Balance - Budget (Non-GAAP Basis) and Actual  
General Fund  
For the Fiscal Year Ended June 30, 2003*

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Revenues</b>				
Property and Other Local Taxes	\$9,872,161	\$9,387,445	\$9,304,876	(\$82,569)
Intergovernmental	19,412,861	18,699,050	21,587,695	2,888,645
Interest	61,585	59,321	68,205	8,884
Tuition and Fees	79,071	76,164	87,627	11,463
Rent	2	2	2	0
Extracurricular Activities	2,757	2,656	2,943	287
Gifts and Donations	16	15	15	0
Customer Sales and Services	46,413	44,706	51,584	6,878
Miscellaneous	4,834	4,656	5,229	573
<i>Total Revenues</i>	<u>29,479,700</u>	<u>28,274,015</u>	<u>31,108,176</u>	<u>2,834,161</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	11,493,254	12,634,590	13,144,892	(510,302)
Special	2,368,998	2,604,251	2,709,468	(105,217)
Vocational	1,942,324	2,135,206	2,199,229	(64,023)
Other	50,753	55,793	58,015	(2,222)
Support Services:				
Pupils	1,015,333	1,116,160	1,161,287	(45,127)
Instructional Staff	984,921	1,082,728	1,042,464	40,264
Board of Education	478,268	525,762	547,038	(21,276)
Administration	2,066,852	2,272,101	2,363,874	(91,773)
Fiscal	821,024	902,556	939,245	(36,689)
Business	179,850	197,710	205,661	(7,951)
Operation and Maintenance of Plant	2,600,889	2,859,170	2,974,153	(114,983)
Pupil Transportation	1,935,025	2,127,182	2,266,062	(138,880)
Central	217,513	239,113	229,355	9,758
Operation of Non-Instructional Services	330	363	363	0
Extracurricular Activities	209,592	230,405	239,858	(9,453)
Capital Outlay	31,086	34,173	35,459	(1,286)
<i>Total Expenditures</i>	<u>26,396,010</u>	<u>29,017,263</u>	<u>30,116,423</u>	<u>(1,099,160)</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>3,083,690</u>	<u>(743,248)</u>	<u>991,753</u>	<u>1,735,001</u>
<b>Other Financing Sources (Uses)</b>				
Transfers-In	0	1,702,426	0	(1,702,426)
Proceeds from Sale of Capital Assets	0	2,687	2,687	0
Refund of Prior Year Expenditures	0	76,453	76,453	0
Advances-In	0	2,497,370	2,465,360	(32,010)
Transfers-Out	(1,818,378)	(1,998,952)	(241,880)	1,757,072
Advances-Out	(1,181,698)	(1,299,046)	(1,341,906)	(42,860)
<i>Total Other Financing Sources (Uses)</i>	<u>(3,000,076)</u>	<u>980,938</u>	<u>960,714</u>	<u>(20,224)</u>
<i>Net Change in Fund Balance</i>	83,614	237,690	1,952,467	1,714,777
<i>Fund Balance Beginning of Year</i>	581,459	581,459	581,459	0
<i>Prior Year Encumbrances Appropriated</i>	<u>303,496</u>	<u>303,496</u>	<u>303,496</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$968,569</u>	<u>\$1,122,645</u>	<u>\$2,837,422</u>	<u>\$1,714,777</u>

See accompanying notes to the basic financial statements

*Adams County/Ohio Valley School District*  
*Statement of Fund Net Assets*  
*Proprietary Fund*  
*June 30, 2003*

	Food Service
Assets	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$1,059,963
Inventory Held for Resale	25,183
Materials and Supplies Inventory	8,006
Intergovernmental Receivable	219,804
<i>Total Current Assets</i>	1,312,956
Capital Assets, Net	3,643,011
<i>Total Assets</i>	4,955,967
Liabilities	
Current Liabilities:	
Accrued Wages and Benefits	25,475
Contracts Payable	
Intergovernmental Payable	52,483
Compensated Absences Payable	1,484
<i>Total Current Liabilities</i>	79,442
Compensated Absences Payable	55,014
<i>Total Liabilities</i>	134,456
Net Assets	
Invested in Capital Assets	3,643,011
Unrestricted	1,178,500
<i>Total Net Assets</i>	\$4,821,511

See accompanying notes to the basic financial statements

**Adams County/OhioValley School District**  
*Statement of Revenues, Expenses and Changes in Fund Net Assets*  
*Proprietary Fund*  
*For the Fiscal Year Ended June 30, 2003*

	Food Service
<b>Operating Revenues</b>	
Sales	\$959,223
<i>Total Operating Revenues</i>	959,223
<b>Operating Expenses</b>	
Salaries	525,987
Fringe Benefits	401,460
Purchased Services	93,182
Materials and Supplies	774,088
Cost of Sales	33,645
Depreciation	163,920
Other	42,024
<i>Total Operating Expenses</i>	2,034,306
<i>Operating Income (Loss)</i>	(1,075,083)
<b>Non-Operating Revenues</b>	
Federal Donated Commodities	28,072
Interest	13,591
Federal and State Subsidies	871,994
Gain on Sale of Capital Assets	1,000
<i>Total Non-Operating Revenues</i>	914,657
<i>Change in Net Assets</i>	(160,426)
<i>Net Assets Beginning of Year</i>	4,981,937
<i>Net Assets End of Year</i>	\$4,821,511

See accompanying notes to the basic financial statements

*Adams County/Ohio Valley Schools  
Combined Statement of Cash Flows  
Proprietary Fund Type  
For the Fiscal Year Ended June 30, 2003*

	Enterprise
<b><u>Increase (Decrease) in Cash and Cash Equivalents:</u></b>	
<b><u>Cash Flows from Operating Activities:</u></b>	
Cash Received from Customers	\$959,223
Cash Payments to Suppliers for Goods and Services	(926,298)
Cash Payments to Employees for Services	(580,581)
Cash Payments for Employee Benefits	(385,304)
Net Cash Used for Operating Activities	(932,960)
<b><u>Cash Flows from Noncapital Financing Activities:</u></b>	
Operating Grants Received	749,322
<b><u>Cash Flows from Capital and Related Financing Activities:</u></b>	
Payments for Capital Acquisitions	(16,786)
Proceeds from Sale of Capital Assets	1,000
Net Cash Provided by (Used for) Capital and Related Financing Activities	(15,786)
<b><u>Cash Flows from Investing Activities:</u></b>	
Interest on Investments	13,591
Net Decrease in Cash and Cash Equivalents	(185,833)
Cash and Cash Equivalents at Beginning of Year	1,245,796
Cash and Cash Equivalents at End of Year	\$1,059,963
<b><u>Reconciliation of Operating Loss to Net Cash Used for Operating Activities:</u></b>	
Operating Loss	(\$1,075,083)
<b><u>Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:</u></b>	
Depreciation	163,920
Donated Commodities Received During Year	28,072
<b><u>Changes in Assets and Liabilities:</u></b>	
Increase in Inventory Held for Resale	(2,953)
Increase in Materials and Supply Inventory	(358)
Decrease in Accrued Wages	(50,193)
Decrease in Accounts Payable	(8,120)
Increase in Compensated Absences Payable	7,578
Increase in Intergovernmental Payable	5,926
Decrease in Employee Benefits Payable	(1,749)
Total Adjustments	142,123
Net Cash Used for Operating Activities	(\$932,960)

**Non-Cash Transactions:** The School District received \$28,072 in donated commodities during the year in the food service enterprise fund.

See accompanying notes to the basic financial statements

*Adams County/Ohio Valley School District*  
*Statement of Fiduciary Net Assets*  
*Fiduciary Funds*  
*June 30, 2003*

	Private Purpose Trust	
	Scholarship	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$57,575	\$131,166
Accrued Interest Receivable	104	0
<i>Total Assets</i>	57,679	\$131,166
<b>Liabilities</b>		
Undistributed Monies	0	\$131,166
<i>Total Liabilities</i>	0	\$131,166
<b>Net Assets</b>		
Held in Trust for Scholarships	57,679	
<i>Total Net Assets</i>	\$57,679	

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, 2003*

	Private Purpose Trust
	Scholarship
<b>Additions</b>	
Contributions	\$4,826
Interest	609
	5,435
<b>Deductions</b>	
Payments in Accordance with Trust Agreements	6,061
	(626)
<i>Change in Net Assets</i>	
<i>Net Assets Beginning of Year</i>	58,305
	\$57,679
<i>Net Assets End of Year</i>	\$57,679

See accompanying notes to the basic financial statement:

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*Adams County/Ohio Valley School District*

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

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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 640 square miles, with 99% of its territory located in Adams County and the remaining 1% in Highland County. Political subdivisions included in the School District are the Villages of West Union, Manchester, Peebles, Winchester, Sinking Spring, Cherry Fork, Rome, and Seaman, the fifteen townships of Adams County and the southern half of Brush Township in Highland County. The School District is staffed by 142 non-certificated employees, 371 certificated employees who provide services to 5,090 students and other community members. The School District currently operates twelve instructional buildings, one administrative building, two bus garages 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 Local 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 for financial reporting purposes.

*Adams County/Ohio Valley School District*

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

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**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

(continued)

The School District participates in two organizations which are classified as jointly governed organizations. These organizations are the South Central Ohio Computer Association and Hopewell Special Education Regional Resource Center. These organizations are presented in Note 16 to the basic financial statements.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

A. Basis of Presentation

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

*Government-wide Financial Statements:*

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities.

*Adams County/Ohio Valley School District*

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

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

*Fund Financial Statements:*

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

B. Fund Accounting

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

*Governmental Fund Types:*

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.

*Adams County/Ohio Valley School District*

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

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

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

*Proprietary Fund Type:*

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

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

*Fiduciary Fund Types:*

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 fiduciary funds are a private purpose trust fund and an agency fund. The private purpose trust fund accounts for college scholarship programs for students. The School District's agency fund accounts for those student activities which consist of a student body, student president, student treasurer and faculty advisor.

C. Measurement Focus

*Government-wide Financial Statements:*

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

*Adams County/Ohio Valley School District*

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

*Fund Financial Statements:*

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

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

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

**D. Basis of Accounting**

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

*Revenues – Exchange and Non-exchange Transactions:*

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

*Adams County/Ohio Valley School District*

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: property taxes available as an 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, 2003, but which were levied to finance fiscal year 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before 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.

*Expenses/Expenditures:*

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

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

*Adams County/Ohio Valley School District*

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

E. Budgetary Process

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources established 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 the 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 the final budgeted amounts in the budgetary statements 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 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 years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the year.

F. Cash and Investments

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

During fiscal year 2003, the School District's investments were limited to certificates of deposit, which are reported at cost.

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 2003 amounted to \$68,205, which includes \$41,703 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash and cash equivalents.

*Adams County/Ohio Valley School District*

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

G. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used.

Inventories consist of purchased food held for resale and consumable supplies.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2003, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

I. Capital Assets

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

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

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

Description	Governmental Activities Estimated Lives	Business-Type Activity Estimated Lives
Land and Improvements	1 - 5 years	N/A
Buildings and Improvements	20 - 50 years	20 - 50 years
Furniture, Fixtures and Equipment	6 - 15 years	6 - 15 years
Vehicles	10 years	N/A
Educational Media	10 years	N/A



*Adams County/Ohio Valley School District*

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

J. Interfund Balances

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

K. Compensated Absences

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

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

On governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account “Matured Compensated Absences Payable” in the fund from which the employees have accumulated leave are paid. The noncurrent portion of the liability is not reported. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

L. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, compensated absences, and contractually required pension contributions 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 year. Bonds and long-term loans that will be paid from governmental funds are recognized as a liability in the fund financial statements when due. Long-term obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

*Adams County/Ohio Valley School District*

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

M. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

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

N. Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors or laws of the other governments or imposed by enabling legislation. Restricted assets represent unexpended revenues restricted for budget stabilization and school bus purchases.

O. Fund Balance Reserves

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, property taxes, budget stabilization, bus purchases, 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 2003.

P. Estimates

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

Q. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

*Adams County/Ohio Valley School District*

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

R. Net Assets

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

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

S. Operating Revenues and Expenses

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

**NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES, RESTATEMENT OF FUND BALANCES AND CORRECTION OF ERRORS**

**A. Changes in Accounting Principles**

For fiscal year 2003, the School District has implemented *GASB Statement No. 34, “Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments”*, *GASB Statement No. 37, “Basic Financial Statements for State and Local Governments: Omnibus”*, *GASB Statement No. 38, “Certain Financial Statement Note Disclosures”*, *GASB Statement No. 41, “Budgetary Comparison Schedules – Perspective Differences,”* and *GASB Interpretation No. 6 “Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.”* At June 30, 2003, there was no effect on fund balance as a result of implementing GASB Statement Nos. 37 and 38. Also, GASB Statement No. 41 was not applicable to the School District for fiscal year 2003.

GASB Statement No. 34 creates new basic financial statements for reporting on the School District’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

**Adams County/Ohio Valley School District**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

**NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCES** (continued)

The government-wide financial statements split the School District's programs between governmental and business-type activities. The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at June 30, 2002, caused by the conversion to the accrual basis of accounting.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice. The School District restated the fund liability for compensated absences that were not mature as of June 30, 2002.

In addition, it was found that, in the prior year, expenditures related to the the Other Grant nonmajor special revenue fund were posted to the General fund in error. An adjustment to cash in each of the funds was posted to correct this error.

**B. Restatement of Fund Balances**

	General	Debt Service	Nonmajor	Total
Fund Balances, June 30, 2002	(\$292,115)	\$2,105,912	(\$191,901)	\$1,621,896
Interpretation No. 6 Adjustments	19,668	0	143	19,811
Fund Reclassifications	22,043	0	0	22,043
Matured Compensated Absences	(148,661)	0	(2,493)	(151,154)
Adjustment to Cash Balances	(80,714)		80,714	0
Adjusted Fund Balance, June 30, 2002	<u>(\$479,779)</u>	<u>\$2,105,912</u>	<u>(\$113,537)</u>	1,512,596
GASB No. 34 Adjustments:				
Deferred Assets:				
Intergovernmental Receivables				1,093,954
Delinquent Property Taxes				925,169
Capital Assets				49,211,280
Intergovernmental Payable				(259,668)
Accrued Interest Payable				(207,484)
Long-Term Liabilities:				
Bonds and Loans Payable				(40,439,623)
Compensated Absences				<u>(2,433,179)</u>
Adjusted Governmental Activities Net				
Assets, June 30, 2002				<u>\$9,403,045</u>

*Adams County/Ohio Valley School District*

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

**NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCES** (continued)

**C. Correction of an Error**

During fiscal year 2003, it was determined that the portion of buildings utilized for food service operations had been previously reported in the governmental funds.

	<u>Food Service</u>
Net Assets, June 30, 2002	\$1,859,730
Correction of Capital Assets Error	<u>3,122,207</u>
Adjusted Proprietary Activity Net Assets, June 30, 2002	<u><u>\$4,981,937</u></u>

**NOTE 4 – ACCOUNTABILITY AND COMPLIANCE**

**A. Accountability**

At June 30, 2003, the following funds had deficit fund balances:

	<u>Amount</u>
<i>Special Revenue Funds:</i>	
Disadvantaged Pupil Impact Aid	(\$185,250)
Career Development	(1,395)
Miscellaneous State Grants	(3,506)
Carl Perkins	(41,569)
Title I	(45,101)
Preschool Disabilities	(4,186)

The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**B. Compliance**

At June 30, 2003, the following funds had an excess of expenditures over appropriations:

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
Special Revenue Funds:			
Auxillary Services	\$97,653	\$122,378	(\$24,725)
Disadvantaged Pupil Impact Aid	1,403,881	1,406,416	(2,535)
Eisenhower Grant	10,686	25,063	(14,377)

*Adams County/Ohio Valley School District*

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

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**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - 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.

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

<u>Net Change in Fund Balance</u>	
GAAP Basis	\$1,555,240
Adjustments:	
Revenue Accruals	101,980
Expenditure Accruals	(69,908)
Advances	1,123,454
Encumbrances	(758,299)
Budget Basis	<u><u>\$1,952,467</u></u>

*Adams County/Ohio Valley School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2003

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**NOTE 6 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

*Adams County/Ohio Valley School District*

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

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**NOTE 6 - DEPOSITS AND INVESTMENTS** (continued)

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least five percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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



*Adams County/Ohio Valley School District*

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

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**NOTE 6 - DEPOSITS AND INVESTMENTS** (continued)

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

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

*Deposits:* At fiscal year-end, the carrying amount of the School District's deposits was \$8,426,661 and the bank balance was \$9,928,200. Of the bank balance, \$300,000 was covered by federal depository insurance and \$9,628,200 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

*Investments:* The School District had no outstanding investments at June 30, 2003.

**NOTE 7 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2003 represents collections of calendar year 2002 taxes. Real property taxes received in calendar year 2003 were levied after April 1, 2002, on the assessed value listed as of January 1, 2002, 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 2003 represents collections of calendar year 2002 taxes. Public utility real and tangible personal property taxes received in calendar year 2003 became a lien December 31, 2001, were levied after April 1, 2002, and are collected in 2003 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.

**Adams County/Ohio Valley School District**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

**NOTE 7 - PROPERTY TAXES** (continued)

Tangible personal property tax revenue received during calendar 2003 (other than public utility property) represents the collection of 2003 taxes. Tangible personal property taxes received in calendar year 2003 were levied after April 1, 2002, on the value as of December 31, 2002. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30. This year, the June 2003 tangible personal property tax was not received until July 2003.

The School District receives property taxes from Adams and Highland Counties. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2003, are available to finance fiscal year 2003 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, 2003, 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 is 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, 2003, was \$369,041 in the general fund and \$106,895 in the debt service fund. The amount available as an advance at June 30, 2002, was \$343,907 in the general fund and \$100,766 in the debt service fund.

The assessed values upon which the fiscal year 2003 taxes were collected are:

	2002 Second- Half Collections		2003 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$277,091,110	63.74%	\$311,379,050	65.10%
Public Utility	132,291,630	30.43%	143,184,890	29.93%
Tangible Personal Property	25,327,370	5.83%	23,760,330	4.97%
Total Assessed Value	<u>\$434,710,110</u>	<u>100.00%</u>	<u>\$478,324,270</u>	<u>100.00%</u>
 Tax rate per \$1,000 of assessed valuation	 \$32.47		 \$32.47	

*Adams County/Ohio Valley School District*

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

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**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2003, consisted of property taxes, accounts (billings for user charged services and student fees), intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the non payment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amounts</u>
Governmental Activities:	
Miscellaneous Revenue	\$10,887
Career Development	2,341
Miscellaneous State Grants	349
Title VI-B	34,069
Miscellaneous Federal Grants	<u>17,500</u>
Total Governmental Activities	<u>65,146</u>
Business Type Activity:	
Food Service - Federal Lunch Reimbursements	<u>219,804</u>
Total Intergovernmental Receivables	<u><u>\$284,950</u></u>

**Adams County/Ohio Valley School District**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

**NOTE 9 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2003, was as follows:

	Balance at 6/30/02	Additions	Deductions	Balance at 6/30/03
<b><u>Governmental Activities</u></b>				
<i>Capital Assets, Not being Depreciated</i>				
Land	\$889,018	\$0	\$0	\$889,018
 <i>Capital Assets Being Depreciated</i>				
Land Improvements	3,959,556	14,630	0	3,974,186
Buildings and Improvements	52,209,623	31,224	0	52,240,847
Furniture, Fixtures and Equipment	8,671,434	306,777	(165,400)	8,812,811
Vehicles	3,606,421	58,056	0	3,664,477
Educational Media	2,102,715	1,300	0	2,104,015
Total Capital Assets, Being Depreciated	<u>70,549,749</u>	<u>411,987</u>	<u>(165,400)</u>	<u>70,796,336</u>
 <i>Less Accumulated Depreciation:</i>				
Land Improvements	(3,851,299)	(54,310)	0	(3,905,609)
Buildings and Improvements	(9,417,020)	(1,028,042)	0	(10,445,062)
Furniture, Fixtures and Equipment	(4,763,325)	(733,656)	129,626	(5,367,355)
Vehicles	(2,527,176)	(184,002)	0	(2,711,178)
Educational Media	(1,668,667)	(160,019)	0	(1,828,686)
Total Accumulated Depreciation	<u>(22,227,487)</u>	<u>(2,160,029)</u>	<u>129,626</u>	<u>(24,257,890)</u>
Total Capital Assets, Being Depreciated, Net	<u>48,322,262</u>	<u>(1,748,042)</u>	<u>(35,774)</u>	<u>46,538,446</u>
Governmental Activities Capital Assets, Net	<u>\$49,211,280</u>	<u>(\$1,748,042)</u>	<u>(\$35,774)</u>	<u>\$47,427,464</u>
 <b><u>Business-Type Activity</u></b>				
Buildings and Improvements	\$3,809,286	\$2,164	\$0	\$3,811,450
Furniture, Fixtures and Equipment	1,400,372	14,622	(7,860)	1,407,134
Total Capital Assets, Being Depreciated	<u>5,209,658</u>	<u>16,786</u>	<u>(7,860)</u>	<u>5,218,584</u>
 <i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	(687,079)	(75,001)	0	(762,080)
Furniture, Fixtures and Equipment	(732,434)	(88,919)	7,860	(813,493)
Total Accumulated Depreciation	<u>(1,419,513)</u>	<u>(163,920)</u>	<u>7,860</u>	<u>(1,575,573)</u>
Business-Type Activity Capital Assets, Net	<u>\$3,790,145</u>	<u>(\$147,134)</u>	<u>\$0</u>	<u>\$3,643,011</u>

*Adams County/Ohio Valley School District*

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

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**NOTE 9 - CAPITAL ASSETS** (continued)

\* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,048,617
Special	143,280
Vocational	161,428
Support Services:	
Pupils	33,611
Instructional Staff	239,989
Administration	97,624
Fiscal	12,171
Business	4,956
Operation and Maintenance of Plant	95,466
Pupil Transportation	294,824
Operation of Non-Instructional Services	28,063
Total Depreciation Expense	<u><u>\$2,160,029</u></u>

**NOTE 10 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2003, the School District contracted with Indiana Insurance for property, inland marine coverage and fleet insurance. Insurance coverage provided includes the following:

Building and Contents replacement cost (\$1,000 deductible)	\$103,321,193
Inland Marine Coverage (\$250 deductible)	2,879,175
Crime Insurance	50,000
Automobile Liability (\$2,500 deductible)	1,000,000
Uninsured Motorists (\$2,500 deductible)	1,000,000

During fiscal year 2003, the School District entered into an agreement with the Ohio School Insurance Program and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays its annual premium to Marsh Company, the local agent for the Selective Insurance Company of South Carolina and National Union Fire Insurance Company of Pittsburgh, PA. All coverage is provided through Selective Insurance Company of South Carolina, except for School Board Errors and Omissions, which is provided through National Union Fire Insurance Company of Pittsburgh, PA.

*Adams County/Ohio Valley School District*

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

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**NOTE 10 - RISK MANAGEMENT** (continued)

The type and amounts of coverage provided by the Ohio School Insurance Program are as follows:

General Liability:	
Aggregate Limit	\$3,000,000
Bodily Injury and Property Damage Limit - Each Occurrence	1,000,000
Medical Expense Limit - Per Person/Accident	5,000
Stop GAP:	
Each Accident	1,000,000
Disease Each Employee	1,000,000
Disease Policy Limit	1,000,000
Employee Benefits Liability:	
Per Claim (\$1,000 deductible)	1,000,000
Aggregate Limit	3,000,000
School Board Errors and Omissions:	
Aggregate Limit (\$10,000 deductible)	1,000,000

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

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

**NOTE 11 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476 or by calling (614) 222-5853.

*Adams County/Ohio Valley School District*

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

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**NOTE 11 - DEFINED BENEFIT PENSION PLANS** (continued)

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$387,926, \$256,087 and \$145,891, respectively; 49.61 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001.

**B. State Teachers Retirement System of Ohio**

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

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

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

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

*Adams County/Ohio Valley School District*

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

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**NOTE 11 - DEFINED BENEFIT PENSION PLANS** (continued)

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2002, the portion used to fund pension obligations was 9.5 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2003, 2002, and 2001 were \$2,284,056, \$1,615,527, and \$1,605,716 respectively; 84.21 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. Contributions to the DC and Combined Plans for fiscal year 2003 were \$8,522 made by the School District and \$16,547 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System of Ohio. As of June 30, 2003, two of the School District's members of the Board of Education have elected Social Security. The School District's liability is 6.2 percent of wages paid.

**NOTE 12 - POSTEMPLOYMENT BENEFITS**

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

All STRS Ohio benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2003, the STRS Ohio Board allocated employer contributions equal to 1.0 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$175,697 for fiscal year 2003.



*Adams County/Ohio Valley School District*

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

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**NOTE 12 - POSTEMPLOYMENT BENEFITS** (continued)

STRS Ohio pays health care benefits from the Health Care Reserve Fund. At June 30, 2002, (the latest information available) the balance in the Fund was \$3.011 billion. For the year ended June 30, 2002, net health care costs paid by STRS Ohio were \$354,697,000 and STRS had 105,300 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2003, employer contributions to fund health care benefits were 5.83 percent of covered payroll, a decrease of 2.71 percent from fiscal year 2002. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay was established at \$14,500. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2003 fiscal year equaled \$379,780.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2002 (the latest information available), were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**NOTE 13 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

*Adams County/Ohio Valley School District*

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

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**NOTE 13 - EMPLOYEE BENEFITS** (continued)

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

**B. Insurance Benefits**

The School District provides life insurance and accidental death and dismemberment insurance to all employees through Jefferson Pilot Life Insurance Company. The School District has elected to provide employee medical/surgical and dental benefits through Medical Mutual of Ohio. These benefits are provided at the expense of the Board of Education with the exception of non-certified employees hired after July 1, 1994, who contribute \$50 per month toward their family health plan and certified employees hired after July 1, 2002, who contribute fifteen percent of the total premium.

**C. Perfect/Excellent Attendance Incentive**

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

Classified Employees			Administrators and Certified Employees	
Sick and Personal Days Used	9/10 Month Employees	11/12 Month Employees	Personal Days Used	Dollar Amount
0	\$250	\$300	0	\$100
1	175	200	1	75
2	100	125		

**Adams County/Ohio Valley School District**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

**NOTE 14 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2003 were as follows:

	Amount Outstanding 6/30/02 (Restated)	Additions	Deductions	Amount Outstanding 6/30/03	Amounts Due in One Year
<b><u>Governmental Activities:</u></b>					
EPA Asbestos Loan					
1987 0%	\$79,181	\$0	\$17,616	\$61,565	\$17,616
Energy Conservation Loan					
1999 4.33%	347,395	0	173,395	174,000	174,000
Energy Conservation Bonds					
2002 5.92%	1,233,047	0	60,000	1,173,047	60,000
School Improvement Bonds					
1995 4.55% - 5.25%	38,600,000	0	900,000	37,700,000	1,000,000
School Improvement Bonds					
1998 4.87%	180,000	0	30,000	150,000	30,000
Compensated Absences	2,433,179	1,181,441	1,037,805	2,576,815	109,061
Total Governmental Activities					
Long-Term Liabilities	<u>\$42,872,802</u>	<u>\$1,181,441</u>	<u>\$2,218,816</u>	<u>\$41,835,427</u>	<u>\$1,390,677</u>
<b><u>Business-Type Activity:</u></b>					
Compensated Absences	<u>\$48,920</u>	<u>\$28,347</u>	<u>\$20,769</u>	<u>\$56,498</u>	<u>\$1,484</u>

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

*Energy Conservation Loan* - On July 1, 1999, Adams County/Ohio Valley School District obtained a loan in the amount of \$870,000 for the purpose of providing energy conservation measures for the School District, under the authority of Ohio Revised Code sections 133.06(G) and 3313.372. The loan was issued for a six year period with final maturity during fiscal year 2004. The loan will be retired from the debt service fund.

**Adams County/Ohio Valley School District**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

**NOTE 14 - LONG-TERM OBLIGATIONS** (continued)

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

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

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

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

The School District’s overall legal debt margin was \$7,552,402 with an unvoted debt margin of \$478,324, and an Energy Conservation debt margin of \$3,131,871 at June 30, 2003.

Principal and interest requirements to retire general obligation debt at June 30, 2003, are as follows:

EPA Asbestos Loan - 1987			
Fiscal year Ending June 30,	Principal	Interest	Total
2004	\$17,616	\$0	\$17,616
2005	17,616	0	17,616
2006	17,616	0	17,616
2007	8,717	0	8,717
Total	\$61,565	\$0	\$61,565

Energy Conservation Loan - 1999			
Fiscal year Ending June 30,	Principal	Interest	Total
2004	\$174,000	\$4,723	\$178,723

*Adams County/Ohio Valley School District*

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

**NOTE 14 - LONG-TERM OBLIGATIONS** (continued)

Energy Conservation Bonds - 2002

Fiscal year Ending June 30,	Principal	Interest	Total
2004	\$60,000	\$67,816	\$127,816
2005	120,000	62,636	182,636
2006	120,000	55,532	175,532
2007	150,000	48,058	198,058
2008	180,000	37,920	217,920
2009-2012	543,047	49,825	592,872
Total	<u>\$1,173,047</u>	<u>\$321,787</u>	<u>\$1,494,834</u>

School Improvement Bonds - 1995

Fiscal year Ending June 30,	Principal	Interest	Total
2004	\$1,000,000	\$2,206,600	\$3,206,600
2005	1,000,000	2,140,100	3,140,100
2006	1,000,000	2,073,600	3,073,600
2007	1,200,000	2,008,850	3,208,850
2008	1,300,000	1,942,575	3,242,575
2009-2013	8,175,000	8,369,650	16,544,650
2014-2018	11,800,000	5,008,282	16,808,282
2019-2022	12,225,000	1,334,158	13,559,158
Total	<u>\$37,700,000</u>	<u>\$25,083,815</u>	<u>\$62,783,815</u>

School Improvement Bonds - 1998

Fiscal year Ending June 30,	Principal	Interest	Total
2004	\$30,000	\$6,593	\$36,593
2005	30,000	5,116	35,116
2006	30,000	3,655	33,655
2007	30,000	2,194	32,194
2008	30,000	733	30,733
Total	<u>\$150,000</u>	<u>\$18,291</u>	<u>\$168,291</u>

**Adams County/Ohio Valley School District**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

**NOTE 15 – INTERFUND ACTIVITY**

**A. Interfund Transfers**

Transfers made during the year ended June 30, 2003, were as follows:

		Transfer From General
Transfer To	Debt Service Fund	\$240,278
	All Other Nonmajor Governmental Funds	1,602
	Total	<u>\$241,880</u>

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

**B. Interfund Receivables/Payables**

As of June 30, 2003, receivables and payables that resulted from various interfund transactions were as follows:

		Receivable	
		General	Debt Service Fund
Payable	General Fund	\$0	\$474
	All Other Nonmajor Governmental Funds	68,091	0
	Total	<u>\$68,091</u>	<u>\$474</u>

The amounts due to the General Fund are the result of the School District moving unrestricted balances to support programs and projects accounted for in other funds. The General Fund will be reimbursed when funds become available in the special revenue and capital projects funds.

*Adams County/Ohio Valley School District*

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

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**NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS**

*South Central Ohio Computer Association* - The School District is a participant in the South Central Ohio Computer Association (SCOCA) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Adams, Brown, Highland, Pike, Ross, Scioto, Vinton, Jackson and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of 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 \$226,286 for services provided during the year. Financial information can be obtained from their fiscal agent, the Pike County Joint Vocational School District, P.O. Box 577, 175 Beaver Creek Road, Piketon, Ohio, 45661.

*Hopewell Special Education Regional Resource Center (Hopewell)* - The Hopewell Special Education Regional Resource Center (Hopewell) is a jointly governed organization created by the Ohio Department of Education at the request of the participating school districts to offer direct and related services to low incidence handicapped students of the region. Seventeen local, city, and exempted village school districts receive services from Hopewell. Hopewell is operated under regulations and policies established by the Ohio Department of Education, and its own governing board. The governing board is made up of superintendents from the seventeen school districts, plus a representative from the Clinton-Fayette-Highland Educational Service District, a representative from the board of mental retardation and developmental disabilities, two joint vocational school superintendents and five parents of handicapped children living in the region. The Clinton-Fayette-Highland Educational Service District acts as fiscal agent. Hopewell receives funding from the contracts with each of the member school districts and Federal and State grants. The School District paid \$78,385 to Hopewell during the year. To obtain financial information write to Hopewell at the Clinton-Fayette-Highland Educational Service District, 62 Laurel Drive, Wilmington, Ohio, 45177.

**NOTE 17 - SET-ASIDE CALCULATIONS AND FUND RESERVES**

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

The School District is no longer required to set aside funds in the budget reserve set-aside, with the exception of monies refunded from the Bureau of Workers' Compensation prior to April 10, 2001, which must be retained for budget stabilization or spent for specified purposes.

*Adams County/Ohio Valley School District*

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

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

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside Reserve Balance as of June 30, 2002	(\$1,194,347)	\$0	\$367,868
Current Year Set-aside Requirement	712,915	712,915	0
Current Year Off-sets	0	(224,520)	0
Qualifying Disbursements	(940,351)	(488,395)	0
Totals	<u>(\$1,421,783)</u>	<u>\$0</u>	<u>\$367,868</u>
Set-aside Reserve Balance as of June 30, 2003	<u>\$0</u>	<u>\$0</u>	<u>\$367,868</u>
Set-aside Reserve Balance Carried Forward to FY 2004	<u>(\$1,421,783)</u>	<u>\$0</u>	<u>\$367,868</u>

The School District has qualifying disbursements during the fiscal year that reduced the textbooks set-aside amount to below zero. This extra amount may be used to reduce the set-aside requirements in future fiscal years.

**NOTE 18 – STATE SCHOOL FUNDING DECISION**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State’s school funding plan. The decision reaffirmed earlier decisions that Ohio’s current school-funding decision is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed “...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...”

The School District is currently unable to determine what effect, if any, this decision will have its future State funding and on its financial operations.

**NOTE 19 - CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2003.



*Adams County/Ohio Valley School District*

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

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**NOTE 19 – CONTINGENCIES** (continued)

**B. Litigation**

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

**NOTE 20 – SUBSEQUENT EVENT**

On November 4, 2002, the South Central Ohio Educational Service Center (the ESC) Governing Board passed a resolution creating the Peebles Local School District, effective January 1, 2004. This new school district was anticipated to encompass the current Peebles attendance area of the Adams County/Ohio Valley School District, and would include the operations of Peebles High School and Peebles Elementary. The Peebles Local School District was anticipated to begin operations in fiscal year 2005; however, a lawsuit was filed in March 2004 by a group of Adams County citizens against the ESC regarding this matter. The case was heard in the Adams County Court of Common Pleas Civil Division and on June 15, 2004, the judge's ruling nullified the resolution creating the Peebles Local School District. As of the date of this report, the ESC has not appealed the judge's ruling; however, an appeal could be filed up until 30 days after the ruling. Operating under currently known facts, the Adams County/Ohio Valley School District is not anticipating that the Peebles Local School District will exist in the future.

On January 12, 2004, the South Central Ohio Educational Service Center (the ESC) Governing Board passed a resolution creating the Manchester Local School District, effective January 13, 2004. This new school district will encompass the current Manchester attendance area of the Adams County/Ohio Valley School District and will include the operations of Manchester High School and Woolard Elementary. The creation of this new school district will result in a division of the existing assets and liabilities between the Adams County/Ohio Valley School District and the Manchester Local School District. As of the date of this report, the process by which this division will occur has not been finalized and the overall financial impact on Adams County/Ohio Valley School District is not estimable. The Manchester Local School District is anticipated to begin operations in fiscal year 2005.

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

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

<b>FEDERAL GRANTOR/ Pass Through Grantor Program Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Non-Cash Receipts</b>	<b>Disbursements</b>	<b>Non-Cash Disbursements</b>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Food Distribution Program	N/A	10.550	\$0	\$166,949	\$0	\$166,949
Child Nutrition Cluster:						
School Breakfast Program	05-PU-02	10.553	44,215		44,215	
	05-PU-03	10.553	104,546		128,361	
Total School Breakfast Program			148,761		172,576	
National School Lunch Program	LL-P4-02	10.555	174,715		174,715	
	LL-P4-03	10.555	379,456		472,924	
Total National School Lunch Program			554,171		647,639	
Total U.S. Department of Agriculture			<b>702,932</b>	<b>166,949</b>	<b>820,215</b>	<b>166,949</b>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Title 1 Grants to Local Educational Agencies	C1-S1-02	84.010	678,515		315,549	
	C1-S1-03	84.010	1,705,748		1,478,517	
Total Title 1			<b>2,384,263</b>		<b>1,794,066</b>	
Special Education Cluster:						
Special Education - Grants to States	6B-PM-03P	84.027	25,000		19,656	
	6B-PM-02P	84.027			1,132	
	6B-SA-03P	84.027	14,601		14,621	
	6B-SA-02P	84.027			9,632	
	6B-SF-03P	84.027	550,846		423,350	
	6B-SF-02P	84.027			74,067	
	6B-SF-01P	84.027			109	
	6B-SF-00P	84.027			99	
	6B-SX-02P	84.027	21,000			
<i>Passed Through Hopewell Education Regional Resource Center</i>						
Baldrige Expansion Model		84.027	12,500			
	6B-ST-02P	84.027			15,839	
Total Special Education			<b>623,947</b>		<b>558,505</b>	
Special Education Preschool Grants	PG-S1-02	84.173			61	
	PG-S1-04	84.173			652	
	PG-S1-03P	84.173	21,359		21,359	
			<b>21,359</b>		<b>22,072</b>	
Total Special Education Cluster			<b>645,306</b>		<b>580,577</b>	
Vocational Educational Basic Grants to States	20-C1-02	84.048	37,246		42,306	
	20-C1-00	84.048			317	
	20-C1-98	84.048			77	
	20-C1-03	84.048	86,995		93,244	
	20-AO-02	84.048	1,543		1,543	
	20-AO-01	84.048	10,228		10,228	
Total Vocational Education			<b>136,012</b>		<b>147,715</b>	

(Continued)

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

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

<b>FEDERAL GRANTOR/ Pass Through Grantor Program Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Non-Cash Receipts</b>	<b>Disbursements</b>	<b>Non-Cash Disbursements</b>
Safe and Drug -Free Schools and Communities-State Grants	DR-S1-02	84.186	9,953		4,868	
	DR-S1-03	84.186	42,155		32,269	
<b>Total Drug-Free Schools</b>			<b>52,108</b>		<b>37,137</b>	
Goals 2000 State and Local Education Continuous Improvement	G2-S2-00	84.276			2,282	
Continuous Improvement	G2-S2-01	84.276			16,975	
Entry Year: Ohio First Year	G2-S3-01	84.276	26,250		7,390	
Performance Incentive	G2-S1-01	84.276			21,818	
<b>Total Goals 2000</b>			<b>26,250</b>		<b>48,465</b>	
Eisenhower Professional Development State Grants	MS-S1-98	84.281			353	
	MS-S1-01	84.281	9,798		16,059	
	MS-S1-02	84.281			10,721	
<b>Total Eisenhower Professional Grants</b>			<b>9,798</b>		<b>27,133</b>	
Innovative Educational Program Strategies	C2-S1-01	84.298	25,644		3,210	
	C2-S1-02	84.298	16,353		18,531	
	C2-S1-00	84.298			2,631	
	C2-S1-03	84.298	31,469		26,734	
<b>Total Innovative Educational Strategies</b>			<b>73,466</b>		<b>51,106</b>	
Technology Literacy Challenge	TF-V2-00	84.318				
	TJ-S1-03	84.318	46,663		32,701	
	TF-42-01	84.318				
<b>Total Technology Literacy Challenge</b>			<b>46,663</b>		<b>32,701</b>	
Special Education_ State Program Improve ment Grants for Children with Disabilities	ST-S1-02	84.323	7,500			
	ST-S1-03	84.323			8,849	
			<b>7,500</b>		<b>8,849</b>	
Comprehensive School Reform Demon- stration	RF-CC-03	84.332			44,266	
Reading Excellence Tutorial Program	RN-S2-00	84.338	151,891		4,159	
Assistive Technology Infusion	AT-S1-02	84.352A	-551			
	AT-S2-02	84.352A	106,026		149,193	
	AT-S3-02	84.352A	23,253			
			<b>128,728</b>		<b>149,193</b>	
Class Size Reduction	CR-S1-01	84.340	28,450			
	CR-S1-00	84.340				
	CR-S1-02	84.340	71,958		75,147	
<b>Total Class Size Reduction</b>			<b>100,408</b>		<b>75,147</b>	
Rural Education	RU-S1-03	84.358	103,156		71,687	
Improving Teacher Quality State Grants	TR-S1-03	84.367	419,400		237,921	
<b>Total U.S.Department of Education</b>			<b>4,284,949</b>		<b>3,310,122</b>	

(Continued)

ADAMS COUNTY/OHIO VALLEY SCHOOL DISTRICT  
ADAMS COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)

FEDERAL GRANTOR/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b><u>NATIONAL SCIENCE FOUNDATION</u></b>						
<i>Passed Through Ky Science and Technology Council Inc.:</i>						
Appalachain Rural Systemic Initiative		47.076	8,841		9,340	
Total Appalachain Rural Systemic Initiative			<b>8,841</b>		<b>9,340</b>	
<b><u>U. S. ENVIRONMENTAL PROTECTION AGENCY</u></b>						
Toxic Substances Compliance Monitoring Cooperative		66.701			<b>17,616</b>	
<b><u>US DEPARTMENT OF HEALTH</u></b>						
Medical Assistance Program (Medicaid: Title XIX)		93.778	<b>363,720</b>		<b>363,720</b>	
<b>Totals</b>			<b><u>\$5,360,442</u></b>	<b><u>\$166,949</u></b>	<b><u>\$4,521,013</u></b>	<b><u>\$166,949</u></b>

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

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

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
JUNE 30, 2003**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - NUTRITION CLUSTER**

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

**NOTE C - MATCHING REQUIREMENTS**

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



## **Auditor of State Betty Montgomery**

### **INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To the Board of Education:

We have audited the basic financial statements of Adams County Ohio Valley School District, Adams County, Ohio (the District), as of and for the fiscal year ended June 30, 2003, and have issued our report thereon dated June 24, 2004, which we noted the District adopted Governmental Accounting Standards Board Statements Numbers 34, 37, 38, 41, and Governmental Standards Board Interpretation Number 6. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2003-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated June 24, 2004.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted certain matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated June 24, 2004.

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

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

**Betty Montgomery**  
Auditor of State

June 24, 2004





## Auditor of State Betty Montgomery

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

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

To the Board of Education:

#### Compliance

We have audited the compliance of Adams County Ohio Valley 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 are applicable to each of its major federal programs for the fiscal year ended June 30, 2003. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. 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 obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the fiscal year ended June 30, 2003.

#### Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted a certain matter involving the internal control over federal compliance that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated June 24, 2004.

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

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

**Betty Montgomery**  
Auditor of State

June 24, 2004

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

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 §.505  
JUNE 30, 2003**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<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>	Special Education Grants to States, CFDA #84.027 Improving Teacher Quality, CFDA #84.367 Medical Assistance Program, CFDA #93.778
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all other programs
<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**

**FINDING NUMBER 2003-001**

**Material Noncompliance**

Ohio Rev. Code, Section 5705.41(B), states that no subdivision shall make any expenditures of money unless it has been properly appropriated. Expenditures exceeded appropriations at the legal level of control during the audit period as follows:

<b>Date</b>	<b>Fund</b>	<b>Appropriations</b>	<b>Expenditures</b>	<b>Variance</b>
February 28, 2003	DPIA – Fund 447	\$343,220	\$865,740	(\$522,520)

**3. FINDINGS FOR FEDERAL AWARDS**

None

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

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b>
2002-001	Ohio Rev. Code, Section 5705.10, deficit fund balances during audit period.	No	Partially corrected; Negative balances were not as significant in 2003. This matter is addressed in the 2003 Management Letter.





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**ADAMS COUNTY OHIO VALLEY SCHOOL DISTRICT**

**ADAMS COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JULY 13, 2004**