



# **Balestra, Harr & Scherer, CPAs, Inc.**

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Accounting, Auditing and Consulting Services for Federal, State and Local Governments

[www.bhscpas.com](http://www.bhscpas.com)

ADAMS COUNTY/OHIO VALLEY LOCAL SCHOOL DISTRICT  
ADAMS COUNTY

SINGLE AUDIT

For the Year Ended June 30, 2012  
Fiscal Year Audited Under GAGAS: 2012





# Dave Yost • 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, 2011 through June 30, 2012. 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

January 31, 2013

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

**BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

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# Balestra, Harr & Scherer, CPAs, Inc.

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## Independent Auditor's Report

Members of the Board of Education  
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, Adams County, (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Adams County/Ohio Valley Local School District, Adams County, Ohio, as of June 30, 2012 and the respective changes in financial position thereof, and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2012 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include Management's discussion and analysis, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

Members of the Board of Education  
Adams County/Ohio Valley Local School District  
Independent Auditor's Report  
Page 2

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The Schedule of Federal Awards Receipts and Expenditures provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Schedule of Federal Awards Receipts and Expenditures is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Balestra, Harr & Scherer, CPAs*

Balestra, Harr & Scherer, CPAs, Inc.  
November 28, 2012

**Adams County/Ohio Valley School District, Ohio**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2012**  
**(Unaudited)**

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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, 2012. 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, 2012. 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, 2012 by \$79,787,035. Invested in capital assets net of related debt and net assets restricted for specific purposes totaled \$74,261,789, leaving a balance in unrestricted net assets of \$5,525,246 .
- Net assets of governmental activities increased \$3,901,403 which represents a 5.1% increase from 2011.
- General revenues accounted for \$32,799,303 or 71% of all revenues. Program specific revenues in the form of charges for services and sales and operating and capital grants and contributions accounted for \$13,111,267 or 29% of total revenues of \$45,910,570.
- The District had \$42,009,167 in expenses related to governmental activities; only \$13,111,267 of these expenses were offset by program specific charges for services and sales, operating grants, contributions and interest, and capital grants and contributions.

**Adams County/Ohio Valley School District, Ohio**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2012**  
**(Unaudited)**

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**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 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 2012?" 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.

**Adams County/Ohio Valley School District, Ohio**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2012**  
**(Unaudited)**

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**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**

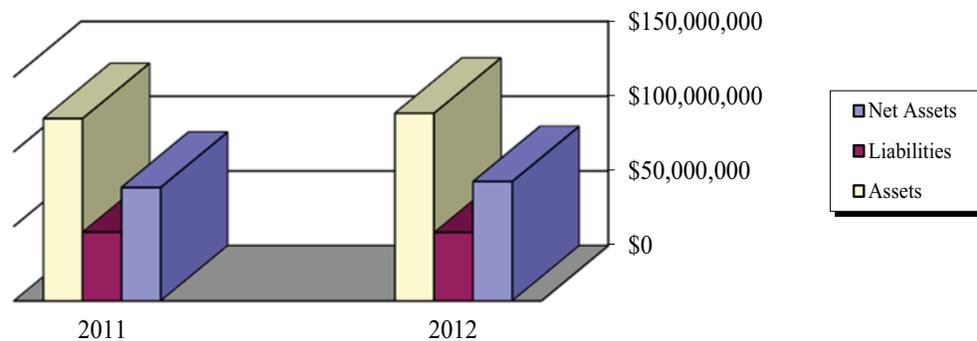
Recall that the Statement of Net Assets provides the perspective of the District as a whole.

**Adams County/Ohio Valley School District, Ohio**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2012**  
**(Unaudited)**

Table 1 provides a summary of the District's net assets for fiscal years 2012 and 2011:

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

	Governmental Activities	
	2012	2011
<b>Assets:</b>		
Current and Other Assets	\$28,605,422	\$22,379,745
Capital Assets	96,914,409	99,533,523
<b>Total Assets</b>	<b>125,519,831</b>	<b>121,913,268</b>
<b>Liabilities:</b>		
Other Liabilities	12,449,611	11,000,425
Long-Term Liabilities	33,283,185	35,027,211
<b>Total Liabilities</b>	<b>45,732,796</b>	<b>46,027,636</b>
<b>Net Assets:</b>		
Invested in Capital Assets, Net of Related Debt	65,420,494	66,840,638
Restricted	8,841,295	9,127,907
Unrestricted	5,525,246	(82,913)
<b>Total Net Assets</b>	<b>\$79,787,035</b>	<b>\$75,885,632</b>



Net assets increased by \$3,901,403 because total assets increased by \$3,606,563 due to increases in cash and taxes receivable.

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.

**Adams County/Ohio Valley School District, Ohio**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2012**  
**(Unaudited)**

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	
	2012	2011
Revenues:		
Program Revenues		
Charges for Services and Sales	\$2,272,232	\$2,163,878
Operating Grants and Contributions	10,581,242	11,573,238
Capital Grants and Contributions	257,793	0
General Revenues		
Property Taxes	8,178,958	9,331,378
Grants and Entitlements not Restricted to Specific Programs	23,824,976	23,143,650
Other	795,369	305,581
Total Revenues	<u>45,910,570</u>	<u>46,517,725</u>
Program Expenses		
Instruction	23,602,641	26,955,234
Support Services:		
Pupil and Instructional Staff	4,351,446	4,924,506
School Administrative, General		
Administration, Fiscal and Business	3,802,661	4,209,033
Operations and Maintenance	3,299,208	3,013,113
Pupil Transportation	2,732,167	2,884,403
Central	275,734	271,172
Operation of Non-Instructional Services	2,039,419	2,397,922
Extracurricular Activities	454,922	622,182
Interest and Fiscal Charges	1,450,969	1,700,286
Total Program Expenses	<u>42,009,167</u>	<u>46,977,851</u>
Change in Net Assets	3,901,403	(460,126)
Net Assets Beginning of Year	<u>75,885,632</u>	<u>76,345,758</u>
Net Assets End of Year	<u><u>\$79,787,035</u></u>	<u><u>\$75,885,632</u></u>

**Adams County/Ohio Valley School District, Ohio**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2012**  
(Unaudited)

**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 2012, while Property Taxes made up 18%.

Instruction comprises 56% of governmental program expenses. Support services expenses comprise of 34% of governmental expenses. All other expenses make up 10% of governmental expenses. The District had a decrease in instructional expenses when compared to 2011 due to ongoing cost cutting measures.

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		Net Cost of Services	
	2012	2011	2012	2011
Instruction	\$23,602,641	\$26,955,234	(\$15,475,152)	(\$18,894,054)
Support Services:				
Pupil and Instructional Staff	4,351,446	4,924,506	(2,717,227)	(2,841,856)
School Administrative, General				
Administration, Fiscal and Business	3,802,661	4,209,033	(3,524,866)	(3,675,948)
Operations and Maintenance	3,299,208	3,013,113	(3,115,022)	(2,717,492)
Pupil Transportation	2,732,167	2,884,403	(2,535,271)	(2,701,008)
Central	275,734	271,172	(275,734)	(214,811)
Operation of Non-Instructional Services	2,039,419	2,397,922	382,510	(38,655)
Extracurricular Activities	454,922	622,182	(186,169)	(456,625)
Interest and Fiscal Charges	1,450,969	1,700,286	(1,450,969)	(1,700,286)
Total Expenses	<u>\$42,009,167</u>	<u>\$46,977,851</u>	<u>(\$28,897,900)</u>	<u>(\$33,240,735)</u>

**The District's Funds**

The District has two major governmental funds: the General Fund and the Debt Service Fund. Assets of these funds comprised \$22,077,235 (78%) of the total \$28,351,202 governmental funds assets.

**General Fund:** Fund balance at June 30, 2012 was \$5,474,953 an increase in fund balance of \$4,711,956 from 2011. The primary reason for the increase in fund balance was due to the decrease in instructional expenses in 2012 compared to 2011.

**Adams County/Ohio Valley School District, Ohio**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2012**  
**(Unaudited)**

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**Debt Service Fund:** Fund balance at June 30, 2012 was \$4,602,909 an increase in fund balance of \$305,058 from 2011. The primary reason for the increase in fund balance was due to the decrease in debt payments made in 2012 compared to 2011.

**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 2012, 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 \$35,097,367 with original budget estimates of \$32,798,120, the difference was mainly due to underestimates in taxes revenue and intergovernmental revenue. 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 \$32,254,995 while the actual expenditures for the District were \$30,331,919, a difference of six percent.

The District's ending unobligated cash balance of \$6,799,056 was \$1,433,681 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, 2012 was \$96,914,409. This investment in capital assets includes land, buildings and improvements, furniture, fixtures, and equipment, and vehicles. Table 4 shows fiscal year 2012 balances compared to fiscal year 2011:

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

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	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
Land	\$1,063,713	\$923,258
Construction in Progress	0	810,159
Buildings and Improvements	94,138,403	95,820,762
Furniture, Fixtures, and Equipment	436,155	420,620
Vehicles	1,276,138	1,558,724
Totals	<u>\$96,914,409</u>	<u>\$99,533,523</u>

**Adams County/Ohio Valley School District, Ohio**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2012**  
(Unaudited)

Capital Assets decreased as a result of additions being less than depreciation expense. For more information on capital assets, refer to note 7 of the basic financial statements.

***Debt***

At June 30, 2012, the District had \$31,514,036 in outstanding debt, \$1,620,180 due within one year. Table 5 summarizes the District's outstanding debt:

**Table 5**  
**Outstanding Debt at Year End**

	Governmental Activities	
	2012	2011
School Improvement Bonds, 1995	\$4,676,477	\$15,005,385
2012 Refunding of 1995 School Improvement Bonds	8,400,000	0
2012 Capital Appreciation Bonds - Principal Only	980,058	0
2012 Capital Appreciation Bonds - Accreted Interest	20,121	0
Deferred Charge on 2012 Refunding	(157,245)	0
Premium on 2012 Refunding	317,016	0
School Improvement Bonds, 2007:		
Serial Bonds 4.00% - 5.00%	4,960,000	5,360,000
Term Bonds 4.25% - 5.00%	12,100,000	12,100,000
Premium	217,609	227,500
Totals	<u>\$31,514,036</u>	<u>\$32,692,885</u>

The District's debt decreased by \$1,178,849 because of debt payments being made. For more information on outstanding debt, refer to note 12 of the basic financial statements.

**Adams County/Ohio Valley School District, Ohio**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2012**  
**(Unaudited)**

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**For the Future**

In June 2011, the Ohio's Governor signed HB 153, the state biennium budget bill. Included in this bill was a complete overhaul of the school funding model for all school districts in Ohio. The previous funding mechanism, Ohio Evidence-Based Model (OEBM), which was introduced in July 2009, has been eliminated and a "bridge" formula was created for the 2011-2012 school year. The Governor's Office was unable to provide a funding formula for the 2012-2013 school year as previously hoped and have subsequently decided to continue funding schools on the "bridge" formula. Legislators are continuing to meet and discuss a new funding formula; however, at this time all school districts within the State of Ohio do not know what funding mechanism will be used beyond fiscal year 2013. This continued uncertainty could have a major impact on our instructional and operational programs.

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 all of our students as well as 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 K. Hageman, Treasurer, Adams County/Ohio Valley School District, 141 Lloyd Road, West Union, OH 45693.

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Adams County/Ohio Valley School District, Ohio  
Statement of Net Assets  
June 30, 2012

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$16,793,857
Restricted Cash and Investments	10,038
Receivables:	
Taxes	10,509,235
Accounts	138,387
Intergovernmental	725,399
Deferred Bond Issuance Costs	350,613
Inventory	77,893
Nondepreciable Capital Assets	1,063,713
Depreciable Capital Assets, Net	<u>95,850,696</u>
 Total Assets	 <u>125,519,831</u>
Liabilities:	
Accounts Payable	138,649
Accrued Wages and Benefits	3,692,480
Accrued Interest Payable	115,698
Contracts Payable	20,000
Unearned Revenue	8,482,784
Long-Term Liabilities:	
Due Within One Year	1,788,590
Due In More Than One Year	<u>31,494,595</u>
 Total Liabilities	 <u>45,732,796</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	65,420,494
Restricted for:	
Local Grants	50,647
Debt Service	4,699,136
Capital Projects	1,991,696
Food Service	831,601
Classroom Facilities Maintenance	1,171,484
Federal Grants	58,243
Other Purposes	38,488
Unrestricted	<u>5,525,246</u>
 Total Net Assets	 <u>\$79,787,035</u>

See accompanying notes to the basic financial statements.

Adams County/Ohio Valley School District, Ohio  
Statement of Activities  
For the Fiscal Year Ended June 30, 2012

	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
<b>Governmental Activities:</b>					
<b>Instruction:</b>					
Regular	\$16,114,774	\$677,588	\$2,069,680	\$257,793	(\$13,109,713)
Special	4,953,500	140,640	3,678,359	0	(1,134,501)
Vocational	1,654,724	618,769	672,005	0	(363,950)
Adult/Continuing	378,934	12,655	0	0	(366,279)
Other	500,709	0	0	0	(500,709)
<b>Support Services:</b>					
Pupil	1,556,778	983	174,188	0	(1,381,607)
Instructional Staff	2,794,668	6,588	1,452,460	0	(1,335,620)
General Administration	83,258	1,523	772	0	(80,963)
School Administration	2,389,462	0	228,995	0	(2,160,467)
Fiscal	1,079,988	4,126	42,379	0	(1,033,483)
Business	249,953	0	0	0	(249,953)
Operations and Maintenance	3,299,208	18,246	165,940	0	(3,115,022)
Pupil Transportation	2,732,167	6,825	190,071	0	(2,535,271)
Central	275,734	0	0	0	(275,734)
Operation of Non-Instructional Services	2,039,419	515,536	1,906,393	0	382,510
Extracurricular Activities	454,922	268,753	0	0	(186,169)
Interest and Fiscal Charges	1,450,969	0	0	0	(1,450,969)
<b>Total Governmental Activities</b>	<b>\$42,009,167</b>	<b>\$2,272,232</b>	<b>\$10,581,242</b>	<b>\$257,793</b>	<b>(28,897,900)</b>

**General Revenues:**

**Property Taxes Levied for:**

General Purposes	5,709,749
Special Revenue Purposes	122,634
Debt Service Purposes	2,212,517
Classroom Facilities	134,058
Grants and Entitlements not Restricted to Specific Programs	23,824,976
Unrestricted Contributions	24,589
Investment Earnings	17,900
Other Revenues	752,880

**Total General Revenues** 32,799,303

**Change in Net Assets** 3,901,403

**Net Assets Beginning of Year** 75,885,632

**Net Assets End of Year** \$79,787,035

See accompanying notes to the basic financial statements.

Adams County/Ohio Valley School District, Ohio  
 Balance Sheet  
 Governmental Funds  
 June 30, 2012

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Equity in Pooled Cash and Investments	\$7,391,697	\$4,261,306	\$5,140,854	\$16,793,857
Restricted Cash and Investments	10,038	0	0	10,038
<b>Receivables:</b>				
Taxes	7,485,489	2,693,925	329,821	10,509,235
Accounts	138,387	0	0	138,387
Intergovernmental	0	0	725,399	725,399
Interfund	96,393	0	0	96,393
Inventory	0	0	77,893	77,893
<b>Total Assets</b>	<b>15,122,004</b>	<b>6,955,231</b>	<b>6,273,967</b>	<b>28,351,202</b>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts Payable	102,237	0	36,412	138,649
Accrued Wages and Benefits	2,899,102	0	793,378	3,692,480
Compensated Absences	21,410	0	0	21,410
Contracts Payable	0	0	20,000	20,000
Interfund Payable	0	0	96,393	96,393
Deferred Revenue	6,624,302	2,352,322	688,650	9,665,274
<b>Total Liabilities</b>	<b>9,647,051</b>	<b>2,352,322</b>	<b>1,634,833</b>	<b>13,634,206</b>
<b>Fund Balances:</b>				
Nonspendable	10,038	0	77,893	87,931
Restricted	0	4,602,909	4,020,196	8,623,105
Committed	198,428	0	1,003,996	1,202,424
Assigned	134,435	0	0	134,435
Unassigned	5,132,052	0	(462,951)	4,669,101
<b>Total Fund Balances</b>	<b>5,474,953</b>	<b>4,602,909</b>	<b>4,639,134</b>	<b>14,716,996</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$15,122,004</b>	<b>\$6,955,231</b>	<b>\$6,273,967</b>	<b>\$28,351,202</b>

See accompanying notes to the basic financial statements.

Adams County/Ohio Valley School District, Ohio  
 Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 June 30, 2012

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Total Governmental Fund Balances		\$14,716,996
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.		96,914,409
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Delinquent Property Taxes	770,721	
Intergovernmental	398,479	
Other	<u>13,290</u>	
		1,182,490
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.		(115,698)
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		(1,747,739)
Deferred bond issuance cost associated with long-term liabilities are not reported in the funds.		350,613
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		<u>(31,514,036)</u>
Net Assets of Governmental Activities		<u><u>\$79,787,035</u></u>

See accompanying notes to the basic financial statements.

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, 2012

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Taxes	\$6,127,093	\$2,350,145	\$272,934	\$8,750,172
Tuition and Fees	1,321,067	0	0	1,321,067
Investment Earnings	17,831	0	764	18,595
Intergovernmental	26,665,955	834,484	7,112,686	34,613,125
Extracurricular Activities	175,629	0	178,436	354,065
Charges for Services	59,492	0	519,541	579,033
Other Revenues	507,645	11,945	258,609	778,199
<b>Total Revenues</b>	<b>34,874,712</b>	<b>3,196,574</b>	<b>8,342,970</b>	<b>46,414,256</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	13,914,044	0	1,437,123	15,351,167
Special	3,177,236	0	1,254,086	4,431,322
Vocational	1,762,917	0	103,417	1,866,334
Adult/Continuing	378,934	0	0	378,934
Other	500,709	0	0	500,709
<b>Support Services:</b>				
Pupil	1,288,002	0	142,386	1,430,388
Instructional Staff	1,127,516	0	1,491,415	2,618,931
General Administration	79,484	0	3,774	83,258
School Administration	1,958,602	0	209,301	2,167,903
Fiscal	934,835	87,238	60,426	1,082,499
Business	240,745	0	0	240,745
Operations and Maintenance	2,196,260	0	972,630	3,168,890
Pupil Transportation	2,036,657	0	141,231	2,177,888
Central	271,882	0	0	271,882
Operation of Non-Instructional Services	2,933	0	2,024,544	2,027,477
Extracurricular Activities	295,499	0	153,349	448,848
Capital Outlay	0	0	179,864	179,864
<b>Debt Service:</b>				
Principal Retirement	0	1,348,850	0	1,348,850
Interest and Fiscal Charges	0	1,455,428	0	1,455,428
Bond Issuance Costs	0	168,179	0	168,179
<b>Total Expenditures</b>	<b>30,166,255</b>	<b>3,059,695</b>	<b>8,173,546</b>	<b>41,399,496</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>4,708,457</b>	<b>136,879</b>	<b>169,424</b>	<b>5,014,760</b>
<b>Other Financing Sources (Uses):</b>				
Payments to Bond Escrow Account	0	(9,545,579)	0	(9,545,579)
Issuance of Refunding Bonds	0	9,380,058	0	9,380,058
Premium on Refunding Bonds	0	333,700	0	333,700
Proceeds from the Sale of Capital Assets	3,499	0	94,303	97,802
Transfers In	0	0	200,000	200,000
Transfers (Out)	0	0	(200,000)	(200,000)
<b>Total Other Financing Sources (Uses)</b>	<b>3,499</b>	<b>168,179</b>	<b>94,303</b>	<b>265,981</b>
<b>Net Change in Fund Balances</b>	<b>4,711,956</b>	<b>305,058</b>	<b>263,727</b>	<b>5,280,741</b>
<b>Fund Balances Beginning of Year</b>	<b>762,997</b>	<b>4,297,851</b>	<b>4,375,407</b>	<b>9,436,255</b>
<b>Fund Balances End of Year</b>	<b>\$5,474,953</b>	<b>\$4,602,909</b>	<b>\$4,639,134</b>	<b>\$14,716,996</b>

See accompanying notes to the basic financial statements.

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, 2012

Net Change in Fund Balances - Total Governmental Funds \$5,280,741

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	471,576	
Depreciation Expense	<u>(2,996,934)</u>	(2,525,358)

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

(93,756)

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

Delinquent Property Taxes	(571,214)	
Interest	(695)	
Intergovernmental	50,887	
Other	<u>13,290</u>	(507,732)

In the statement of activities, certain costs and proceeds associated with long-term debt obligations issued during the year are accrued and amortized over the life of the debt obligation. In governmental funds these costs and proceeds are recognized as financing sources and uses.

Bond Issuance Costs	\$168,179	
Premium on Bonds Issued	(333,700)	
Deferred Amount on Refunding	165,521	
Refunding Bonds	(9,380,058)	
Bonds Refunded	<u>9,380,058</u>	0

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

1,348,850

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

23,365

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	394,199	
Amortization of Bond Issuance Cost	(17,084)	
Amortization of Premium	26,575	
Amortization of Deferred Charge	(8,276)	
Accretion of Interest	<u>(20,121)</u>	375,293

Change in Net Assets of Governmental Activities \$3,901,403

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, 2012

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
<b>Revenues:</b>				
Taxes	\$5,758,525	\$6,162,215	\$6,053,085	(\$109,130)
Tuition and Fees	1,243,124	1,330,271	1,306,712	(23,559)
Investment Earnings	13,735	14,698	14,438	(260)
Intergovernmental	25,368,317	27,146,713	26,665,955	(480,758)
Extracurricular Activities	112,625	120,520	118,386	(2,134)
Other Revenues	301,794	322,950	317,231	(5,719)
<b>Total Revenues</b>	<b>32,798,120</b>	<b>35,097,367</b>	<b>34,475,807</b>	<b>(621,560)</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	15,348,284	15,171,360	14,268,269	903,091
Special	3,207,314	3,170,342	2,981,624	188,718
Vocational	1,914,610	1,892,539	1,779,884	112,655
Adult/Continuing	407,617	406,175	378,934	27,241
Other	538,609	532,401	500,709	31,692
<b>Support Services:</b>				
Pupil	1,392,248	1,376,199	1,294,279	81,920
Instructional Staff	1,214,748	1,200,746	1,129,270	71,476
General Administration	85,500	84,515	79,484	5,031
School Administration	2,156,388	2,131,531	2,004,649	126,882
Fiscal	1,004,878	993,295	934,168	59,127
Business	258,292	255,315	240,117	15,198
Operations and Maintenance	2,363,538	2,336,293	2,197,223	139,070
Pupil Transportation	2,177,109	2,152,013	2,023,912	128,101
Central	292,462	289,090	271,882	17,208
Operation of Non-Instructional Services	2,119	2,095	1,970	125
Extracurricular Activities	264,131	261,086	245,545	15,541
<b>Total Expenditures</b>	<b>32,627,847</b>	<b>32,254,995</b>	<b>30,331,919</b>	<b>1,923,076</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>170,273</b>	<b>2,842,372</b>	<b>4,143,888</b>	<b>1,301,516</b>
<b>Other Financing Sources (Uses):</b>				
Proceeds from Sale of Capital Assets	3,329	3,562	3,499	(63)
Advances In	169,227	181,090	177,883	(3,207)
Advances (Out)	(94,970)	(93,875)	(88,287)	5,588
Transfers In	2,429,715	2,600,046	2,554,000	(46,046)
Transfers (Out)	(2,989,352)	(2,954,893)	(2,779,000)	175,893
<b>Total Other Financing Sources (Uses)</b>	<b>(482,051)</b>	<b>(264,070)</b>	<b>(131,905)</b>	<b>132,165</b>
<b>Net Change in Fund Balance</b>	<b>(311,778)</b>	<b>2,578,302</b>	<b>4,011,983</b>	<b>1,433,681</b>
<b>Fund Balance Beginning of Year (includes prior year encumbrances appropriated)</b>	<b>2,683,074</b>	<b>2,683,074</b>	<b>2,683,074</b>	<b>0</b>
<b>Fund Balance End of Year</b>	<b>\$2,371,296</b>	<b>\$5,261,376</b>	<b>\$6,695,057</b>	<b>\$1,433,681</b>

See accompanying notes to the basic financial statements.

Adams County/Ohio Valley School District, Ohio  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2012

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	Private Purpose Trust	Agency
	<u>          </u>	<u>          </u>
Assets:		
Equity in Pooled Cash and Investments	\$59,936	\$197,244
Receivables:		
Accounts	<u>          0</u>	<u>          3,476</u>
Total Assets	<u>          59,936</u>	<u>          200,720</u>
Liabilities:		
Accounts Payable	0	1,440
Other Liabilities	<u>          0</u>	<u>          199,280</u>
Total Liabilities	<u>          0</u>	<u>          \$200,720</u>
Net Assets:		
Held in Trust	<u>          59,936</u>	
Total Net Assets	<u>          \$59,936</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, 2012

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	Private Purpose Trust
Additions:	
Donations	\$3,500
Investment Earnings	32
Total Additions	<u>3,532</u>
Deductions:	
Payments In Accordance with Trust Agreements	<u>3,029</u>
Total Deductions	<u>3,029</u>
Change in Net Assets	503
Net Assets Beginning of Year	<u>59,433</u>
Net Assets End of Year	<u><u>\$59,936</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, 2012**

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**Note 1 - Description of the School District and Reporting Entity**

Adams County/Ohio Valley School District (the “District”) is organized under Article IV, 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 489 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 170 non-certified employees and 244 certified employees as well as 27 administrative employees who provide services to 4,182 students and other community members. The District operates seven 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.

**Adams County/Ohio Valley School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2012**

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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 and the Southwestern Ohio Educational Council Property, and Fleet and Liability Program. Information about these organizations is presented in Notes 15 and 16 to the basic financial statements.

**Note 2 - Summary of Significant Accounting Policies**

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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.

**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.

**Adams County/Ohio Valley School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2012**

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**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.

**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.

***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.

**Adams County/Ohio Valley School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2012**

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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.

**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.

**Adams County/Ohio Valley School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2012**

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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, 2012, but which were levied to finance fiscal year 2013 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 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.

**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.

**Adams County/Ohio Valley School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2012**

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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.

**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 2012 amounted to \$17,831 and \$764 in Other Governmental Funds.

**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.

**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.

**Adams County/Ohio Valley School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2012**

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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	50 years
Buildings and Improvements	25 - 50 years
Furniture, Fixtures and Equipment	10 - 15 years
Vehicles	20 years

**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.

**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.

**Adams County/Ohio Valley School District, Ohio**  
**Notes to the Basic Financial Statements**  
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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.

### **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.

### **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.

### **Fund Balance**

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting*, the District classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The following categories are used:

Nonspendable – resources that are not in spendable form (inventory) or have legal or contractual requirements to maintain the balance intact (unclaimed monies).

**Adams County/Ohio Valley School District, Ohio**  
**Notes to the Basic Financial Statements**  
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Restricted – resources that have external purpose restraints imposed on them by providers, such as creditors, grantors, or other regulators.

Committed – resources that are constrained for specific purposes that are internally imposed by the government at its highest level of decision making authority, the Board of Education.

Assigned – resources that are intended to be used for specific purposes as approved through the District’s formal purchasing procedure by the Treasurer.

Unassigned – residual fund balance within the General Fund that is not restricted, committed, or assigned. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from incurred expenses for specific purposes exceeding amounts which had been restricted, committed or assigned for said purposes.

The District applies restricted resources first when an expense is incurred for purposes which both restricted and unrestricted net assets are available. The District considers committed, assigned, and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be uses.

**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.

**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.

**Adams County/Ohio Valley School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2012**

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**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 \$8,841,295 of restricted net assets, none of which are restricted by enabling legislation.

**Note 3 - Budgetary Basis of Accounting**

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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 and Actual (Non-GAAP Budgetary Basis) 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).

**Adams County/Ohio Valley School District, Ohio**  
**Notes to the Basic Financial Statements**  
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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	\$4,711,956
Revenue Accruals	(398,905)
Expenditure Accruals	(64,662)
Transfers In	2,554,000
Transfers Out	(2,779,000)
Advances In	177,883
Advances Out	(88,287)
Encumbrances	(101,002)
Budget Basis	<u>\$4,011,983</u>

**Note 4 - Deposits and Investments**

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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;

**Adams County/Ohio Valley School District, Ohio**  
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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, \$15,699,273 of the District's bank balance of \$16,255,247 was exposed to custodial credit risk because it was uninsured. 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.

**Adams County/Ohio Valley School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2012**

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Investments

As of June 30, 2012, 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	\$1,667,443	0.00

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 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 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, 100% is invested in Money Market Funds.

**Adams County/Ohio Valley School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2012**

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**Note 5 - Property Taxes**

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Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value.

Tangible personal property tax revenue received during calendar year 2012 (other than public utility property tax) represents the collection of 2012 taxes levied against local and interexchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2012 were levied after April 1, 2011, on the value as of December 31, 2011. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

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. Tangible personal property taxes paid 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. The District receives property taxes from Hamilton County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2012, are available to finance fiscal year 2013 operations. The amount available for advance can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes that became measurable as of June 30, 2012. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance \$874,477 in the General Fund, \$341,603 in the Debt Service Fund and \$39,650 in Other Governmental.

**Adams County/Ohio Valley School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2012**

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The assessed values upon which the fiscal year 2012 taxes were collected are:

	2012 First Half Collections		2011 Second Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$286,943,950	90.20%	\$287,442,010	90.37%
Public Utility	31,167,910	9.80%	30,630,410	9.63%
Total Assessed Value	<u>\$318,111,860</u>	<u>100.00%</u>	<u>\$318,072,420</u>	<u>100.00%</u>

**Note 6 – Receivables**

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Receivables at June 30, 2012, consisted of property taxes, accounts (billings for user charged services and student fees), 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. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year.

Intergovernmental Receivables at June 30, 2012 were as follows:

Other Governmental Funds:

Public Preschool	\$2,200
Alternative Schools	436
Race to the Top	36,943
IDEA-B	204,530
Carl Perkins	13,360
Title I	271,383
Improving Teacher Quality	28,960
Miscellaneous Federal Grants	10,603
Education Jobs	156,984
Total	<u>\$725,399</u>

**Adams County/Ohio Valley School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2012**

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**Note 7 - Capital Assets**

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Capital assets activity for the fiscal year ended June 30, 2012, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$923,258	\$140,455	\$0	\$1,063,713
Construction in Progress	810,159	0	810,159	0
Total Capital Assets, not being depreciated	1,733,417	140,455	810,159	1,063,713
<i>Capital Assets, being depreciated:</i>				
Land Improvements	2,832,685	0	0	2,832,685
Buildings and Improvements	111,156,476	1,056,668	161,806	112,051,338
Furniture, Fixtures and Equipment	2,293,614	84,612	597,655	1,780,571
Vehicles	4,218,011	0	0	4,218,011
<i>Total Capital Assets, being depreciated:</i>	120,500,786	1,141,280	759,461	120,882,605
Totals at Historical Cost	122,234,203	1,281,735	1,569,620	121,946,318
Less Accumulated Depreciation:				
Land Improvements	2,832,685	0	0	2,832,685
Buildings and Improvements	15,335,714	2,647,831	70,610	17,912,935
Furniture's, Fixtures and Equipment	1,872,994	66,517	595,095	1,344,416
Vehicles	2,659,287	282,586	0	2,941,873
Total Accumulated Depreciation	22,700,680	2,996,934	665,705	25,031,909
Governmental Activities Capital Assets, Net	\$99,533,523	(\$1,715,199)	\$903,915	\$96,914,409

**Adams County/Ohio Valley School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2012**

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Depreciation expense was charged to governmental functions as follows:

Instruction:		
Regular		\$1,287,362
Special		330,726
Vocational		128,305
Support Services:		
Pupil		78,683
Instructional Staff		206,667
School Administration		172,639
Fiscal		28,861
Business		8,872
Operations and Maintenance		173,747
Pupil Transportation		556,450
Central		4,237
Operation of Non-Instructional Services		14,311
Extracurricular Activities		6,074
Total Depreciation Expense		<u>\$2,996,934</u>

**Note 8 - Risk Management**

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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, 2012, the District obtained coverage through the Southwestern Ohio Educational Purchasing Council Property, Fleet and Liability Program (Note 16) with AJ Gallagher and Associates of Cincinnati, 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

**Adams County/Ohio Valley School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2012**

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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**

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**School Employees Retirement System of Ohio**

Plan Description

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under *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, 2012, the allocation to pension and death benefits is 12.70%. The remaining 1.30% 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, 2012, 2011, and 2010 were \$832,320, \$851,496, and \$780,876, respectively; 100% has been contributed for fiscal year 2012 and 100% for fiscal years 2011 and 2010.

**State Teachers Retirement System of Ohio**

Plan Description

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

**Adams County/Ohio Valley School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2012**

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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 31<sup>st</sup> year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits

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

**Adams County/Ohio Valley School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2012**

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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, 2012, were 10% of covered payroll for members and 14% for employers. The District's contributions to STRS for the years ended June 30, 2012, 2011, and 2010 were \$2,024,364, \$2,393,280, and \$2,810,916, respectively; 82% has been contributed for fiscal year 2012 and 100% for fiscal years 2011 and 2010.

**Adams County/Ohio Valley School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2012**

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**Note 10 - Post Employment Benefits**

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**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 2012 was \$99.90 for most participants, but could be as high as \$319.70 depending on their income; 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 2012, the actuarially required allocation was .75%, and .76% for fiscal year 2011 and 2010. District contributions for the year ended June 30, 2012, 2011 and 2010 were \$44,589, \$46,224, and \$42,390, 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.

**Adams County/Ohio Valley School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2012**

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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, 2012, 2011, and 2010 the health care allocations were 0.55%, 1.43%, and 0.46%. 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 2012, 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, 2012, 2011, and 2010 were \$32,698, \$86,974, and \$25,657, respectively; 100% has been contributed for fiscal year 2012 and 100% for fiscal years 2011 and 2010.

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

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

**Adams County/Ohio Valley School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2012**

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

Funding Policy

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contributions rate, 1% of covered payroll was allocated to post-employment health care for the year ended June 30, 2012, 2011 and 2010. The 14% employer contribution rate is the maximum rate established under Ohio law. The District contributions for the years ended June 30, 2012, 2011, and 2010 were \$144,597, \$170,948, and \$200,780, respectively; 82% has been contributed for fiscal year 2012 and 100% for fiscal years 2011 and 2010.

**Note 11 - Employee Benefits**

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**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 purposes; however, for retirement purposes, they may accumulate up to a maximum of 260 days. Certified personnel may accumulate up to a maximum of 200 days for 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.

**Adams County/Ohio Valley School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2012**

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**Insurance Benefits**

The District provides life insurance and accidental death and dismemberment insurance to all employees through MetLife. The District has elected to provide medical/surgical, dental and vision benefits through Anthem Blue Cross and Blue Shield. Effective with the 2012-2013 fiscal year, teachers, administrators and classified employees agreed to contribute six percent of the monthly premium on all plans with the Board of Education assuming the remaining expense. Effective with the 2012-2013 school year, the premium percentage will increase to eight percent for all employees and ninety-two percent to the Board of Education.

**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**

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The changes in the District's long-term obligations during fiscal year 2012 were as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due In One Year
<b>Governmental Activities:</b>					
School Improvement Bonds					
1995 4.55% - 5.25%	\$15,005,385	\$0	\$10,328,908	\$4,676,477	\$1,030,180
2012 Refunding of 1995 School					
Improvement Bonds 1.15% - 4.00%	0	8,400,000	0	8,400,000	170,000
Principal	0	980,058	0	980,058	0
Accreted Interest	0	20,121	0	20,121	0
Deferred Charge on 2012 Refunding of School Improvement Bonds	0	(165,521)	(8,276)	(157,245)	0
Premium on 2012 Refunding of School Improvement Bonds	0	333,700	16,684	317,016	0
School Improvement Bonds 2007					
Serial Bonds 4.00% - 5.00%	5,360,000	0	400,000	4,960,000	420,000
Term Bonds 4.25% - 5.00%	12,100,000	0	0	12,100,000	0
Premium on Debt Issue	227,500	0	9,891	217,609	0
Total Long-Term Bonds	<u>32,692,885</u>	<u>9,568,358</u>	<u>10,747,207</u>	<u>31,514,036</u>	<u>1,620,180</u>
Compensated Absences	<u>2,334,326</u>	<u>189,936</u>	<u>755,013</u>	<u>1,769,249</u>	<u>168,410</u>
Total Governmental Activities	<u>\$35,027,211</u>	<u>\$9,758,294</u>	<u>\$11,502,220</u>	<u>\$33,283,285</u>	<u>\$1,788,590</u>

**Adams County/Ohio Valley School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2012**

*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	<u>5,695,000</u>
Total	<u><u>\$12,100,000</u></u>

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

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

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

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

**Adams County/Ohio Valley School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2012**

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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	<u>1,220,000</u>
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.

Principal requirements to retire general obligation debt at June 30, 2012, are as follows:

<u>School Improvement Bonds - 1995</u>			
<u>Fiscal year</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$1,030,180	\$291,297	\$1,321,477
2014	1,125,065	215,863	1,340,928
2015	1,219,950	133,788	1,353,738
2016	1,301,280	45,545	1,346,825
2017	0	0	0
2018-2022	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u><u>\$4,676,475</u></u>	<u><u>\$686,493</u></u>	<u><u>\$5,362,968</u></u>

**Adams County/Ohio Valley School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2012**

School Improvement Bonds - 2007

Fiscal Year Ending June 30,	Serial Bonds Principal	Serial Bonds Interest	Term Bonds Principal	Term Bonds Interest	Total
2013	\$420,000	\$195,850	\$0	\$562,288	\$1,178,138
2014	460,000	178,250	0	562,288	1,200,538
2015	500,000	159,050	0	562,288	1,221,338
2016	535,000	138,350	0	562,288	1,235,638
2017	555,000	116,550	0	562,288	1,233,838
2018-2022	2,490,000	206,725	665,000	2,794,815	6,156,540
2023-2027	0	0	3,050,000	2,175,065	5,225,065
2028-2032	0	0	4,705,000	1,107,777	5,812,777
2033-2034	0	0	3,680,000	107,843	3,787,843
Total	<u>\$4,960,000</u>	<u>\$994,775</u>	<u>\$12,100,000</u>	<u>\$8,996,940</u>	<u>\$27,051,715</u>

2012 Refunding of 1995 School Improvement Bonds

Fiscal year Ending June 30,	Principal	Interest	Total
2013	\$170,000	\$293,503	\$463,503
2014	105,000	291,659	396,659
2015	105,000	289,742	394,742
2016	110,000	287,592	397,592
2017	0	286,492	286,492
2018-2022	7,910,000	763,592	8,673,592
Total	<u>\$8,400,000</u>	<u>\$2,212,580</u>	<u>\$10,612,580</u>

Capital Appreciation Bonds

Fiscal year Ending June 30,	Principal	Interest	Total
2013	\$0	\$0	\$0
2014	0	0	0
2015	0	0	0
2016	980,058	444,942	1,425,000
2017	0	0	0
2018-2022	0	0	0
Total	<u>\$980,058</u>	<u>\$444,942</u>	<u>\$1,425,000</u>

**Adams County/Ohio Valley School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2012**

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**Note 13 - Advanced Refunding**

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On February 28, 2012, the District issued \$8,400,000 in current interest bonds with an average interest rate of 3.63% and \$980,058 in capital appreciation bonds of which was used to advance refund \$9,380,058 of outstanding 1995 School Improvement General Obligation Bonds with variable interest rates. The net proceeds of \$9,617,620 (after payment of underwriting fees, insurance and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide all future debt service payments on the bond issue.

The District advance refunded their 1995 School Improvement General Obligation Bonds to reduce its total debt service payments by \$1,048,759 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$877,442.

**Note 14 - Interfund Activity**

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Interfund transactions at June 30, 2012, consisted of the following individual interfund receivables, interfund payables, transfers in and transfers out:

	Interfund		Transfers	
	Receivable	Payable	In	Out
General Fund	\$96,393	\$0	\$0	\$0
Debt Service	0	0	0	0
Other Governmental Funds	0	93,393	200,000	200,000
Total All Funds	<u>\$96,393</u>	<u>\$93,393</u>	<u>\$200,000</u>	<u>\$200,000</u>

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.

There was a \$200,000 transfer from the OSFC Local Funded Initiative Fund to the OSFC Project Fund in order to complete capital projects related to the school buildings.

**Adams County/Ohio Valley School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2012**

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**Note 15 - Jointly Governed Organizations**

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**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. 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.

**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.

**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.

**Adams County/Ohio Valley School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2012**

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**Note 16 - Insurance Purchasing Pool**

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**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 17 - Set-Aside Calculations and Fund Reserves**

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The District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula 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, 2011	\$1,649,077	\$0
Current Year Set Aside Requirements	0	684,659
Qualified Disbursements	0	(126,027)
Elimination per H.B. 30 of the 129th General Assembly	(1,649,077)	0
Current Year Offsets	0	(558,632)
Set Aside Reserve Balance as of June 30, 2012	<u>\$0</u>	<u>\$0</u>
Restricted Cash as of June 30, 2012	<u>\$0</u>	<u>\$0</u>
Carried Forward to FY 2013	<u>\$0</u>	

Although the District had offsets and qualifying disbursements during the fiscal year that reduced the set-aside amounts to below zero for capital acquisition. The amount may not 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.

**Adams County/Ohio Valley School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2012**

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**Note 18 – Contingencies**

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**Student Attendance Data Review**

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2012, if applicable, cannot be determined at this time.

**Litigation**

The District is not involved in any litigation as of June 30, 2012.

**Note 19 – Accountability**

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The following funds had deficit fund balances at June 30, 2012:

<u>Other Governmental Funds</u>	<u>Deficit</u>
EMIS	\$8,106
Public Preschool	8,351
Education Jobs	189,780
Improving Teacher Quality	45,990
Title I	118,325
IDEA B	82,949
Race to the Top	9,450

These deficits were created by the recognition of accrued liabilities.

**Adams County/Ohio Valley School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2012**

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**Note 20 – Fund Balances**

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

Fund Balances	General	Debt Service	Other Governmental Funds	Total
<b>Nonspendable:</b>				
Inventory	\$0	\$0	\$77,893	\$77,893
Unclaimed Monies	10,038	0	0	10,038
<b>Total Nonspendable</b>	10,038	0	77,893	87,931
<b>Restricted for:</b>				
Other Grants	0	0	50,647	50,647
Classroom Facilities Maintenance	0	0	1,159,823	1,159,823
Athletic	0	0	22,472	22,472
Auxiliary Services	0	0	15,128	15,128
Miscellaneous Federal Grants	0	0	4,401	4,401
Neediest Kids of All	0	0	2,013	2,013
Food Service	0	0	774,016	774,016
Debt Service	0	4,602,909	0	4,602,909
OSFC Local Funded Initiative	0	0	1,859,172	1,859,172
OSFC Project	0	0	132,524	132,524
<b>Total Restricted</b>	0	4,602,909	4,020,196	8,623,105
<b>Committed to:</b>				
Termination Benefits	198,428	0	0	198,428
Permanent Improvements	0	0	1,003,996	1,003,996
<b>Total Committed</b>	198,428	0	1,003,996	1,202,424
<b>Assigned to:</b>				
Public Schools	134,435	0	0	134,435
<b>Total Assigned</b>	134,435	0	0	134,435
<b>Unassigned (Deficit)</b>	5,132,052	0	(462,951)	4,669,101
<b>Total Fund Balance</b>	\$5,474,953	\$4,602,909	\$4,639,134	\$14,716,996

**Adams County/Ohio Valley Local School District**  
Schedule of Federal Awards Receipts & Expenditures  
For the Fiscal Year Ended June 30, 2012

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>United States Department of Agriculture</b>						
<i>Passed through the Ohio Department of Education</i>						
<i>Nutrition Cluster:</i>						
School Breakfast Program	3L70	10.553	448,506	-	448,506	-
National School Lunch Program	3L60	10.555	1,144,043	235,555	1,144,043	235,555
Total Nutrition Cluster			1,592,549	235,555	1,592,549	235,555
Total United States Department of Agriculture			1,592,549	235,555	1,592,549	235,555
<b>United States Department of Education</b>						
<i>Passed through the Ohio Department of Education</i>						
<i>Special Education Cluster:</i>						
Special Education - Grants to States	3M20	84.027	998,679	-	1,001,347	-
Special Education - Preschool Grants	3C50	84.173	19,140	-	19,140	-
ARRA - Special Education Grants to States, Recovery Act	3DJ0	84.391	90,885	-	53,969	-
ARRA - Special Education - Preschool Grants, Recovery Act	3DL0	84.392	2,273	-	1,638	-
Total Special Education Cluster			1,110,977	-	1,076,094	-
<i>Title I, Part A Cluster:</i>						
Title I Grants to Local Educational Agencies	3M00	84.010	1,533,909	-	1,555,162	-
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	3DK0	84.389	12,559	-	2,409	-
Total Title I, Part A Cluster			1,546,468	-	1,557,571	-
Education Jobs Fund	3ET0	84.410	1,301,164	-	1,307,052	-
ARRA - State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants, Recovery Act	3FD0	84.395	183,975	-	188,924	-
Career and Technical Education, Basic Grants to States	3L90	84.048	106,384	-	108,775	-
Educational Technology, State Grants	3S20	84.318	17,273	-	8,826	-
Rural Education	3Y80	84.358	87,490	-	51,926	-
Improving Teacher Quality State Grants	3Y60	84.367	301,961	-	290,628	-
Total United States Department of Education			4,655,692	-	4,589,796	-
<b>United States Department of Transportation</b>						
<i>Passed through the Ohio Department of Transportation</i>						
Highway Planning and Construction	NA	20.205	33,326	-	-	-
Total United States Department of Transportation			33,326	-	-	-
<b>Total Federal Financial Assistance</b>			<b>6,281,567</b>	<b>235,555</b>	<b>6,182,345</b>	<b>235,555</b>

NA - Pass Through Entity Number is Not Available  
See Accompanying Notes to the Schedule of Federal Awards Receipts and Expenditures

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

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - FOOD DISTRIBUTIONS**

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

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



# Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Adams County/Ohio Valley Local School District, Adams County, Ohio (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 28, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected.

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

Members of the Board of Education  
Adams County/Ohio Valley Local School District  
Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Required by *Government Auditing Standards*  
Page 2

### **Compliance and Other Matters**

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

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

*Balestra, Harr & Scherer, CPAs*

Balestra, Harr & Scherer, CPAs, Inc.  
November 28, 2012



# Balestra, Harr & Scherer, CPAs, Inc.

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## Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133

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

### Compliance

We have audited the compliance of Adams County/Ohio Valley Local School District, Adams County, Ohio (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Adams County/Ohio Valley Local School District's major federal programs for the year ended June 30, 2012. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; 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 compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, Adams County/Ohio Valley Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2012.

### Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

Members of the Board of Education  
Adams County/Ohio Valley Local School District  
Report on Compliance with Requirements Applicable to each Major Federal Program and on  
Internal Control Over Compliance Required by OMB Circular A-133  
Page 2

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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 over compliance that might be deficiencies, 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, the Board of Education, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

*Balestra, Harr & Scherer, CPAs*

Balestra, Harr & Scherer, CPAs, Inc.  
November 28, 2012

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

**Schedule of Findings  
OMB Circular A-133 Section §.505  
For the Year Ended June 30, 2012**

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

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material weaknesses reported at the financial statement level (GAGAS)?	No
(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)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant internal control deficiencies reported for major federal programs?	No
(d)(1)(v)	Type of Major Program's Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under §.510(a)?	No
(d)(1)(vii)	Major Programs (list):	<p><b>Nutrition Cluster:</b> School Breakfast Program; CFDA #10.553 National School Lunch Program; CFDA #10.555</p> <p><b>Education Jobs Fund; CFDA #84.410</b></p> <p><b>State Fiscal Stabilization Fund (SFSF) – Race-to-the-Top Incentive Grants, Recovery Act; CFDA #84.395</b></p>
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all other
(d)(1)(ix)	Low Risk Auditee?	No

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

**Schedule of Findings  
*OMB Circular A-133 Section §.505*  
For the Year Ended June 30, 2012**

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

**None Noted**

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

**None Noted**

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

**SCHEDULE OF PRIOR AUDIT FINDINGS  
*OMB CIRCULAR A-133 §.315 (b)*  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2011-001	Material Weakness – Adjustments to the Financial Statements	Yes	Corrected



# Dave Yost • 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 12, 2013**