

Adams County/Ohio Valley Local School District

Adams County

Single Audit

July 1, 2008 through June 30, 2009

Fiscal Year Audited Under GAGAS: 2009



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Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Adams County/Ohio Valley Local School District, Adams County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2008 through June 30, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 22, 2010

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Adams County/Ohio Valley Local School District
Adams County, Ohio

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Independent Auditor's Report

Members of the Board
Adams County/Ohio Valley Local School District
141 Lloyd Road
West Union, Ohio 45693

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Adams County/Ohio Valley Local School District (the School District), Adams County, as of and for the year ended June 30, 2009, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School 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 Comptroller General of the United States, *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure about whether the basic 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2009, and the respective changes in financial position thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2009, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

Members of the Board
Adams County/Ohio Valley Local School District
Independent Auditor's Report
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We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements. The accompanying schedule of federal awards receipts and expenditures is presented for purposes of additional analysis as required by the 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 schedule of federal awards receipts and expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Balestra, Harr & Scherer CPAs, Inc.
December 18, 2009

Adams County/Ohio Valley School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
(Unaudited)

As management of the Adams County/Ohio Valley School District, we offer the readers of the District's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2009. We encourage readers to consider the information presented here in conjunction with the additional information that we have provided in the basic financial statements and the notes to the financial statements to enhance their understanding of the District's performance.

This discussion and analysis of Adams County/Ohio Valley School District's financial performance is intended to serve as an introduction to the District's basic financial statements, and provides an overall review of the District's financial activities for the fiscal year ended June 30, 2009. The Adams County/Ohio Valley School District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

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

Financial Highlights

- The assets of the Adams County/Ohio Valley School District exceeded its liabilities at June 30, 2009 by \$80,998,712. Invested in capital assets net of related debt and net assets restricted for specific purposes totaled \$79,582,015, leaving a balance in unrestricted net assets of \$1,416,697.
- Net assets of governmental activities decreased (\$55,590) which represents a less than 1% decrease from 2008.
- General revenues accounted for \$33,699,702 or 74% of all revenues. Program specific revenues in the form of charges for services and sales and operating and capital grants and contributions accounted for \$12,041,634 or 26% of total revenues of \$45,741,336.
- The District had \$45,796,926 in expenses related to governmental activities; only \$12,041,634 of these expenses were offset by program specific charges for services and sales, operating grants, contributions and interest, and capital grants and contributions.

Using the Basic Financial Statements

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

The Statement of Net Assets and the Statement of Activities provide information about the activities of the 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 District's major funds, with all other nonmajor funds presented in total in one column. The major funds for the Adams County/Ohio Valley School District are the General Fund, the Ohio School Facilities Commission (OSFC) Local Funded Initiative Fund, the Ohio Project Fund and the Debt Service Fund.

Reporting the District as a Whole

One of the most important questions asked about the District is "How did we do financially during fiscal year 2009?" The *Statement of Net Assets* and the *Statements of Activities*, which appear first in the District's financial statements, report information on the 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 District's net assets and changes in those assets. The change in net assets is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. However, the 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 District's property tax base, current property tax laws in Ohio restricting revenue growth, required educational programs and other factors.

In the Government-wide Financial Statements, the overall financial position of the District is presented in the following manner:

Governmental Activities – Most of the District's programs and services are reported here including instruction, support services, operation of non-instructional services, extracurricular activities and interest and fiscal charges.

Reporting the District's Most Significant Funds

Fund Financial Statements

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

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

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

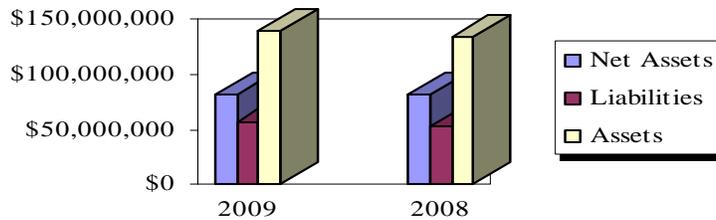
The District as a Whole

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

Table 1 provides a summary of the District’s net assets for fiscal years 2009 and 2008:

Table 1
Net Assets

	Governmental Activities	
	2009	2008
Assets		
Current and Other Assets	\$51,790,520	\$91,338,493
Capital Assets, Net	85,961,093	42,577,538
Total Assets	137,751,613	133,916,031
Liabilities		
Long-Term Liabilities	37,662,738	38,763,256
Other Liabilities	19,090,163	14,098,473
Total Liabilities	56,752,901	52,861,729
Net Assets		
Invested in Capital Assets, Net of Related Debt	69,064,489	24,824,258
Restricted	10,517,526	51,527,058
Unrestricted	1,416,697	4,702,986
Total Net Assets	\$80,998,712	\$81,054,302



Net assets decreased by \$55,590 because total liabilities increased \$3,891,172 due to increases in contracts payable due to the OSFC building projects. Overall, total assets increased \$3,835,582 due to the increases in capital assets, which was due to the continuing OSFC building projects throughout the District.

Table 2 shows the highlights of 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 sales, restricted operating grants and contributions and capital grants and contributions. General Revenues include taxes and unrestricted grants, such as State foundation support, grants restricted for capital construction, gifts and donations, investment earnings and miscellaneous.

Table 2
Changes in Net Assets

	Governmental Activities	
	2009	2008
Revenues		
Program Revenues:		
Charges for Services and Sales	\$2,597,751	\$2,229,402
Operating Grants and Contributions	9,383,500	9,100,161
Capital Grants and Contributions	60,383	30,520
General Revenue:		
Property Taxes	8,846,560	8,717,534
Grants and Entitlements not Restricted	23,609,000	23,331,290
Other	1,244,142	2,141,772
Total Revenues	<u>45,741,336</u>	<u>45,550,679</u>
Program Expenses:		
Instruction	26,151,012	25,240,502
Support Services:		
Pupil and Instructional Staff	4,707,872	4,416,422
General and School Administrative, Fiscal and Business	4,322,076	3,982,607
Operations and Maintenance	3,269,100	2,950,299
Pupil Transportation	2,349,375	2,204,842
Central	342,691	387,429
Operation of Non-Instructional Services	2,275,910	2,412,581
Extracurricular Activities	540,609	491,845
Interest and Fiscal Charges	1,838,281	1,966,493
Total Expenses	<u>45,796,926</u>	<u>44,053,020</u>
Change in Net Assets	(55,590)	1,497,659
Beginning Net Assets	<u>81,054,302</u>	<u>79,556,643</u>
Ending Net Assets	<u><u>\$80,998,712</u></u>	<u><u>\$81,054,302</u></u>

Governmental Activities

Grants and entitlements not restricted to specific programs made up 52% of total revenues of the Adams County/Ohio Valley School District for fiscal year 2009, while Property Taxes made up 19%. Overall, net assets remained constant from fiscal year 2008 to fiscal year 2009. In fiscal year 2009, investment earnings (included in General Revenues: Other) decreased from \$1,788,627 to \$973,367, a difference of \$815,260, primarily due to decreasing cash balances available to invest and interest rate decreases during the fiscal year.

Instruction comprises 57% of governmental program expenses. Support services expenses comprise of 33% of governmental expenses. All other expenses make up 10% of governmental expenses. The District had an increase in instructional expenses when compared to 2008 due to general inflationary factors.

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

Table 3
Governmental Activities

	Total Cost of Services 2009	Total Cost of Services 2008	Net Cost of Services 2009	Net Cost of Services 2008
Instruction	\$26,151,012	\$25,240,502	(\$18,792,209)	(\$18,679,792)
Support Services:				
Pupil and Instructional Staff	4,707,872	4,416,422	(3,032,028)	(2,801,445)
School Administrative, General				
Administration, Fiscal and Business	4,322,076	3,982,607	(3,875,090)	(3,361,888)
Operations and Maintenance	3,269,100	2,950,299	(3,253,884)	(2,933,876)
Pupil Transportation	2,349,375	2,204,842	(2,202,851)	(2,059,639)
Central	342,691	387,429	(330,079)	(374,584)
Operation of Non-Instructional Services	2,275,910	2,412,581	(124,752)	(231,688)
Extracurricular Activities	540,609	491,845	(306,118)	(283,532)
Interest and Fiscal Charges	1,838,281	1,966,493	(1,838,281)	(1,966,493)
Total Expenses	<u>\$45,796,926</u>	<u>\$44,053,020</u>	<u>(\$33,755,292)</u>	<u>(\$32,692,937)</u>

The District's Funds

The District has four major governmental funds: the General Fund, the Debt Service Fund, OSFC Local Funded Initiative Fund and the OSFC Project Fund. Assets of these funds comprised \$46,476,318 (89%) of the total \$51,977,529 governmental funds assets.

General Fund: Fund balance at June 30, 2009 was \$3,003,354 a decrease in fund balance of \$1,165,154 from 2008. The primary reason for the decrease in fund balance was due to the increase in instruction expenses.

OSFC Local Funded Initiative Fund: Fund balance at June 30, 2009 was \$6,416,707 a decrease in fund balance of \$7,875,888 from 2008. The decrease in fund balance is due to the continued construction within the District.

OSFC Project Fund: Fund balance at June 30, 2009 was \$11,375,628 a decrease in fund balance of \$14,348,267 from 2008. The decrease in fund balance is due to the continued construction within the District.

Debt Service Fund: Fund balance at June 30, 2009 was \$3,876,904 an increase in fund balance of \$250,398 from 2008. The primary reason for the increase in fund balance was due to the decrease in debt payments made in 2009 compared to 2008.

General Fund - Budget Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. During the course of fiscal year 2009 the District revised its budget as it attempted to deal with unexpected changes in revenues and expenditures.

For the General Fund, final budget basis revenue was \$34,443,256 with original budget estimates of \$34,356,315, a difference of less than one percent, and a difference of less than one percent from actual revenue of \$34,272,322. The original budget estimates for expenditures for the District increased when it is compared to the actual expenditures due to conservative estimates made by the District. The final budget estimated expenditures were \$37,254,647 while the actual expenditures for the District were \$36,133,335, a difference of three percent.

The District's ending unobligated cash balance was \$1,046,635 above the final budgeted amount in the General Fund.

Capital Assets and Debt Administration

Capital Assets

The Adams County/Ohio Valley School District's investment in capital assets as of June 30, 2009 was \$85,961,093. This investment in capital assets includes land, construction in progress, land improvements, buildings and improvements, furniture, fixtures and equipment, and vehicles. Table 4 shows fiscal year 2009 balances compared to fiscal year 2008:

Table 4
Capital Assets at Year End
(Net of Depreciation)

	Governmental Activities	
	2009	2008
Land	\$782,803	\$782,803
Construction in Progress	52,970,023	8,608,635
Land Improvements	33,480	34,637
Buildings and Improvements	29,856,982	30,699,705
Furniture, Fixtures, and Equipment	580,484	684,419
Vehicles	1,737,321	1,767,339
Totals	<u>\$85,961,093</u>	<u>\$42,577,538</u>

Capital Assets increased by \$43,383,555 primarily as a result of construction in progress additions. For more information on capital assets, refer to note 7 of the basic financial statements.

Debt

At June 30, 2009 the District had \$35,263,886 in outstanding debt, \$1,240,896 due within one year. Table 5 summarizes the District's outstanding debt:

Table 5
Outstanding Debt at Year End

	Governmental Activities	
	2009	2008
Energy Conservation Bonds, 2001	\$196,844	\$294,440
School Improvement Bonds, 1995	16,699,760	17,458,840
School Improvement Bonds, 2007:		
Serial Bonds 4.00% - 5.00%	6,020,000	6,350,000
Term Bonds 4.25% - 5.00%	12,100,000	12,100,000
Premium	247,282	257,173
Totals	<u>\$35,263,886</u>	<u>\$36,460,453</u>

The District's debt decreased by \$1,196,567 because of debt payments being made. For more information on outstanding debt, refer to note 12 of the basic financial statements.

For the Future

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

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

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

Contacting the District's Financial Management

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

Adams County/Ohio Valley School District, Ohio
Statement of Net Assets
June 30, 2009

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Investments	\$35,793,508
Restricted Cash and Investments	922,379
Receivables:	
Taxes	10,367,667
Accounts	27,313
Interest	291,974
Intergovernmental	4,131,375
Deferred Bond Issuance Costs	216,868
Inventory	39,436
Nondepreciable Capital Assets	53,752,826
Depreciable Capital Assets, Net	<u>32,208,267</u>
 Total Assets	 <u>137,751,613</u>
Liabilities:	
Accounts Payable	206,906
Accrued Wages and Benefits	4,491,050
Retainage Payable	908,780
Accrued Interest Payable	150,164
Contracts Payable	4,503,580
Unearned Revenue	8,829,683
Long-Term Liabilities:	
Due Within One Year	1,462,954
Due In More Than One Year	<u>36,199,784</u>
 Total Liabilities	 <u>56,752,901</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	69,064,489
Restricted for:	
Special Revenue	2,306,664
Debt Service	3,855,699
Capital Projects	4,355,163
Unrestricted	<u>1,416,697</u>
 Total Net Assets	 <u><u>\$80,998,712</u></u>

See accompanying notes to the basic financial statements.

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Adams County/Ohio Valley School District, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2009

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction:					
Regular	\$18,743,647	\$507,446	\$1,896,670	\$0	(\$16,339,531)
Special	4,012,060	94,483	3,154,925	0	(762,652)
Vocational	2,688,750	998,505	675,532	0	(1,014,713)
Adult/Continuing	246,021	18,032	13,210	0	(214,779)
Student Intervention Services	460,534	0	0	0	(460,534)
Support Services:					
Pupil	1,689,260	26,383	17,951	0	(1,644,926)
Instructional Staff	3,018,612	13,845	1,617,665	0	(1,387,102)
General Administration	47,567	0	0	0	(47,567)
School Administration	3,029,305	2,249	276,492	0	(2,750,564)
Fiscal	836,430	0	168,245	0	(668,185)
Business	408,774	0	0	0	(408,774)
Operations and Maintenance	3,269,100	14,761	455	0	(3,253,884)
Pupil Transportation	2,349,375	3,652	82,489	60,383	(2,202,851)
Central	342,691	0	12,612	0	(330,079)
Operation of Non-Instructional Services	2,275,910	683,904	1,467,254	0	(124,752)
Extracurricular Activities	540,609	234,491	0	0	(306,118)
Interest and Fiscal Charges	1,838,281	0	0	0	(1,838,281)
Totals	\$45,796,926	\$2,597,751	\$9,383,500	\$60,383	(\$33,755,292)

General Revenues:

Property Taxes Levied for:

General Purposes	6,149,393
Special Revenue Purposes	132,495
Debt Service Purposes	2,420,544
Classroom Facilities	144,128
Grants and Entitlements not Restricted to Specific Programs	23,609,000
Unrestricted Contributions	10,500
Investment Earnings	973,367
Other Revenues	260,275

Total General Revenues 33,699,702

Change in Net Assets (55,590)

Net Assets Beginning of Year 81,054,302

Net Assets End of Year \$80,998,712

See accompanying notes to the basic financial statements.

Adams County/Ohio Valley School District, Ohio
 Balance Sheet
 Governmental Funds
 June 30, 2009

	General	OSFC Local Funded Initiative	OSFC Project	Debt Service	Other Governmental Funds
Assets:					
Equity in Pooled Cash and Investments	\$5,752,088	\$7,412,638	\$14,871,187	\$3,678,506	\$4,079,089
Restricted Cash and Investments	13,599	174,161	734,619	0	0
Receivables:					
Taxes	6,796,233	0	0	3,245,003	326,431
Accounts	22,303	1,458	3,542	0	10
Interest	269,997	4,861	17,116	0	0
Intergovernmental	0	0	3,075,130	0	1,056,245
Interfund	403,877	0	0	0	0
Inventory	0	0	0	0	39,436
Total Assets	13,258,097	7,593,118	18,701,594	6,923,509	5,501,211
Liabilities and Fund Balances:					
Liabilities:					
Accounts Payable	192,450	0	0	0	14,456
Accrued Wages and Benefits	3,747,080	0	0	0	743,970
Compensated Absences	0	0	0	0	67,933
Retainage Payable	0	174,161	734,619	0	0
Contracts Payable	0	997,389	3,506,191	0	0
Interfund Payable	0	0	0	0	403,877
Deferred Revenue	6,315,213	4,861	3,085,156	3,046,605	650,393
Total Liabilities	10,254,743	1,176,411	7,325,966	3,046,605	1,880,629
Fund Balances:					
Reserved for Encumbrances	576,010	3,483,053	13,047,967	0	120,624
Reserved for Inventory	0	0	0	0	39,436
Reserved for Property Tax Advances	484,862	0	0	198,398	22,515
Reserved for Unclaimed Monies	13,599	0	0	0	0
Unreserved, Undesignated, Reported in:					
General Fund	1,928,883	0	0	0	0
Special Revenue Funds	0	0	0	0	1,629,018
Debt Service Funds	0	0	0	3,678,506	0
Capital Projects Funds	0	2,933,654	(1,672,339)	0	1,808,989
Total Fund Balances	3,003,354	6,416,707	11,375,628	3,876,904	3,620,582
Total Liabilities and Fund Balances	\$13,258,097	\$7,593,118	\$18,701,594	\$6,923,509	\$5,501,211

See accompanying notes to the basic financial statements.

<u> <u> Total Governmental Funds </u> </u>
\$35,793,508 922,379
10,367,667 27,313 291,974 4,131,375 403,877 <u>39,436</u>
<u>51,977,529</u>
206,906 4,491,050 67,933 908,780 4,503,580 403,877 <u>13,102,228</u>
<u>23,684,354</u>
17,227,654 39,436 705,775 13,599
1,928,883 1,629,018 3,678,506 <u>3,070,304</u>
<u>28,293,175</u>
<u> <u>\$51,977,529</u> </u>

Adams County/Ohio Valley School District, Ohio
 Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2009

Total Governmental Fund Balances		\$28,293,175
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.		85,961,093
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Delinquent Property Taxes	457,251	
Interest	18,729	
Intergovernmental	<u>3,796,565</u>	
		4,272,545
In the statement of net assets interest payable is accrued when incurred, whereas in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.		(150,164)
Some liabilities reported in the statement of net assets do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds.		
Compensated Absences	<u>(2,330,919)</u>	
		(2,330,919)
Deferred bond issuance cost associated with long-term liabilities are not reported in the funds.		216,868
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		<u>(35,263,886)</u>
Net Assets of Governmental Activities		<u>\$80,998,712</u>

See accompanying notes to the basic financial statements.

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Adams County/Ohio Valley School District, Ohio
Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2009

	General	OSFC Local Funded Initiative	OSFC Project	Debt Service
Revenues:				
Taxes	\$6,195,563	\$0	\$0	\$2,432,251
Tuition and Fees	1,514,138	0	0	0
Investment Earnings	502,692	480,018	277,124	0
Intergovernmental	26,149,974	0	20,998,014	821,209
Extracurricular Activities	5,106	0	0	0
Charges for Services	54,748	0	0	0
Other Revenues	155,838	2,056	13,909	3,062
Total Revenues	34,578,059	482,074	21,289,047	3,256,522
Expenditures:				
Current:				
Instruction:				
Regular	16,250,113	0	0	0
Special	2,733,958	0	0	0
Vocational	2,559,764	0	0	0
Adult/Continuing	250,104	0	0	0
Student Intervention Services	460,534	0	0	0
Support Services:				
Pupil	1,627,104	0	0	0
Instructional Staff	1,461,367	0	0	0
General Administration	47,567	0	0	0
School Administration	2,834,722	0	0	0
Fiscal	738,024	0	0	87,782
Business	432,549	0	0	0
Operations and Maintenance	3,236,203	0	0	0
Pupil Transportation	2,128,656	0	0	0
Central	329,958	0	0	0
Operation of Non-Instructional Services	2,178	0	0	0
Extracurricular Activities	287,270	0	0	0
Capital Outlay	145,409	8,357,962	35,763,239	0
Debt Service:				
Principal Retirement	0	0	0	1,186,676
Interest and Fiscal Charges	0	0	0	1,844,045
Total Expenditures	35,525,480	8,357,962	35,763,239	3,118,503
Excess of Revenues Over (Under) Expenditures	(947,421)	(7,875,888)	(14,474,192)	138,019
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	20,571	0	0	0
Transfers In	0	0	125,925	112,379
Transfers (Out)	(238,304)	0	0	0
Total Other Financing Sources (Uses)	(217,733)	0	125,925	112,379
Net Change in Fund Balances	(1,165,154)	(7,875,888)	(14,348,267)	250,398
Fund Balances Beginning of Year	4,168,508	14,292,595	25,723,895	3,626,506
Fund Balances End of Year	\$3,003,354	\$6,416,707	\$11,375,628	\$3,876,904

See accompanying notes to the basic financial statements.

Other Governmental Funds	Total Governmental Funds
\$278,106	\$8,905,920
22,602	1,536,740
8,943	1,268,777
5,675,885	53,645,082
294,174	299,280
694,202	748,950
87,934	262,799
7,061,846	66,667,548
1,549,908	17,800,021
1,206,239	3,940,197
118,958	2,678,722
0	250,104
0	460,534
61,952	1,689,056
1,538,073	2,999,440
0	47,567
235,857	3,070,579
9,610	835,416
0	432,549
17,875	3,254,078
192,433	2,321,089
12,612	342,570
2,252,821	2,254,999
248,631	535,901
94,778	44,361,388
0	1,186,676
0	1,844,045
7,539,747	90,304,931
(477,901)	(23,637,383)
185	20,756
0	238,304
0	(238,304)
185	20,756
(477,716)	(23,616,627)
4,098,298	51,909,802
\$3,620,582	\$28,293,175

Adams County/Ohio Valley School District, Ohio
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balances of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended June 30, 2009

Net Change in Fund Balances - Total Governmental Funds (\$23,616,627)

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

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

Capital assets used in governmental activities	44,734,585	
Depreciation Expense	<u>(1,351,030)</u>	
		43,383,555

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

Delinquent Property Taxes	(59,360)	
Interest	(295,410)	
Intergovernmental	<u>(20,592,198)</u>	
		(20,946,968)

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

1,186,676

In the statement of activities interest expense is accrued when incurred, whereas in governmental funds an interest expenditure is reported when due.

4,548

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

Compensated Absences	(67,990)	
Deferred Bond Issuance Cost Amortization	(8,675)	
Amortization of Premium	<u>9,891</u>	
		<u>(66,774)</u>

Change in Net Assets of Governmental Activities (\$55,590)

See accompanying notes to the basic financial statements.

Adams County/Ohio Valley School District, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2009

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$6,102,089	\$6,117,531	\$6,087,171	(\$30,360)
Tuition and Fees	1,519,235	1,523,080	1,515,521	(7,559)
Investment Earnings	271,347	272,034	270,684	(1,350)
Intergovernmental	26,220,562	26,286,915	26,156,459	(130,456)
Extracurricular Activities	5,119	5,131	5,106	(25)
Charges for Services	54,882	55,021	54,748	(273)
Other Revenues	183,081	183,544	182,633	(911)
Total Revenues	34,356,315	34,443,256	34,272,322	(170,934)
Expenditures:				
Current:				
Instruction:				
Regular	16,614,928	16,841,675	16,338,115	503,560
Special	2,799,684	2,837,892	2,753,040	84,852
Vocational	2,665,672	2,702,051	2,621,261	80,790
Adult/Continuing	254,341	265,451	250,104	15,347
Student Intervention Services	472,646	479,096	464,771	14,325
Support Services:				
Pupil	1,615,516	1,637,564	1,588,601	48,963
Instructional Staff	1,473,769	1,493,881	1,449,215	44,666
General Administration	55,101	55,853	54,183	1,670
School Administration	2,872,330	2,911,530	2,824,476	87,054
Fiscal	753,891	764,180	741,331	22,849
Business	563,771	571,465	554,378	17,087
Operations and Maintenance	3,471,178	3,518,549	3,413,346	105,203
Pupil Transportation	2,345,226	2,377,231	2,306,153	71,078
Central	341,487	346,148	335,798	10,350
Operation of Non-Instructional Services	5,636	5,713	5,542	171
Extracurricular Activities	292,485	296,477	287,612	8,865
Capital Outlay	147,873	149,891	145,409	4,482
Total Expenditures	36,745,534	37,254,647	36,133,335	1,121,312
Excess of Revenues Over (Under) Expenditures	(2,389,219)	(2,811,391)	(1,861,013)	950,378
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	20,621	20,674	20,571	(103)
Advances In	558,750	560,164	557,384	(2,780)
Advances (Out)	(598,222)	(606,386)	(588,255)	18,131
Transfers In	2,856,985	2,864,214	2,850,000	(14,214)
Transfers (Out)	(3,141,868)	(3,184,746)	(3,089,523)	95,223
Total Other Financing Sources (Uses)	(303,734)	(346,080)	(249,823)	96,257
Net Change in Fund Balance	(2,692,953)	(3,157,471)	(2,110,836)	1,046,635
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	7,101,087	7,101,087	7,101,087	0
Fund Balance End of Year	\$4,408,134	\$3,943,616	\$4,990,251	\$1,046,635

See accompanying notes to the basic financial statements.

Adams County/Ohio Valley School District, Ohio
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2009

	Private Purpose Trust	Agency
	<u> </u>	<u> </u>
Assets:		
Equity in Pooled Cash and Investments	\$63,257	\$114,246
	<u> </u>	<u> </u>
Total Assets	63,257	114,246
	<u> </u>	<u> </u>
Liabilities:		
Accounts Payable	0	231
Other Liabilities	0	114,015
	<u> </u>	<u> </u>
Total Liabilities	0	\$114,246
	<u> </u>	<u> </u>
Net Assets:		
Held in Trust	63,257	
	<u> </u>	
Total Net Assets	\$63,257	
	<u> </u>	

See accompanying notes to the basic financial statements.

Adams County/Ohio Valley School District, Ohio
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2009

	Private Purpose Trust
Additions:	
Donations	\$4,500
Investment Earnings	1,487
Total Additions	<u>5,987</u>
Deductions:	
Payments In Accordance with Trust Agreements	<u>5,743</u>
Total Deductions	<u>5,743</u>
Change in Net Assets	244
Net Assets Beginning of Year	<u>63,013</u>
Net Assets End of Year	<u><u>\$63,257</u></u>

See accompanying notes to the basic financial statements.

Adams County/Ohio Valley School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The Adams County/Ohio Valley School District serves an area of approximately 468 square miles, with 99 percent of its territory located in Adams County and the remaining one percent in Highland County. Political subdivisions included in the District are the Villages of West Union, Peebles, Winchester, Sinking Spring, Cherry Fork, and Seaman, the thirteen townships of Adams County and the southern half of Brush Creek Township in Highland County. The District is staffed by 200 non-certified employees and 315 certified employees as well as 31 administrative employees who provide services to 4,120 students and other community members. The District operates ten instructional buildings, one administrative building, one bus garage and a supply warehouse.

Reporting Entity:

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization’s governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization’s resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. The 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 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 District, as directed by the non-public school. This activity is reflected in a special revenue fund and as part of governmental activities for financial reporting purposes.

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

The District participates in three jointly governed organizations, one insurance purchasing pool and a related organization. These organizations are the South Central Ohio Computer Association, the Hopewell Special Education Regional Resource Center, the Southwestern Ohio Educational Purchasing Council, the Southwestern Ohio Educational Council Property, Fleet and Liability Program and the Adams County Public Library. Information about these organizations is presented in Notes 14, 15 and 16 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Measurement Focus

Government-wide Financial Statements

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

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

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

Fund Financial Statements

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

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

B. Fund Accounting

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

Governmental Funds

Governmental funds are those through which most governmental functions of the 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 District's major governmental funds:

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

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

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

Debt Service Fund – The debt service fund is used to account for the accumulation of resources for the payment of general obligation bond principal and interest and certain other long-term obligations from governmental resources when the District is obligated in some manner for the payment.

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

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's only fiduciary funds are a private purpose trust fund and agency funds. The private purpose trust fund accounts for college scholarship programs for students. The District's agency funds account for those student activities which consist of a student body, student president, student treasurer and faculty advisor, and the receipt and remittance of Manchester Local School District's portion of the debt assumed by that District upon deconsolidation in fiscal year 2004.

C. Basis of Accounting

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

Revenues – Exchange and Non-exchange Transactions

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

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

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

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2009, but which were levied to finance fiscal year 2010 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Unearned Revenue

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

Expenses/Expenditures

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

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

D. Budgetary Process

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as final budgeted amounts reflect the amounts in the amended certificate that was in effect at the time the final appropriations were passed.

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

E. Equity in Pooled Cash and Investments

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

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2009 amounted to \$502,692, \$480,018 in OSFC Local Fund Initiative Fund, \$277,124 in OSFC Project and \$8,943 in Other Governmental Funds.

F. Inventory

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

G. Capital Assets

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

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

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

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

H. Interfund Activity

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

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

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

I. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees’ rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The 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 District’s past experience of making termination payments.

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

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

J. Accrued Liabilities and Long-Term Obligations

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

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

K. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors or laws of the other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund represent unclaimed monies and retainage in the OSFC Local Initiative Fund and OSFC Project Fund.

L. Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, inventory, property tax advances, 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 2009. Under Ohio law, unclaimed money must be held for five years before it becomes available for appropriation. Money not yet held for the five year period is presented as reserved.

M. Bond Premiums/Issuance Costs

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

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

N. Estimates

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

O. Net Assets

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

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

The government-wide Statement of Net Assets reports \$10,517,526 of restricted net assets, none of which are restricted by enabling legislation.

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

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

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Advances In and Advances Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
5. Investments are recorded at fair value (GAAP basis) rather than cost (budget basis).

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

<u>Net Change in Fund Balance</u>	
GAAP Basis	(\$1,165,154)
Revenue Accruals	(305,737)
Expenditure Accruals	160,424
Transfers In	2,850,000
Transfers Out	(2,851,219)
Advances In	557,384
Advances Out	(588,255)
Encumbrances	(768,279)
Budget Basis	<u><u>(\$2,110,836)</u></u>

NOTE 4 - DEPOSITS AND INVESTMENTS

Monies held by the District are classified by State statute into three categories. Active monies are public monies determined to be necessary to meet current demands upon the District treasury. Active monies must be maintained either as cash in the District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

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

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

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year-end, \$19,945,256 of the District's bank balance of \$22,313,016 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

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

Investments

As of June 30, 2009, the District had the following investments, which are in an internal investment pool:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Money Market Funds	\$8,002,835	0.00
Federal Home Loan Bank	4,822,450	0.61
Federal National Mortgage Association	2,347,531	2.73
	<u>\$15,172,816</u>	
Portfolio Weighted Average Maturity		0.62

Interest Rate Risk

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

Credit Risk

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

Custodial Credit Risk

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

Concentration of Credit Risk

The District places no limit on the amount it may invest in any one issuer. Of the District's total investments, 53% is invested in Money Market Funds, 32% is invested in Federal Home Loan Bank, and 15% is invested in Federal National Mortgage Association.

NOTE 5 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the District's fiscal year runs from July through June. First half tax collections are received by the 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 District. Real property tax revenue received in calendar year 2009 represents collections of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed value listed as of January 1, 2008, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2009 represents collections of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien December 31, 2007, were levied after April 1, 2008, and are collected in 2009 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2009 (other than public utility property) represents the collection of 2009 taxes. Tangible personal property taxes received in calendar year 2009 were levied after April 1, 2008, on the value as of December 31, 2008. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out. The assessment percentage for all property including inventory for 2008 is 6.25 percent. This will be reduced to zero for 2013. 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 District prior to June 30. This year, the June 2009 tangible personal property tax was not received until July 2009.

The District receives property taxes from Adams and Highland Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2009, are available to finance fiscal year 2009 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, 2009, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 and the delayed settlement of personal property taxes were levied to finance current fiscal year operations and are reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2009, was \$484,862 in the General Fund, \$198,398 in the Debt Service Fund, and \$22,515 in Other Governmental Funds. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

The assessed values upon which the fiscal year 2009 taxes were collected are:

	<u>2008 Second Half Collections</u>		<u>2009 First Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Real Estate	\$275,152,990	88.00%	\$292,276,570	92.05%
Public Utility	13,429,920	4.30%	25,252,140	7.95%
Personal Tangible	24,102,550	7.70%	0	0.00%
Total Assessed Value	<u>\$312,685,460</u>	<u>100.00%</u>	<u>\$317,528,710</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$34.87		\$34.87	

NOTE 6 – RECEIVABLES

Receivables at June 30, 2009, consisted of property taxes, accounts (billings for user charged services and student fees), interest, intergovernmental grants and interfund. All receivables are considered collectible in full and will be received within one year with the exception of the property taxes and the grant from the Ohio School Facilities Commission. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year.

Intergovernmental Receivables at June 30, 2009 were as follows:

OSFC Project Fund	\$3,075,130
Other Governmental Funds:	
Public School	518
Ohio Reads	41,257
Alternative Schools	2,411
Miscellaneous State Grants	3,862
IDEA-B	231,438
Carl Perkins	21,579
Title I	446,441
Title V	8,971
Drug Free Schools	4,199
IDEA Preschools	2,242
Improving Teacher Quality	102,108
Miscellaneous Federal Grants	23,005
Food Service	168,214
Total	<u><u>\$4,131,375</u></u>

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NOTE 7 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2009, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$782,803	\$0	\$0	\$782,803
Construction in Progress	<u>8,608,635</u>	<u>44,361,388</u>	<u>0</u>	<u>52,970,023</u>
Total Capital Assets, not being depreciated	9,391,438	44,361,388	0	53,752,826
<i>Capital Assets, being depreciated:</i>				
Land Improvements	3,222,043	23,400	0	3,245,443
Buildings and Improvements	43,613,730	25,793	0	43,639,523
Furniture, Fixtures and Equipment	2,527,057	70,026	0	2,597,083
Vehicles	<u>4,192,644</u>	<u>253,978</u>	<u>110,297</u>	<u>4,336,325</u>
<i>Total Capital Assets, being depreciated:</i>	<u>53,555,474</u>	<u>373,197</u>	<u>110,297</u>	<u>53,818,374</u>
Totals at Historical Cost	<u>62,946,912</u>	<u>44,734,585</u>	<u>110,297</u>	<u>107,571,200</u>
Less Accumulated Depreciation:				
Land Improvements	3,187,406	24,557	0	3,211,963
Buildings and Improvements	12,914,025	868,516	0	13,782,541
Furniture's, Fixtures and Equipment	1,842,638	173,961	0	2,016,599
Vehicles	<u>2,425,305</u>	<u>283,996</u>	<u>110,297</u>	<u>2,599,004</u>
Total Accumulated Depreciation	<u>20,369,374</u>	<u>1,351,030</u>	<u>110,297</u>	<u>21,610,107</u>
Governmental Activities Capital Assets, Net	<u>\$42,577,538</u>	<u>\$43,383,555</u>	<u>\$0</u>	<u>\$85,961,093</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:		
Regular		\$890,925
Special		8,617
Vocational		29,463
Support Services:		
Pupil		2,156
Instructional Staff		9,704
School Administration		10,524
Fiscal		605
Business		1,100
Operations and Maintenance		56,583
Pupil Transportation		302,619
Central		89
Operation of Non-Instructional Services		33,937
Extracurricular Activities		4,708
Total Depreciation Expense		<u><u>\$1,351,030</u></u>

NOTE 8 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. As of June 30, 2009, the District obtained coverage through the Southwestern Ohio Educational Purchasing Council Property, Fleet and Liability Program (Note 15) with Marsh Company of Toledo, Ohio, serving as the agent. General liability coverage, educator's legal liability coverage, and auto liability and physical damage coverage are provided by Selective Insurance Company of South Carolina. Property coverage is provided by Travelers Indemnity Insurance Company. Boiler and machinery coverage is provided by Federal Insurance Company, a division of Chubb & Sons Insurance Company. Umbrella coverage is provided by American Alternative Insurance Company. Insurance coverage provided includes the following:

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

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

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

NOTE 9 - PENSION PLANS

SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

Plan Description

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

Funding Policy

Plan members are required to contribute 10% of their annual covered salary and District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care fund) of the System. For fiscal year ending June 30, 2009, the allocation to pension and death benefits is 9.09%. The remaining 4.91% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's contributions to SERS for the years ended June 30, 2009, 2008, and 2007 were \$735,984, \$689,184 and \$463,090 respectively; 48% has been contributed for fiscal year 2009 and 100% for fiscal years 2008 and 2007.

STATE TEACHERS RETIREMENT SYSTEM OF OHIO

Plan Description

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

Plan Options

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

DB Plan Benefits

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

DC Plan Benefits

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

Combined Plan Benefits

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

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

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

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

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

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

Funding Policy

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

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2009, were 10% of covered payroll for members and 14% for employers. The District's contributions to STRS for the years ended June 30, 2009, 2008, and 2007 were \$2,541,264, \$2,362,800 and \$2,139,846, respectively; 82% has been contributed for fiscal year 2009 and 100% for fiscal years 2008 and 2007.

NOTE 10 - POST EMPLOYMENT BENEFITS

SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

Plan Description

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

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2009 was \$96.40; SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2009, the actuarially required allocation was .75%. District contributions for the year ended June 30, 2009, 2008 and 2007 were \$39,428, \$33,475 and \$24,808, respectively, which equaled the required contributions each year.

Health Care Plan

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

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

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2009, the health care allocation was 4.16%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2009, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District contributions assigned to health care for the years ended June 30, 2009, 2008, and 2007 were \$218,692, \$163,435, and \$156,087, respectively.

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

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

STATE TEACHERS RETIREMENT SYSTEM OF OHIO

Plan Description

STRS Ohio administers a pension plan that is comprised of: a Defined Benefit Plan; a self-directed Defined Contribution Plan and a Combined Plan that is a hybrid of the Defined Benefit and the Defined Contribution Plan.

Ohio law authorized STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

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

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

Funding Policy

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contributions rate, 1% of covered payroll was allocated to post-employment health care for the years ended June 30, 2009, 2008 and 2007. The 14% employer contribution rate is the maximum rate established under Ohio law. The District contributions for the years ended June 30, 2009, 2008, and 2007 were \$181,519, \$168,771, and \$164,604, respectively.

NOTE 11 - EMPLOYEE BENEFITS

A. Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 215 days for administrators. One third of each administrator's accumulated sick leave over 200 days shall be paid out at the end of each fiscal year. Classified personnel may accumulate up to a maximum of 200 days for usage purposed; however, for retirement purposes, they may accumulate up to a maximum of 260 days. Certified personnel may accumulate up to a maximum of 200 days for usages; however, for retirement purposes, they may accumulate an unlimited number of days. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum payment of 50 days for administrators and 65 days for classified employees. Certified employees receive one-fourth of their unused sick leave upon retirement. The District offers a super-severance provision for employees who retire in their first year of eligibility. Under this policy, payment is made for one-half of the accumulated sick leave credit up to a maximum payment of 100 days.

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

B. Insurance Benefits

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

C. Perfect/Excellent Attendance Incentive

Bonus checks are issued to employees who have perfect or excellent attendance in any full work year (July 1- June 30).

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

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

NOTE 12 - LONG-TERM OBLIGATIONS

The changes in the District's long-term obligations during fiscal year 2009 were as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due In One Year
Governmental Activities:					
Energy Conversation Bonds					
2001 5.92%	\$294,440	\$0	\$97,596	\$196,844	\$97,596
School Improvement Bonds					
1995 4.55% - 5.25%	17,458,840	0	759,080	16,699,760	813,300
School Improvement Bonds 2007					
Serial Bonds 4.00% - 5.00%	6,350,000	0	330,000	6,020,000	330,000
Term Bonds 4.25% - 5.00%	12,100,000	0	0	12,100,000	0
Premium on Debt Issue	257,173	0	9,891	247,282	0
Total Long-Term Bonds	<u>36,460,453</u>	<u>0</u>	<u>1,196,567</u>	<u>35,263,886</u>	<u>1,240,896</u>
Compensated Absences	2,302,803	284,063	188,014	2,398,852	222,058
Total Governmental Activities	<u>\$38,763,256</u>	<u>\$284,063</u>	<u>\$1,384,581</u>	<u>\$37,662,738</u>	<u>\$1,462,954</u>

Energy Conservation Bonds - On June 18, 2001, the District issued \$1,293,047 in unvoted general obligation bonds for the purpose of providing energy conservation measures. The bonds were issued for ten years with final maturity at July 2, 2011. Manchester Local School District assumed \$509,030 of the outstanding bond amount as of July 1, 2004. The bonds will be retired from the Debt Service Fund.

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

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

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

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

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

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

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

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

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

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

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

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

The District's overall legal debt margin was (\$5,280,250) with an unvoted debt margin of \$334,241. Ohio Revised Code section 133.06(I) allows a school district to incur net indebtedness in excess of the legal debt limitation when necessary to raise the school district's local portion of Ohio School Facilities construction project cost.

Principal requirements to retire general obligation debt at June 30, 2009, are as follows:

Energy Conservation Bonds - 2001			
Fiscal year Ending June 30,	Principal	Interest	Total
2010	\$97,596	\$9,487	\$107,083
2011	97,596	3,709	101,305
2012	1,652	48	1,700
Total	<u>\$196,844</u>	<u>\$13,244</u>	<u>\$210,088</u>

School Improvement Bonds - 1995			
Fiscal year Ending June 30,	Principal	Interest	Total
2010	\$813,300	\$970,470	\$1,783,770
2011	881,075	917,064	1,798,139
2012	948,850	853,016	1,801,866
2013	1,030,180	783,750	1,813,930
2014	1,125,065	708,316	1,833,381
2015-2019	6,777,500	2,315,667	9,093,167
2020-2022	5,123,790	414,888	5,538,678
Total	<u>\$16,699,760</u>	<u>\$6,963,171</u>	<u>\$23,662,931</u>

School Improvement Bonds - 2007

Fiscal Year Ending June 30,	Serial	Serial	Term Bonds Principal	Term Bonds Interest	Total
	Bonds Principal	Bonds Interest			
2010	\$330,000	\$240,050	\$0	\$562,288	\$1,132,338
2011	330,000	226,850	0	562,288	1,119,138
2012	400,000	212,250	0	562,288	1,174,538
2013	420,000	195,850	0	562,288	1,178,138
2014	460,000	178,250	0	562,288	1,200,538
2015-2019	2,790,000	568,675	0	2,811,440	6,170,115
2020-2024	1,290,000	52,000	1,375,000	2,656,440	5,373,440
2025-2029	0	0	4,090,000	1,765,815	5,855,815
2030-2034	0	0	6,635,000	638,669	7,273,669
Total	\$6,020,000	\$1,673,925	\$12,100,000	\$10,683,804	\$30,477,729

NOTE 13 - INTERFUND ACTIVITY

Interfund transactions at June 30, 2009, consisted of the following individual interfund receivables, interfund payables, transfers in and transfers out:

	Interfund		Transfers	
	Receivable	Payable	In	Out
General Fund	\$403,877	\$0	\$0	\$238,304
OSFC Project	0	0	125,925	0
Debt Service	0	0	112,379	0
Other Governmental Funds	0	403,877	0	0
Total All Funds	\$403,877	\$403,877	\$238,304	\$238,304

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

NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS

A. South Central Ohio Computer Association

The District is a participant in the South Central Ohio Computer Association (SCOCA), which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Adams, Brown, Gallia, Highland, Pickaway, Pike, Ross, Scioto, Vinton, Jackson and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each county in the SCOCA service region designated by the Ohio Department of Education, two representatives of the school treasurers, plus a representative of the fiscal agent. The District paid SCOCA \$372,727 for services provided during the fiscal year. Financial information can be obtained from their fiscal agent, the Pike County Joint Vocational School District, Tonya Cooper who serves as Treasurer, P.O. Box 577, 175 Beaver Creek Road, Piketon, Ohio, 45661.

B. Hopewell Special Education Regional Resource Center

The Hopewell Special Education Regional Resource Center (Hopewell) is a jointly governed organization created by the Ohio Department of Education at the request of the participating school districts to offer direct and related services to low incidence handicapped students of the region. Eighteen local, city, and exempted village school districts receive services from Hopewell. Hopewell is operated under regulations and policies established by the Ohio Department of Education, and its own advisory board. The advisory board is made up of superintendents from the eighteen school districts or their designee, plus a representative from the Southern Ohio Educational Service Center, a representative from the board of mental retardation and developmental disabilities, two joint vocational school superintendents and five parents of handicapped children living in the region. The Southern Ohio Educational Service Center acts as fiscal agent. Hopewell receives funding from the contracts with each of the member school districts and federal and State grants. To obtain financial information, write to Hopewell at the Southern Ohio Educational Service Center, 3321 Airborne Drive, Wilmington, Ohio, 45177.

C. Southwestern Ohio Educational Purchasing Council

The District participates in the Southwestern Ohio Educational Purchasing Council (SOEPC), a purchasing council made up of nearly 100 school districts in 12 counties. The purpose of the SOEPC is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations during the one year period. Payments to SOEPC are made from the General Fund. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

NOTE 15 - INSURANCE PURCHASING POOL

Southwestern Ohio Educational Purchasing Council Property, Fleet and Liability Program

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

NOTE 16 - RELATED ORGANIZATION

Adams County Public Library

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

NOTE 17 - SET-ASIDE CALCULATIONS AND FUND RESERVES

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

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set Aside Reserve Balance as of June 30, 2008	(\$1,431,989)	\$0
Current Year Set Aside Requirements	670,179	670,179
Qualified Disbursements	(813,947)	(588,403)
Current Year Offsets	0	(81,776)
Set Aside Reserve Balance as of June 30, 2009	<u>(\$1,575,757)</u>	<u>\$0</u>
Restricted Cash as of June 30, 2009	<u>\$0</u>	<u>\$0</u>
Carried Forward to FY 2010	<u>(\$1,575,757)</u>	

Although the District had offsets and qualifying disbursements during the fiscal year that reduced the set-aside amounts to below zero for textbooks and capital acquisition, only the amount for the textbooks set-aside may be used to reduce the set-aside requirement of future fiscal years.

The capital acquisition negative amount is therefore not presented as being carried forward to the next fiscal year.

NOTE 18 – CONTINGENCIES

A. Grants

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2009.

B. Litigation

The District is not involved in any litigation as of June 30, 2009.

NOTE 19 – ACCOUNTABILITY

The following funds had deficit fund balances at June 30, 2009:

<u>Other Governmental Funds</u>	<u>Deficit</u>
Auxiliary Services	\$2,290
Entry Year	4,900
Poverty Based Assistance	195,097
IDEA-B	76,681
Carl Perkins	1,936
Title I	143,003
Drug Free Schools	79
Improving Teacher Quality	58,421

These deficits were created by the recognition of accrued liabilities.

NOTE 20 – CONTRACTUAL COMMITMENT

In May 2009, the District entered into contractual agreements with the following contractors for work on the District's Ohio School Facilities Commission construction project:

<u>Contractor</u>	<u>Work to Be Performed</u>	<u>Contract Amount</u>
APG Office Furnishings	Loose Furnishings	\$387,321
Continental Office Furniture	Loose Furnishings	\$639,083
Kings Business Interiors	Loose Furnishings	\$143,318
Tom Sexton & Associates	Loose Furnishings	\$176,261

ADAMS COUNTY/OHIO VALLEY LOCAL SCHOOL DISTRICT
 Schedule of Federal Awards Receipts and Expenditures
 For the Fiscal Year Ended June 30, 2009

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
United States Department of Agriculture						
<i>Passed through Ohio Department of Education</i>						
<i>Nutrition Cluster:</i>						
School Breakfast Program	3L70	10.553	\$ 304,228	\$ -	\$ 304,228	\$ -
National School Lunch Program	3L60	10.555	<u>851,655</u>	<u>151,722</u>	<u>851,655</u>	<u>151,722</u>
Total Nutrition Cluster			1,155,883	151,722	1,155,883	151,722
Total United States Department of Agriculture			<u>1,155,883</u>	<u>151,722</u>	<u>1,155,883</u>	<u>151,722</u>
United States Department of Education						
<i>Passed through Ohio Department of Education</i>						
<i>Special Education Cluster:</i>						
Special Education - Grants to States	6BSF	84.027	799,732	-	816,293	-
Special Education - Preschool Grants	PGS1	84.173	<u>19,891</u>	<u>-</u>	<u>22,619</u>	<u>-</u>
Total Special Education Cluster			819,623	-	838,912	-
Title I Grants to Local Educational Agencies	C1S1	84.010	1,326,310	-	1,497,480	-
Vocational Educational Basic Grants to States	20C1	84.048	131,117	-	118,459	-
Safe and Drug Free Schools and Communities - State Grants	DRS1	84.186	21,965	-	22,664	-
Javits Gifted and Talented Students Education Grant Program	N/A	84.206	3,000	-	-	-
State Grants for Innovative Programs	C2S1	84.298	332	-	8,872	-
Education Technology State Grants	TJS1	84.318	4,485	-	6,855	-
Rural Education	N/A	84.358	99,469	-	106,513	-
Improving Teacher Quality State Grants	TRS1	84.367	<u>381,313</u>	<u>-</u>	<u>379,312</u>	<u>-</u>
Total United States Department of Education			<u>1,967,991</u>	<u>-</u>	<u>2,140,155</u>	<u>-</u>
Total Federal Financial Assistance			<u>\$ 3,943,497</u>	<u>\$ 151,722</u>	<u>\$ 4,134,950</u>	<u>\$ 151,722</u>

N/A=Not Available

See accompanying notes to schedule of federal awards receipts and expenditures.

ADAMS COUNTY/OHIO VALLEY LOCAL SCHOOL DISTRICT

Notes to Schedule of Federal Awards Receipts and Expenditures

For the Fiscal Year Ended June 30, 2009

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Receipts and Expenditures of Federal Awards (the Schedule) is a summary of the activity of the School District's federal award program. The Schedule has been prepared on the cash basis of accounting.

NOTE B –FOOD DISTRIBUTIONS

Program regulations do not require the School 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 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.



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

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

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Adams County/Ohio Valley Local School District, Adams County (the School District) as of and for the year ended June 30, 2009, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 18, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

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

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2009-002.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we believe the significant deficiency described above, finding 2009-002, is also a material weakness.

We also noted a certain internal control matter that we reported to the School District's management in a separate letter dated December 18, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2009-001.

We also noted a certain noncompliance or other matters not requiring inclusion in this report that we reported to the School District's management in a separate letter dated December 18, 2009.

The School District's response to the findings identified in our audit is described in the accompanying schedule of findings. We did not audit the School District's responses, and accordingly, we express no opinion on them.

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



Balestra, Harr & Scherer, CPAs, Inc.

December 18, 2009



**Report on Compliance With Requirements Applicable to Each Major Federal Program and
on Internal Control Over Compliance in Accordance with OMB Circular A-133**

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

Compliance

We have audited the compliance of the Adams County/Ohio Valley Local School District, Adams County (the School District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that apply to each of its major federal programs for the year ended June 30, 2009. The summary of auditor's results section of the accompanying schedule of findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts and grants applicable to each major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing other procedures 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 School District's compliance with those requirements.

In our opinion, the School District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

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

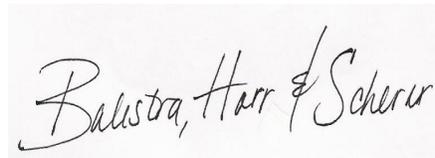
Internal Control Over Compliance (Continued)

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

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

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

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



Balestra, Harr & Scherer, CPAs, Inc.

December 18, 2009

ADAMS COUNTY/OHIO VALLEY LOCAL SCHOOL DISTRICT
ADAMS COUNTY
JUNE 30, 2009

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 SECTION .505

SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any other significant control deficiencies reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant control deficiencies reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section .510?	No
(d)(1)(vii)	Major Programs (list):	Special Education Cluster CFDA# 84.027 & 84.173 Improving Teacher Quality State Grants CFDA# 84.367
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

ADAMS COUNTY/OHIO VALLEY LOCAL SCHOOL DISTRICT
ADAMS COUNTY
JUNE 30, 2009

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 SECTION .505

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

Finding Number 2009-001

Material Non-Compliance – Appropriations in Excess of Available Resources

The Ohio Revised Code Section 5705.36 (A)(2) allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. ORC 5705.36 requires the District to obtain an increased amended certificate of estimated resources from the budget commission if the legislative authority intends to appropriate and expend excess revenue. The Ohio Revised Code Section 5705.36 (A) (4) requires the District to obtain a reduced amended certificate if the amount of the deficiency will reduce available resources below the current level of appropriation.

In 2009, final appropriations exceeded total available resources for appropriation, in the Ohio School Facilities Commission (OSFC) Construction Fund (010) by \$961,695 and in the Title I Fund (572) by \$495,059.

The District should implement procedures to monitor actual receipts during the year and amend the District's estimated resources and appropriations accordingly in order to avoid having appropriations in excess of available resources.

Client Response

The 010 fund is a construction fund that crosses over multiple fiscal years, as such this makes tracking a little more difficult. We will do our best to more closely monitor all appropriations to ensure that we do not exceed total available resources ever again. This activity will become part of our quarterly closing procedures.

Finding Number 2009-002

Material Weakness

The District incurred adjustments due to the restatement of Restricted Net Assets and Intergovernmental Receivables. The accompanying financial statements were adjusted to reflect correction of these material misstatements.

The District should implement application and monitoring controls over financial reporting to ensure that all financial statement transactions are accurately and completely reported.

Client Response

Financial statements are prepared by an outside accounting firm, and as such the district will take additional steps to make sure that these statements are available to review as soon as possible. This is an isolated incident and I have full confidence that we can make sure that this does not happen again. The district will take additional steps to review all financial statements and working papers in a timely and thorough manner.

ADAMS COUNTY/OHIO VALLEY LOCAL SCHOOL DISTRICT
ADAMS COUNTY
JUNE 30, 2009

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 SECTION .505

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



Independent Auditor's Report on Applying Agreed-Upon Procedures

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

To the Board of Education:

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

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

1. We noted the Board adopted an anti-harassment policy at its meeting on December 17, 2007.
2. We read the policy, noting it included the following requirements from the Ohio Rev. Code Section 3313.666(B)
 - 1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - 2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.66;
 - 3) A procedure for reporting prohibited incidents;
 - 4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
 - 5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the “Family Educational Rights and Privacy Act of 1974,” 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
 - 6) A procedure for documenting any prohibited incident that is reported;

- 7) A procedure for responding to and investigating any reported incident;
- 8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- 9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- 10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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

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



Balestra, Harr & Scherer, CPAs, Inc.

December 18, 2009



Mary Taylor, CPA
Auditor of State

ADAMS COUNTY/OHIO VALLEY LOCAL SCHOOL DISTRICT

ADAMS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 4, 2010**