



Mary Taylor, CPA
Auditor of State

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

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Adams County/Ohio Valley Local School District, Adams County, Ohio (the District), as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Adams County/Ohio Valley Local School District, Adams County, Ohio, as of June 30, 2007, and the respective changes in financial position and where applicable cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2008, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

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

Mary Taylor, CPA
Auditor of State

April 29, 2008

*Adams County/Ohio Valley School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited*

As management of the Adams County/Ohio Valley School District, we offer the readers of the School District's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented here in conjunction with the additional information that we have provided in the basic financial statements and the notes to the financial statements to enhance their understanding of the School District's performance.

This discussion and analysis of Adams County/Ohio Valley School District's financial performance is intended to serve as an introduction to the School District's basic financial statements, and provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2007. 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, 2007 by \$79,556,643. Invested in capital assets, net of related debt and net assets restricted for specific purposes totaled \$75,090,462, leaving a balance in unrestricted net assets of \$4,466,181.
- In total, net assets increased \$54,638,961. Net assets of governmental activities increased \$54,690,330 and net assets of the business-type activity decreased by \$51,369. The increase in total net assets resulted primarily from an increase in total assets of \$75,619,307. See Table 2 for an analysis of the change in net assets.
- General revenues accounted for \$86,891,604 or 91 percent of all revenues. Program specific revenues in the form of charges for services and sales and operating and capital grants, contributions and interest accounted for \$8,991,065 or 9 percent of total revenues of \$95,882,669.
- The School District had \$39,243,104 in expenses related to governmental activities; only \$7,087,253 of these expenses were offset by program specific charges for services and sales, operating grants, contributions and interest, and capital grants and contributions.

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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 School District as a whole, and present a longer term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term, as well as what remains for future spending. The fund financial statements also look at the School District's major funds, with all other nonmajor funds presented in total in one column.

The major funds for the Adams County/Ohio Valley School District are the General Fund, the Ohio School Facilities Commission (OSFC) Locally Funded Initiative Fund and the Ohio School Facilities Commission Project Fund. The Ohio School Facilities Commission Locally Funded Initiative Fund is used to account for monies from bonds issued to fund the portion of the School District's construction project that is not being co-funded by the OSFC, and related expenditures. The Ohio School Facilities Commission Project Fund is used to account for monies from bonds issued to fund the School District's portion of the OSFC project and monies received and expended in connection with the contracts entered into by the School District and the Ohio School Facilities Commission for the building and equipping of new classroom facilities.

Reporting the School District as a Whole

One of the most important questions asked about the School District is "How did we do financially during fiscal year 2007?" The *Statement of Net Assets* and the *Statement of Activities*, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps answer this question. These government-wide financial statements include all *assets* and *liabilities* using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all current year revenues and expenses regardless of when cash is received or paid.

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

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

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

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

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

The School District as a Whole

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

Table 1 provides a summary of the School District's net assets for fiscal years 2007 and 2006:

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Table 1
Net Assets

	Governmental Activities		Business-Type Activity		Total	
	Restated		2007	2006	2007	Restated 2006
	2007	2006				
Assets						
Current and Other Assets	\$95,082,564	\$20,372,865	\$961,090	\$964,772	\$96,043,654	\$21,337,637
Capital Assets	33,970,782	32,985,133	2,330,901	2,403,260	36,301,683	35,388,393
Total Assets	<u>129,053,346</u>	<u>53,357,998</u>	<u>3,291,991</u>	<u>3,368,032</u>	<u>132,345,337</u>	<u>56,726,030</u>
Liabilities						
Long-Term Liabilities	39,846,703	21,574,495	47,030	48,704	39,893,733	21,623,199
Other Liabilities	12,743,164	10,010,354	151,797	174,795	12,894,961	10,185,149
Total Liabilities	<u>52,589,867</u>	<u>31,584,849</u>	<u>198,827</u>	<u>223,499</u>	<u>52,788,694</u>	<u>31,808,348</u>
Net Assets						
Invested in Capital Assets, Net of Related Debt	15,435,007	13,664,895	2,330,901	2,403,260	17,765,908	16,068,155
Restricted	57,324,554	4,440,840	0	0	57,324,554	4,440,840
Unrestricted	3,703,918	3,667,414	762,263	741,273	4,466,181	4,408,687
Total Net Assets	<u>\$76,463,479</u>	<u>\$21,773,149</u>	<u>\$3,093,164</u>	<u>\$3,144,533</u>	<u>\$79,556,643</u>	<u>\$24,917,682</u>

Several factors contributed to a net assets increase of \$54,638,961. First and foremost, total assets increased \$75,395,590 due to increases in cash and cash equivalents. Cash and cash equivalents increased by \$25,156,508 resulting primarily debt proceeds and intergovernmental revenues related to the Ohio School Facilities Commission project. In addition, intergovernmental receivable increased by \$47,072,185 during the fiscal year mainly due to the grant received from the Ohio School Facilities Commission to build three new elementary schools and demolish three existing elementary schools within the School District. Total liabilities increased \$20,980,346 mainly due to the issuance of the 2007 School Improvement Bonds and an increase in deferred revenue from the new debt service tax levy.

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

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

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Table 2
Changes in Net Assets

	Governmental Activities		Business-Type Activity		Total	
	2007	2006	2007	2006	2007	2006
Revenues						
Program Revenues:						
Charges for Services and Sales	\$1,399,845	\$1,243,579	\$806,241	\$814,171	\$2,206,086	\$2,057,750
Operating Grants, Contributions and Interest	5,636,423	5,978,286	1,097,571	1,265,828	6,733,994	7,244,114
Capital Grants and Contributions	50,985	73,739	0	0	50,985	73,739
Total Program Revenues	7,087,253	7,295,604	1,903,812	2,079,999	8,991,065	9,375,603
General Revenues:						
Property Taxes	8,039,558	8,641,924	0	0	8,039,558	8,641,924
Grants and Entitlements not						
Restricted to Specific Programs	77,151,402	24,383,745	0	0	77,151,402	24,383,745
Gifts and Donations	1,071	1,483	0	0	1,071	1,483
Investment Earnings	1,367,425	415,821	37,664	29,617	1,405,089	445,438
Gain on Disposal of Capital Assets	68,830	58,835	0	0	68,830	58,835
Miscellaneous	217,895	175,471	7,759	2,531	225,654	178,002
Total General Revenues	86,846,181	33,677,279	45,423	32,148	86,891,604	33,709,427
Total Revenues	93,933,434	40,972,883	1,949,235	2,112,147	95,882,669	43,085,030
Program Expenses						
Instruction:						
Regular	16,314,777	15,867,723	0	0	16,314,777	15,867,723
Special	3,759,352	3,963,398	0	0	3,759,352	3,963,398
Vocational	2,919,949	2,683,515	0	0	2,919,949	2,683,515
Adult/Continuing	198,892	134,156	0	0	198,892	134,156
Student Intervention Services	115,265	55,881	0	0	115,265	55,881
Support Services:						
Pupils	1,551,417	1,379,847	0	0	1,551,417	1,379,847
Instructional Staff	2,654,163	2,456,102	0	0	2,654,163	2,456,102
Board of Education	34,706	46,225	0	0	34,706	46,225
Administration	2,899,389	2,691,263	0	0	2,899,389	2,691,263
Fiscal	826,301	664,731	0	0	826,301	664,731
Business	300,809	333,934	0	0	300,809	333,934
Operation and Maintenance of Plant	3,096,915	2,814,496	0	0	3,096,915	2,814,496
Pupil Transportation	2,173,259	2,203,176	0	0	2,173,259	2,203,176
Central	307,637	258,223	0	0	307,637	258,223
Operation of Non-Instructional Services	106,866	123,482	0	0	106,866	123,482
Food Service	0	0	2,000,604	2,255,003	2,000,604	2,255,003
Extracurricular Activities	400,510	402,920	0	0	400,510	402,920
Interest and Fiscal Charges	1,582,897	1,248,719	0	0	1,582,897	1,248,719
Total Expenses	39,243,104	37,327,791	2,000,604	2,255,003	41,243,708	39,582,794
Change in Net Assets	54,690,330	3,645,092	(51,369)	(142,856)	54,638,961	3,502,236
Net Assets at Beginning of Year	21,773,149	18,128,057	3,144,533	3,287,389	24,917,682	21,415,446
Net Assets at End of Year	\$76,463,479	\$21,773,149	\$3,093,164	\$3,144,533	\$79,556,643	\$24,917,682

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Governmental Activities

Grants and entitlements not restricted to specific programs made up 82 percent of total revenues for governmental activities of the Adams County/Ohio Valley School District for fiscal year 2007, while Property Taxes made up nine percent. In fiscal year 2007, investment earnings increased from \$415,821 to \$1,367,425, a difference of \$951,604, primarily due to increasing cash balances available to invest during the fiscal year.

Instruction comprises 59 percent of governmental program expenses. Support services expenses make up 35 percent of governmental expenses. Regular instruction costs increased by \$447,054 mainly due to the 3.55 percent wage increase for certified employees in fiscal year 2007. Support Services costs increased by \$996,599 mainly due to the almost six percent wage increase for classified employees in fiscal year 2007.

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 2007	Net Cost of Services 2007	Total Cost of Services 2006	Net Cost of Services 2006
Instruction	\$23,308,235	(\$18,552,215)	\$22,704,673	(\$17,797,853)
Support Services	13,844,596	(11,788,534)	12,847,997	(10,727,324)
Operation of Non-				
Instructional Services	106,866	(7,589)	123,482	(19,915)
Extracurricular Activities	400,510	(224,616)	402,920	(238,376)
Interest and Fiscal Charges	1,582,897	(1,582,897)	1,248,719	(1,248,719)
Total Expenses	<u>\$39,243,104</u>	<u>(\$32,155,851)</u>	<u>\$37,327,791</u>	<u>(\$30,032,187)</u>

Business-Type Activities

The only business-type activity is the food service operation. This operation had program revenues of \$1,903,812 and expenses of \$2,000,604 for fiscal year 2007. Of the program revenues, \$806,241 was charges for services and sales and \$1,097,571 was from State and Federal grants. General revenues were \$37,664 from investment earnings, and \$7,759 from miscellaneous sources. Business activities receive no support from tax revenues. The School District will continue to monitor the costs of this activity.

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The School District's Funds

Information about the School District's major funds starts on page 16. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$46,848,360 and expenditures of \$41,056,604. The net change in fund balance for the fiscal year was most significant in the Ohio School Facilities Commission Locally Funded Initiative Fund, an increase of \$14,930,353. This was primarily due to an increase in transfers in of \$10,868,368, related to the transfer in of bond proceeds which will be used to fund the local share of the School District's Ohio School Facilities Commission construction project.

The net change in fund balance for the fiscal year in the Ohio School Facilities Commission Project Fund was an increase of \$8,400,809. This was due to transfers in of \$3,931,632, which was also related to bond proceeds being transferred in for the construction project, and revenues from Ohio School Facilities Commission to fund the project.

The General Fund saw a modest increase of \$164,229 due to both revenues and expenditures remaining consistent over the prior year. Property tax revenues in the General Fund decreased by \$863,212 due to the phase-out of personal property tax. However, increases in intergovernmental, interest and tuition and fees revenues offset this decrease.

General Fund - Budget Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. During the course of fiscal year 2007, the School District revised its budget as it attempted to deal with unexpected changes in revenues and expenditures.

The School District's ending unobligated cash balance was \$946,993 above the final budgeted amount in the General Fund.

For the General Fund, original budget basis revenues were \$32,290,525, and final budget basis revenues were \$32,588,818, leaving a variance of \$298,293 between the two amounts. This was mainly due to increases in Property Taxes and Tuition and fees, offset by decreases in Intergovernmental Revenues. The variance between final budgeted revenues and actual revenues was \$234,675, which was mainly due to an increase in actual Intergovernmental Revenues over what was anticipated in the final budget.

Original budget basis expenditures for the General Fund were \$30,441,561, and final budget basis were \$32,744,018, a difference of \$2,302,457, which due mainly to increases in Regular Instruction. Actual expenditures were \$31,974,775, which resulted in a variance of \$769,243 from final budgeted expenditures. This was due to increases in Regular Instruction, offset by slight overall decreases in all other instructional line items.

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Capital Assets and Debt Administration

Capital Assets

The Adams County/Ohio Valley School District's investment in capital assets as of June 30, 2007 was \$36,301,683. This investment in capital assets includes land, construction in progress, land improvements, buildings and improvements, furniture, fixtures and equipment, and vehicles. Table 4 shows fiscal year 2007 balances compared to fiscal year 2006:

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

	Governmental Activities		Business-Type Activity		Total	
	Restated				Restated	
	2007	2006	2007	2006	2007	2006
Land	\$730,111	\$730,111	\$30,193	\$30,193	\$760,304	\$760,304
Construction in Progress	1,304,915	0	0	0	1,304,915	0
Land Improvements	41,502	65,141	0	0	41,502	65,141
Buildings and Improvements	29,522,421	30,259,192	2,136,827	2,191,545	31,659,248	32,450,737
Furniture, Fixtures, and Equipment	667,285	706,497	163,881	181,522	831,166	888,019
Vehicles	1,704,548	1,224,192	0	0	1,704,548	1,224,192
Totals	<u>\$33,970,782</u>	<u>\$32,985,133</u>	<u>\$2,330,901</u>	<u>\$2,403,260</u>	<u>\$36,301,683</u>	<u>\$35,388,393</u>

Capital Assets increased by \$913,290 primarily as a result of an increase in construction in progress related to the Ohio School Facilities Commission project, offset by current year depreciation expense plus the disposal of assets. For more information on capital assets, refer to note 7 of the basic financial statements.

Debt

At June 30, 2007 the School District had \$37,509,066 in outstanding debt, \$1,038,722 due within one year. Table 5 summarizes the School District's outstanding debt:

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

	2007	2006
EPA Asbestos Loan, 1987	\$0	\$4,726
Energy Conservation Bonds, 2001	392,036	473,366
School Improvement Bonds, 1995	18,163,700	18,814,340
School Improvement Bonds, 1998	16,266	32,532
School Improvement Bonds, 2007	18,937,064	0
Totals	\$37,509,066	\$19,324,964

The School District's debt increased by \$18,184,102 because of the issuance of general obligation bonds.

The School District's overall legal debt margin was (\$12,830,233) with an unvoted debt margin of \$266,886, and an Energy Conservation debt margin of \$2,009,937 at June 30, 2007. Ohio Revised Code section 133.06(I) allows a school district to incur net indebtedness in excess of the legal debt limitation when necessary to raise the school district's local portion of Ohio School Facilities construction project cost.

For more information on outstanding debt, refer to note 12 of the basic financial statements.

Contacting the School District's Financial Management

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

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Adams County/Ohio Valley School District

Statement of Net Assets

June 30, 2007

	Governmental Activities	Business-Type Activity	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$36,969,740	\$686,056	\$37,655,796
Inventory Held for Resale	0	34,300	34,300
Accounts Receivable	7,019	0	7,019
Accrued Interest Receivable	251,235	0	251,235
Materials and Supplies Inventory	0	8,834	8,834
Intergovernmental Receivable	47,906,290	231,900	48,138,190
Taxes Receivable	9,714,063	0	9,714,063
Deferred Charges	234,217	0	234,217
Capital Assets:			
Non-Depreciable Capital Assets	2,035,026	30,193	2,065,219
Depreciable Capital Assets, Net	31,935,756	2,300,708	34,236,464
<i>Total Assets</i>	<u>129,053,346</u>	<u>3,291,991</u>	<u>132,345,337</u>
Liabilities			
Accounts Payable	95,149	0	95,149
Accrued Wages and Benefits Payable	3,107,657	97,131	3,204,788
Contracts Payable	222,247	0	222,247
Intergovernmental Payable	900,173	54,666	954,839
Deferred Revenue	7,925,849	0	7,925,849
Matured Compensated Absences Payable	159,661	0	159,661
Accrued Interest Payable	332,428	0	332,428
Long-Term Liabilities:			
Due Within One Year	1,262,352	5,663	1,268,015
Due in More Than One Year	38,584,351	41,367	38,625,718
<i>Total Liabilities</i>	<u>52,589,867</u>	<u>198,827</u>	<u>52,788,694</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	15,435,007	2,330,901	17,765,908
Restricted for:			
Capital Outlay	53,031,391	0	53,031,391
Debt Service	3,074,157	0	3,074,157
Classroom Facilities Maintenance	399,580	0	399,580
Title I	155,097	0	155,097
Other Purposes	664,329	0	664,329
Unrestricted	3,703,918	762,263	4,466,181
<i>Total Net Assets</i>	<u>\$76,463,479</u>	<u>\$3,093,164</u>	<u>\$79,556,643</u>

See accompanying notes to the basic financial statements

Adams County/Ohio Valley School District
Statement of Activities
For the Fiscal Year Ended June 30, 2007

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions
Governmental Activities				
Instruction:				
Regular	\$16,314,777	\$315,020	\$353,229	\$0
Special	3,759,352	86,553	2,604,545	0
Vocational	2,919,949	803,292	593,381	0
Adult/Continuing	198,892	0	0	0
Student Intervention Services	115,265	0	0	0
Support Services:				
Pupils	1,551,417	22,688	115,651	0
Instructional Staff	2,654,163	789	1,397,942	0
Board of Education	34,706	0	0	0
Administration	2,899,389	632	294,765	0
Fiscal	826,301	0	12,318	0
Business	300,809	0	0	0
Operation and Maintenance of Plant	3,096,915	356	655	0
Pupil Transportation	2,173,259	552	144,030	50,985
Central	307,637	0	14,699	0
Operation of Non-Instructional Services	106,866	809	98,468	0
Extracurricular Activities	400,510	169,154	6,740	0
Interest and Fiscal Charges	1,582,897	0	0	0
<i>Total Governmental Activities</i>	39,243,104	1,399,845	5,636,423	50,985
Business-Type Activity				
Food Service	2,000,604	806,241	1,097,571	0
<i>Total Activities</i>	<u>\$41,243,708</u>	<u>\$2,206,086</u>	<u>\$6,733,994</u>	<u>\$50,985</u>

General Revenues:

Property Taxes Levied for:

General Purposes

Debt Service

Classroom Facilities

Grants and Entitlements not Restricted to Specific Programs

Grants and Entitlements for Capital Construction

Gifts and Donations

Investment Earnings

Gain on Disposal of Capital Assets

Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets at Beginning of Year

Net Assets at End of Year

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activity	Total
(\$15,646,528)	\$0	(\$15,646,528)
(1,068,254)	0	(1,068,254)
(1,523,276)	0	(1,523,276)
(198,892)	0	(198,892)
(115,265)	0	(115,265)
(1,413,078)	0	(1,413,078)
(1,255,432)	0	(1,255,432)
(34,706)	0	(34,706)
(2,603,992)	0	(2,603,992)
(813,983)	0	(813,983)
(300,809)	0	(300,809)
(3,095,904)	0	(3,095,904)
(1,977,692)	0	(1,977,692)
(292,938)	0	(292,938)
(7,589)	0	(7,589)
(224,616)	0	(224,616)
(1,582,897)	0	(1,582,897)
(32,155,851)	0	(32,155,851)
0	(96,792)	(96,792)
(\$32,155,851)	(\$96,792)	(\$32,252,643)
5,779,737	0	5,779,737
144,895	0	144,895
2,114,926	0	2,114,926
21,928,354	0	21,928,354
55,223,048	0	55,223,048
1,071	0	1,071
1,367,425	37,664	1,405,089
68,830	0	68,830
217,895	7,759	225,654
86,846,181	45,423	86,891,604
54,690,330	(51,369)	54,638,961
21,773,149	3,144,533	24,917,682
\$76,463,479	\$3,093,164	\$79,556,643

Adams County/Ohio Valley School District

Balance Sheet

Governmental Funds

June 30, 2007

	General Fund	Ohio School Facilities Commission Locally Funded Initiative Fund	Ohio School Facilities Commission Project Fund	All Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$8,039,149	\$14,974,505	\$8,578,904	\$5,365,843	\$36,958,401
Accrued Interest Receivable	251,235	0	0	0	251,235
Accounts Receivable	7,019	0	0	0	7,019
Interfund Receivable	112,873	0	0	0	112,873
Intergovernmental Receivable	20,741	0	46,822,239	1,063,310	47,906,290
Property Taxes Receivable	6,603,089	0	0	3,110,974	9,714,063
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	11,339	0	0	0	11,339
Total Assets	\$15,045,445	\$14,974,505	\$55,401,143	\$9,540,127	\$94,961,220
Liabilities					
Accounts Payable	\$79,431	\$0	\$0	\$15,718	\$95,149
Accrued Wages and Benefits Payable	2,580,681	0	0	526,976	3,107,657
Contracts Payable	0	44,152	178,095	0	222,247
Interfund Payable	0	0	0	112,873	112,873
Intergovernmental Payable	764,614	0	0	135,559	900,173
Matured Compensated Absences Payable	159,661	0	0	0	159,661
Deferred Revenue	5,838,428	0	46,822,239	3,338,163	55,998,830
Total Liabilities	9,422,815	44,152	47,000,334	4,129,289	60,596,590
Fund Balances					
Reserved for Encumbrances	353,926	623,616	2,416,256	45,127	3,438,925
Reserved for Property Taxes	675,799	0	0	286,366	962,165
Reserved for Unclaimed Monies	11,339	0	0	0	11,339
Unreserved:					
Undesignated, Reported in:					
General Fund	4,581,566	0	0	0	4,581,566
Special Revenue Funds	0	0	0	459,648	459,648
Debt Service Fund	0	0	0	3,269,697	3,269,697
Capital Projects Funds	0	14,306,737	5,984,553	1,350,000	21,641,290
Total Fund Balances	5,622,630	14,930,353	8,400,809	5,410,838	34,364,630
Total Liabilities and Fund Balances	\$15,045,445	\$14,974,505	\$55,401,143	\$9,540,127	\$94,961,220

See accompanying notes to the basic financial statements

Adams County/Ohio Valley School District
 Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2007

Total Governmental Fund Balances		\$34,364,630
 <i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Land	730,111	
Construction in Progress	1,304,915	
Capital assets	50,193,485	
Accumulated depreciation	<u>(18,257,729)</u>	
Total capital assets		33,970,782
 Some of the School District's revenues will be collected after fiscal year-end, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.		
Taxes	458,524	
Interest	182,985	
Intergovernmental	<u>47,431,472</u>	
		48,072,981
 Bond issuance costs reported as an expenditure in governmental funds are allocated as an expense over the life of the debt on a full accrual basis.		
		234,217
 Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Bonds payable	(37,242,002)	
Bond premium	(267,064)	
Accrued interest on bonds	(332,428)	
Compensated Absences	<u>(2,337,637)</u>	
Total liabilities		<u>(40,179,131)</u>
 Net Assets of Governmental Activities		 <u><u>\$76,463,479</u></u>

See accompanying notes to the basic financial statements

Adams County/Ohio Valley School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2007

	General Fund	Ohio School Facilities Commission Locally Funded Initiative Fund	Ohio School Facilities Commission Project Fund	All Other Governmental Funds	Total Governmental
Revenues					
Property Taxes	\$5,870,427	\$0	\$0	\$2,230,632	\$8,101,059
Intergovernmental	24,973,551	0	5,412,298	5,502,781	35,888,630
Interest	637,513	431,639	115,288	0	1,184,440
Tuition and Fees	1,092,564	0	0	17,739	1,110,303
Rent	11,447	0	0	0	11,447
Extracurricular Activities	676	0	0	207,058	207,734
Gifts and Donations	1,071	0	0	55,420	56,491
Customer Sales and Services	55,148	0	0	15,213	70,361
Miscellaneous	168,790	0	0	49,105	217,895
Total Revenues	32,811,187	431,639	5,527,586	8,077,948	46,848,360
Expenditures					
Current:					
Instruction:					
Regular	13,925,530	0	0	1,909,013	15,834,543
Special	2,755,601	0	0	875,905	3,631,506
Vocational	2,772,775	0	0	147,656	2,920,431
Adult/Continuing	198,892	0	0	0	198,892
Student Intervention Services	0	0	0	110,673	110,673
Support Services:					
Pupils	1,341,523	0	0	176,775	1,518,298
Instructional Staff	1,059,600	0	0	1,527,668	2,587,268
Board of Education	34,706	0	0	0	34,706
Administration	2,502,299	0	0	323,248	2,825,547
Fiscal	741,063	0	0	83,893	824,956
Business	302,665	0	0	0	302,665
Operation and Maintenance of Plant	2,973,013	0	0	3,464	2,976,477
Pupil Transportation	2,545,898	0	0	82,412	2,628,310
Central	290,495	0	0	14,699	305,194
Operation of Non-Instructional Services	5,900	0	0	97,175	103,075
Extracurricular Activities	254,253	0	0	171,649	425,902
Capital Outlay	98,314	242,142	1,058,409	0	1,398,865
Debt Service:					
Principal Retirement	0	0	0	752,962	752,962
Interest and Fiscal Charges	0	0	0	1,438,938	1,438,938
Issuance Costs	0	0	0	237,396	237,396
Total Expenditures	31,802,527	242,142	1,058,409	7,953,526	41,056,604
Excess of Revenues Over Expenditures	1,008,660	189,497	4,469,177	124,422	5,791,756
Other Financing Sources (Uses)					
Transfers In	0	10,868,368	3,931,632	982,819	15,782,819
General Obligation Bonds Issued	0	3,870,000	0	14,800,000	18,670,000
Premium on Bonds Issued	0	2,488	0	268,341	270,829
Insurance Recoveries	138,388	0	0	0	138,388
Transfers Out	(982,819)	0	0	(14,800,000)	(15,782,819)
Total Other Financing Sources (Uses)	(844,431)	14,740,856	3,931,632	1,251,160	19,079,217
Net Change in Fund Balances	164,229	14,930,353	8,400,809	1,375,582	24,870,973
Fund Balances at Beginning of Year	5,458,401	0	0	4,035,256	9,493,657
Fund Balances at End of Year	\$5,622,630	\$14,930,353	\$8,400,809	\$5,410,838	\$34,364,630

See accompanying notes to the basic financial statements

Adams County/Ohio Valley School District
 Reconciliation of the Change in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Fiscal Year Ended June 30, 2007

Net Change in Fund Balances - Total Governmental Funds \$24,870,973

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

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

Capital asset additions	2,279,679	
Depreciation expense	<u>(1,224,472)</u>	
Excess of depreciation expense over capital outlay		1,055,207

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

Gain on disposal of capital assets		(69,558)
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Because some revenues will not be collected for several months after the School District's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds.

Delinquent property taxes	(61,501)	
Intergovernmental	46,894,760	
Interest	<u>182,985</u>	
		47,016,244

Bond proceeds are reported as other financing sources in governmental funds and thus contribute to the change in fund balances. In the government-wide statements, however, issuing debt increases long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities.

Proceeds of bonds	(18,670,000)	
Premium on bonds	<u>(270,829)</u>	
		(18,940,829)

Governmental funds report bond issuance costs as expenditures, whereas these amounts are deferred and amortized in the Statement of Activities. 237,396

Governmental funds report premiums and bond issuance costs as expenditures, whereas these amounts are deferred and amortized in the Statement of Activities.

Amortization of bond premium	3,765	
Amortization of bond issuance costs	<u>(3,179)</u>	
		586

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

Bond principal retirement		752,962
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional amount of interest on the Statement of Activities is the result of the following:

Increase in accrued interest payable		(144,545)
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Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Increase in compensated absences		<u>(88,106)</u>
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Change in Net Assets of Governmental Activities \$54,690,330

See accompanying notes to the basic financial statements

Adams County/Ohio Valley School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues				
Property Taxes	\$5,724,074	\$6,071,196	\$6,051,587	(\$19,609)
Intergovernmental	25,183,342	24,803,923	24,973,279	169,356
Interest	336,600	500,000	495,271	(4,729)
Tuition and Fees	935,979	1,053,309	1,092,564	39,255
Rent	8,723	10,153	11,447	1,294
Extracurricular Activities	4,824	6,617	676	(5,941)
Gifts and Donations	506	2,200	1,071	(1,129)
Customer Sales and Services	46,266	73,467	61,358	(12,109)
Miscellaneous	50,211	67,953	136,240	68,287
<i>Total Revenues</i>	<u>32,290,525</u>	<u>32,588,818</u>	<u>32,823,493</u>	<u>234,675</u>
Expenditures				
Current:				
Instruction:				
Regular	13,336,993	15,301,029	14,003,268	1,297,761
Special	2,385,032	2,681,658	2,650,776	30,882
Vocational	2,641,749	2,685,618	2,780,492	(94,874)
Adult/Continuing	142,459	198,534	198,863	(329)
Student Intervention Services	175,358	171,358	120,921	50,437
Support Services:				
Pupils	1,156,173	1,276,924	1,347,276	(70,352)
Instructional Staff	794,443	897,022	1,033,215	(136,193)
Board of Education	472,850	73,350	34,133	39,217
Administration	2,379,186	2,403,325	2,449,501	(46,176)
Fiscal	592,635	588,635	743,320	(154,685)
Business	332,926	332,926	304,653	28,273
Operation and Maintenance of Plant	3,085,787	3,131,759	3,038,525	93,234
Pupil Transportation	2,334,804	2,391,564	2,563,822	(172,258)
Central	235,623	234,623	312,615	(77,992)
Operation of Non-Instructional Services	8,498	8,498	6,249	2,249
Extracurricular Activities	228,307	228,307	248,372	(20,065)
Capital Outlay	138,738	138,888	138,774	114
<i>Total Expenditures</i>	<u>30,441,561</u>	<u>32,744,018</u>	<u>31,974,775</u>	<u>769,243</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,848,964</u>	<u>(155,200)</u>	<u>848,718</u>	<u>1,003,918</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	0	0	1,874	1,874
Insurance Recoveries	0	138,388	138,388	0
Refund of Prior Year Expenditures	12,000	12,000	23,657	11,657
Transfers In	13,699	13,699	0	(13,699)
Advances In	200,000	150,000	128,455	(21,545)
Transfers Out	(650,768)	(1,020,768)	(982,819)	37,949
Refund of Prior Year Receipts	(1,000)	(11,000)	(3,639)	7,361
Advances Out	(200,000)	(150,000)	(230,522)	(80,522)
<i>Total Other Financing Sources (Uses)</i>	<u>(626,069)</u>	<u>(867,681)</u>	<u>(924,606)</u>	<u>(56,925)</u>
<i>Net Change in Fund Balance</i>	1,222,895	(1,022,881)	(75,888)	946,993
<i>Fund Balance at Beginning of Year</i>	7,066,307	7,066,307	7,066,307	0
<i>Prior Year Encumbrances Appropriated</i>	<u>612,422</u>	<u>612,422</u>	<u>612,422</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$8,901,624</u>	<u>\$6,655,848</u>	<u>\$7,602,841</u>	<u>\$946,993</u>

See accompanying notes to the basic financial statements

Adams County/Ohio Valley School District
Statement of Fund Net Assets
Proprietary Fund
June 30, 2007

	Food Service
Assets	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$686,056
Inventory Held for Resale	34,300
Materials and Supplies Inventory	8,834
Intergovernmental Receivable	231,900
<i>Total Current Assets</i>	961,090
Capital Assets:	
Land	30,193
Depreciable Capital Assets, Net	2,300,708
<i>Total Assets</i>	3,291,991
Liabilities	
Current Liabilities:	
Accrued Wages and Benefits Payable	97,131
Intergovernmental Payable	54,666
Compensated Absences Payable	5,663
<i>Total Current Liabilities</i>	157,460
Long-Term Liabilities:	
Compensated Absences Payable	41,367
<i>Total Liabilities</i>	198,827
Net Assets	
Invested in Capital Assets	2,330,901
Unrestricted	762,263
<i>Total Net Assets</i>	\$3,093,164

See accompanying notes to the basic financial statements

Adams County/Ohio Valley School District
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund
For the Fiscal Year Ended June 30, 2007

	Food Service
Operating Revenues	
Sales	\$806,241
Other	7,759
	814,000
<i>Total Operating Revenues</i>	<i>814,000</i>
Operating Expenses	
Salaries	588,358
Fringe Benefits	461,125
Purchased Services	47,904
Materials and Supplies	799,929
Cost of Sales	240,520
Depreciation	87,154
Other	2,568
	2,227,558
<i>Total Operating Expenses</i>	<i>2,227,558</i>
<i>Operating Loss</i>	<i>(1,413,558)</i>
Non-Operating Revenues	
Federal Donated Commodities	248,339
Interest	37,664
Federal and State Subsidies	1,076,186
	1,362,189
<i>Total Non-Operating Revenues</i>	<i>1,362,189</i>
<i>Change in Net Assets</i>	<i>(51,369)</i>
<i>Net Assets at Beginning of Year</i>	<i>3,144,533</i>
<i>Net Assets at End of Year</i>	<i>\$3,093,164</i>

See accompanying notes to the basic financial statements

Adams County/Ohio Valley Schools
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2007

	Enterprise
Increase (Decrease) in Cash and Cash Equivalents:	
Cash Flows from Operating Activities:	
Cash Received from Customers	\$806,241
Other Operating Revenue	7,759
Cash Payments to Suppliers for Goods and Services	(845,294)
Cash Payments to Employees for Services	(614,504)
Cash Payments for Employee Benefits	(456,167)
Cash Payments for Other Operating Expenses	(2,568)
	(1,104,533)
<i>Net Cash Used for Operating Activities</i>	
	(1,104,533)
Cash Flows from Noncapital Financing Activities:	
Operating Grants Received	959,399
Cash Flows from Capital and Related Financing Activities:	
Payments for Capital Acquisitions	(14,795)
Cash Flows from Investing Activities:	
Interest on Investments	67,281
	67,281
<i>Net Decrease in Cash and Cash Equivalents</i>	
	(92,648)
<i>Cash and Cash Equivalents at Beginning of Year</i>	
	778,704
<i>Cash and Cash Equivalents at End of Year</i>	
	\$686,056
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	(\$1,413,558)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	87,154
Donated Commodities Received During Year	248,339
Changes in Assets and Liabilities:	
Decrease in Inventory Held for Resale	135
Increase in Materials and Supply Inventory	(1,931)
Increase in Accrued Wages	4,429
Decrease in Accounts Payable	(3,484)
Decrease in Compensated Absences Payable	(1,674)
Decrease in Intergovernmental Payable	(23,943)
	309,025
<i>Total Adjustments</i>	
	309,025
<i>Net Cash Used for Operating Activities</i>	
	(\$1,104,533)

Non-Cash Transactions:

During fiscal year 2007, the Food Service Enterprise Fund received \$248,339 in donated commodities.

See accompanying notes to the basic financial statements

Adams County/Ohio Valley School District

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2007

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$61,401	<u>\$103,070</u>
Liabilities		
Undistributed Monies	<u>0</u>	<u>\$103,070</u>
Net Assets		
Held in Trust for Scholarships	<u>61,401</u>	
<i>Total Net Assets</i>	<u>\$61,401</u>	

See accompanying notes to the basic financial statements

Adams County/Ohio Valley School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Year Ended June 30, 2007

	Private Purpose Trust
	Scholarship
Additions	
Gifts and Donations	\$4,000
Interest	2,853
Miscellaneous	1,001
<i>Total Additions</i>	7,854
Deductions	
Payments in Accordance with Trust Agreements	3,719
<i>Change in Net Assets</i>	4,135
<i>Net Assets at Beginning of Year</i>	57,266
<i>Net Assets at End of Year</i>	\$61,401

See accompanying notes to the basic financial statements

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Adams County/Ohio Valley School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The Adams County/Ohio Valley School District serves an area of approximately 468 square miles, with 99 percent of its territory located in Adams County and the remaining one percent in Highland County. Political subdivisions included in the School District are the Villages of West Union, Peebles, Winchester, Sinking Spring, Cherry Fork, and Seaman, the thirteen townships of Adams County and the southern half of Brush Creek Township in Highland County. The School District is staffed by 193 non-certificated employees and 329 certificated employees who provide services to 4,131 students and other community members. The School District operates ten instructional buildings, one administrative building, one bus garage and a supply warehouse.

Reporting Entity:

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization’s governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization’s resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District has no component units.

The following activities are included within the reporting entity:

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

Adams County/Ohio Valley School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY
(continued)

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

The School District participates in three jointly governed organizations, one insurance purchasing pool and a related organization. These organizations are the South Central Ohio Computer Association, the Hopewell Special Education Regional Resource Center, the Southwestern Ohio Educational Purchasing Council, the Southwestern Ohio Educational Council Property, Fleet and Liability Program and the Adams County Public Library. Information about these organizations is presented in Notes 15, 16 and 17 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

Government-wide Financial Statements

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

Adams County/Ohio Valley School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

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

Adams County/Ohio Valley School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

Proprietary Fund

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

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

Fiduciary Funds

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

Adams County/Ohio Valley School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus

Government-wide Financial Statements

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

Fund Financial Statements

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

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

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

D. Basis of Accounting

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

Adams County/Ohio Valley School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues – Exchange and Non-exchange Transactions

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 5). 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 fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, tuition and fees, 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, 2007, but which were levied to finance fiscal year 2008 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Adams County/Ohio Valley School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

E. Budgetary Process

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

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

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

F. Cash and Investments

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

Adams County/Ohio Valley School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

During fiscal year 2007, the School District's investments were limited to certificates of deposit, the Fifth Third Institutional Government Money Market Fund, Federal Home Loan Mortgage Corporation Notes, Federal National Mortgage Association Notes, Federal Home Loan Bank Bonds, Federal Home Loan Mortgage Corporation Discount Notes, and Federal National Mortgage Association Discount Notes. 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 2007 amounted to \$637,513, which includes \$475,370 assigned from other School District funds.

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

G. 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.

H. Capital Assets

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

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

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

Adams County/Ohio Valley School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

I. Interfund Activity

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

J. Compensated Absences

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

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

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

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

K. Accrued Liabilities and Long-Term Obligations

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

Adams County/Ohio Valley School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

L. Internal Activity

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

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

M. 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.

N. Fund Balance Reserves

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute for fiscal year 2007. Under Ohio law, unclaimed money must be held for five years before it becomes available for appropriation. Money not yet held for the five year period is presented as reserved.

Adams County/Ohio Valley School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. 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.

P. Estimates

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

Q. Net Assets

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

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

The government-wide Statement of Net Assets reports \$57,324,554 of restricted net assets, none of which are restricted by enabling legislation.

R. Operating Revenues and Expenses

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

Adams County/Ohio Valley School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

Net Change in Fund Balance	
GAAP Basis	\$164,229
Adjustments:	
Revenue Accruals	86,773
Expenditure Accruals	223,558
Net Increase in Fair Value of Investments - Fiscal Year 2007	(48,202)
Net Decrease in Fair Value of Investments - Fiscal Year 2006	(734)
Advances	(102,067)
Encumbrances	(399,445)
Budget Basis	(\$75,888)

Adams County/Ohio Valley School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

Adams County/Ohio Valley School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

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

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year-end, \$17,249,735 of the School District's bank balance of \$17,549,735 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

Investments

As of June 30, 2007, the School District had the following investments, which are in an internal investment pool:

Investment Type		Fair Value	Investment Maturity		
			Less Than 1	1-2	2-5
Fifth Third Institutional Government Money Market Fund	6.59%	\$1,405,461	\$1,405,461	\$0	\$0
Federal Home Loan Mortgage Corporation Notes	24.18%	5,153,980	2,682,620	0	2,471,360
Federal National Mortgage Association Notes	23.73%	5,057,271	0	4,557,426	499,845
Federal Home Loan Bank Bonds	29.24%	6,231,108	2,080,974	2,159,194	1,990,940
Federal Home Loan Mortgage Corporation	0.00%				
Discount Notes	6.93%	1,477,500	1,477,500	0	0
Federal National Mortgage Association	0.00%				
Discount Notes	9.33%	1,987,600	1,987,600	0	0
Total Investments		<u>\$21,312,920</u>	<u>\$9,634,155</u>	<u>\$6,716,620</u>	<u>\$4,962,145</u>

Interest Rate Risk

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

Adams County/Ohio Valley School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

Credit Risk

The Fifth Third Institutional Government Money Market Fund, Federal Home Loan Mortgage Corporation Notes, Federal National Mortgage Association Notes, Federal Home Loan Bank Bonds, Federal Home Mortgage Corporation Discount Notes and Federal National Mortgage Association Discount Notes carry ratings of Aaa by Moody's. The School District has no investment policy that addresses credit risk.

Custodial Credit Risk

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

Concentration of Credit Risk

The School District places no limit on the amount it may invest in any one issuer. Of the School District's total investments, seven percent is invested in the Fifth Third Institutional Government Money Market Fund, 24 percent is invested in Federal Home Loan Mortgage Corporation Notes, 24 percent is invested in Federal National Mortgage Association Notes, 29 percent is invested in Federal Home Loan Bank Bonds, seven percent is invested in Federal Home Loan Mortgage Corporation Discount Notes, and nine percent Federal National Mortgage Association Discount Notes.

NOTE 5 - PROPERTY TAXES

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

Adams County/Ohio Valley School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)

NOTE 5 - PROPERTY TAXES (continued)

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2007 represents collections of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed value listed as of January 1, 2006, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2007 represents collections of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien December 31, 2005, were levied after April 1, 2006, and are collected in 2007 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2007 (other than public utility property) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value as of December 31, 2006. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out. The assessment percentage for all property including inventory for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008 and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30. This year, the June, 2007 tangible personal property tax was not received until July, 2007.

The School District receives property taxes from Adams and Highland Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2007, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2007, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 and the delayed settlement of personal property taxes were levied to finance current fiscal year operations and are reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

Adams County/Ohio Valley School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)

NOTE 5 - PROPERTY TAXES (continued)

The amount available as an advance at June 30, 2007, was \$675,799 in the General Fund, \$271,127 in the Debt Service Fund, and \$15,239 in the Classroom Facilities Fund. The amount available as an advance at June 30, 2006, was \$841,251 in the General Fund and \$238,044 in the Debt Service Fund. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

The assessed values upon which the fiscal year 2007 taxes were collected are:

	2006 Second- Half Collections		2007 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$240,390,030	82.79%	\$246,657,490	82.34%
Public Utility Personal	22,120,270	7.62%	22,986,960	7.67%
General Business Personal	27,857,030	9.59%	29,930,590	9.99%
Total Assessed Value	\$290,367,330	100.00%	\$299,575,040	100.00%
Tax rate per \$1,000 of assessed valuation	\$32.47		\$35.87	

The increase in the tax rate is due to the passage of a 4.14 mill levy for bond issuance as well as .5 mills for classroom facilities maintenance on May 2, 2006.

NOTE 6 - RECEIVABLES

Receivables at June 30, 2007, consisted of accrued interest, accounts (billings for user charged services and student fees), interfund, intergovernmental grants, and property taxes. All receivables are considered collectible in full and will be received within one year with the exception of the property taxes and the grant from the Ohio School Facilities Commission. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year.

A listing of the intergovernmental receivables follows:

Adams County/Ohio Valley School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)

NOTE 6 – RECEIVABLES (continued)

	Amounts
Governmental Activities	
Tuition from Other Districts	\$20,741
Public School Preschool	11,248
Ohio Reads	12,000
Alternative School Funding	5,118
Miscellaneous State Grants	72,707
Ttitle VI-B	321,470
Carl D Perkins Vocational Education Grant	16,487
Title I	453,689
Drug Free School Grant	7,068
Ohio School Facilities Commission	46,822,239
Title II-D	158,494
Miscellaneous Federal Grants	5,029
Total Governmental Activities	47,906,290
Business-Type Activity	
Food Service - Federal and State Lunch Reimbursement	231,900
Total Intergovernmental Receivable	\$48,138,190

During fiscal year 2007, the School District was awarded a grant in the amount of \$52,234,537 from the Ohio School Facilities Commission to build three new elementary buildings and demolish three old elementary buildings within the School District. As of June 30, 2007, the School District had received \$5,412,298 of the amount awarded under this program.

Adams County/Ohio Valley School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)

NOTE 7 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2007, was as follows:

	<u>Balance at 6/30/06</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at 6/30/07</u>
<u>Governmental Activities</u>				
<i>Capital Assets, Not being Depreciated</i>				
Land	\$730,111	\$0	\$0	\$730,111
Construction in Progress	0	1,304,915	0	1,304,915
Total Capital Assets, Not Being Depreciated	<u>730,111</u>	<u>1,304,915</u>	<u>0</u>	<u>2,035,026</u>
<i>Capital Assets, Being Depreciated</i>				
Land Improvements	3,201,036	0	0	3,201,036
Buildings and Improvements	40,704,877	127,581	(62,008)	40,770,450
Furniture, Fixtures and Equipment	2,305,737	125,336	(310,387)	2,120,686
Vehicles	3,426,332	721,847	(46,866)	4,101,313
Total Capital Assets, Being Depreciated	<u>49,637,982</u>	<u>974,764</u>	<u>(419,261)</u>	<u>50,193,485</u>
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(3,135,895)	(23,639)	0	(3,159,534)
Buildings and Improvements	(10,445,685)	(816,780)	14,436	(11,248,029)
Furniture, Fixtures and Equipment	(1,599,240)	(142,562)	288,401	(1,453,401)
Vehicles	(2,202,140)	(241,491)	46,866	(2,396,765)
Educational Media	0	0	0	0
Total Accumulated Depreciation	<u>(17,382,960)</u>	<u>(1,224,472) *</u>	<u>349,703</u>	<u>(18,257,729)</u>
Total Capital Assets, Being Depreciated, Net	<u>32,255,022</u>	<u>(249,708)</u>	<u>(69,558)</u>	<u>31,935,756</u>
Governmental Activities Capital Assets, Net	<u>\$32,985,133</u>	<u>\$1,055,207</u>	<u>(\$69,558)</u>	<u>\$33,970,782</u>

Adams County/Ohio Valley School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)

NOTE 7 - CAPITAL ASSETS (continued)

	Balance at 6/30/06	Additions	Deductions	Balance at 6/30/07
<u>Business-Type Activity</u>				
<i>Capital Assets, Not being Depreciated</i>				
Land	\$30,193	\$0	\$0	\$30,193
<i>Capital Assets, Being Depreciated</i>				
Buildings and Improvements	2,963,803	0	0	2,963,803
Furniture, Fixtures and Equipment	597,568	14,795	0	612,363
Total Capital Assets, Being Depreciated	3,561,371	14,795	0	3,576,166
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	(772,258)	(54,718)	0	(826,976)
Furniture, Fixtures and Equipment	(416,046)	(32,436)	0	(448,482)
Total Accumulated Depreciation	(1,188,304)	(87,154)	0	(1,275,458)
Total Capital Assets, Being Depreciated, Net	2,373,067	(72,359)	0	2,300,708
Business-Type Activity Capital Assets, Net	\$2,403,260	(\$72,359)	\$0	\$2,330,901

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$478,607
Special	103,579
Vocational	55,598
Support Services:	
Pupils	22,644
Instructional Staff	64,816
Administration	56,335
Fiscal	8,152
Business	3,214
Operation and Maintenance of Plant	160,894
Pupil Transportation	255,294
Central	2,084
Operation of Non-Instructional Services	3,339
Extracurricular Activities	9,916
Total Depreciation Expense	<u>\$1,224,472</u>

Adams County/Ohio Valley School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)

NOTE 8 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. As of June 30, 2007, the School District obtained coverage through the Southwestern Ohio Educational Purchasing Council Property, Fleet and Liability Program (Note 16) with Marsh Company of Toledo, Ohio, serving as the agent. General liability coverage, educator’s legal liability coverage, and auto liability and physical damage coverage are provided by Selective Insurance Company of South Carolina. Property coverage is provided by Travelers Indemnity Insurance Company. Boiler and machinery coverage is provided by Federal Insurance Company, a division of Chubb & Sons Insurance Company. Umbrella coverage is provided by American Alternative Insurance Company. Insurance coverage provided includes the following:

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

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

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

NOTE 9 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476, or by calling toll-free (800) 878-5853. It is also posted on SERS’ website, www.ohsers.org, under Forms and Publications.

Adams County/Ohio Valley School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006, and 2005 were \$463,090, \$471,748, and \$415,290, respectively; 45.2 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005.

B. State Teachers Retirement System of Ohio

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling toll-free (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

Adams County/Ohio Valley School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

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

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2006, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2007, 2006, and 2005, were \$2,139,846, \$2,134,526, and \$1,911,618, respectively; 83.1 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. Contributions to the DC and Combined Plans for fiscal year 2007 were \$10,161 made by the School District and \$27,100 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2007, one of the School District's members of the Board of Education has elected Social Security. The School District's liability is 6.2 percent of wages paid.

NOTE 10 - POSTEMPLOYMENT BENEFITS

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

Adams County/Ohio Valley School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)

NOTE 10 - POSTEMPLOYMENT BENEFITS (continued)

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$164,604 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, (the latest information available) the balance in the Fund was \$3.5 billion. For the fiscal year ended June 30, 2006, net health care costs paid by STRS Ohio were \$282,743,000 and STRS Ohio had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, compared to 3.42 percent of covered payroll for fiscal year 2006. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2007 fiscal year equaled \$230,294.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next fiscal year. Expenses for health care for the fiscal year ended June 30, 2006 (the latest information available) were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has 59,492 participants eligible to receive health care benefits.

Adams County/Ohio Valley School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)

NOTE 11 - EMPLOYEE BENEFITS

A. Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 215 days for administrators. One third of each administrator's accumulated sick leave over 200 days shall be paid out at the end of each fiscal year. Classified personnel may accumulate up to a maximum of 200 days for usage purposes; however, for retirement purposes, they may accumulate up to a maximum of 260 days. Certified personnel may accumulate up to a maximum of 200 days for usage; however, for retirement purposes, they may accumulate an unlimited number of days. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum payment of 50 days for administrators and 59 ½ days for classified employees. Certified employees receive one-fourth of their unused sick leave upon retirement. The School District offers a super-severance provision for employees who retire in their first year of eligibility. Under this policy, payment is made for one-half of the accumulated sick leave credit up to a maximum payment of 100 days.

Teachers and administrator earn three days of personal leave per school year. Unused days are paid in July of each year, at the rate of \$95 per day for teachers and \$115 per day for administrators.

B. Insurance Benefits

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

C. Perfect/Excellent Attendance Incentive

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

Eleven and twelve month classified employees with perfect attendance receive a bonus of \$325. Nine and ten month classified employees with perfect attendance receive a bonus of \$250. All classified employees also receive a bonus for unused personal days at half of their daily rate.

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

Adams County/Ohio Valley School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)

NOTE 12 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2007 were as follows:

	Amount Outstanding 6/30/06	Additions	Deductions	Amount Outstanding 6/30/07	Amounts Due in One Year
<u>Governmental Activities</u>					
EPA Asbestos Loan					
1987 0%	\$4,726	\$0	\$4,726	\$0	\$0
Energy Conservation Bonds					
2001 5.92%	473,366	0	81,330	392,036	97,596
School Improvement Bonds					
1995 4.55% - 5.25%	18,814,340	0	650,640	18,163,700	704,860
School Improvement Bonds					
1998 4.87%	32,532	0	16,266	16,266	16,266
School Improvement Bonds 2007				0	
Serial Bonds 4.00% - 5.00%	0	6,570,000	0	6,570,000	220,000
Term Bonds 4.25% - 5.00%	0	12,100,000	0	12,100,000	0
Premium on Debt Issue	0	270,829	3,765	267,064	0
Total Long-Term Loans and Bonds	19,324,964	18,940,829	756,727	37,509,066	1,038,722
Compensated Absences	2,249,531	357,734	269,628	2,337,637	223,630
Total Governmental Activities					
Long-Term Obligations	<u>\$21,574,495</u>	<u>\$19,298,563</u>	<u>\$1,026,355</u>	<u>\$39,846,703</u>	<u>\$1,262,352</u>
<u>Business-Type Activity</u>					
Compensated Absences	<u>\$48,704</u>	<u>\$67</u>	<u>\$1,741</u>	<u>\$47,030</u>	<u>\$5,663</u>

EPA Asbestos Loan - On March 25, 1987, the School District obtained a loan in the amount of \$317,092 for the purpose of providing asbestos removal for the School District, under the authority of Ohio Revised Code section 3317.22. The loan was issued for a twenty year period and matured during fiscal year 2007. Manchester Local School District assumed \$20,119 of the outstanding loan amount as of July 1, 2004. The loan was retired from the Debt Service Fund.

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

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

Adams County/Ohio Valley School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)

NOTE 12 - LONG-TERM OBLIGATIONS (continued)

School Improvement Bonds 1998 - On August 24, 1998, the School District issued \$300,000 in unvoted general obligation bonds for the purpose of acquiring a bus garage. The bonds were issued for a nine year period with final maturity at December 1, 2007. Manchester Local School District assumed \$54,936 of the outstanding bond amount as of July 1, 2004. The bonds will be retired from the Debt Service Fund.

School Improvement Bonds 2007 - On February 15, 2007, the School District issued \$18,670,000 in voted general obligation bonds for the purpose of retiring \$14,800,000 in bond anticipation notes that were issued on November 16, 2006, 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.

Adams County/Ohio Valley School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)

NOTE 12 - LONG-TERM OBLIGATIONS (continued)

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

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

<u>Year</u>	<u>Amount</u>
2029	\$985,000
2030	1,030,000
2031	1,175,000
2032	<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 General, Auxiliary Services, Public School Preschool, Poverty Based Assistance, Title VI-B, Title I, Preschool Disability Grants, Title II, and Food Service Funds.

The School District's overall legal debt margin was (\$12,830,233) with an unvoted debt margin of \$266,886, and an Energy Conservation debt margin of \$2,009,937 at June 30, 2007. Ohio Revised Code section 133.06(I) allows a school district to incur net indebtedness in excess of the legal debt limitation when necessary to raise the school district's local portion of Ohio School Facilities construction project cost.

Adams County/Ohio Valley School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)

NOTE 12 - LONG-TERM OBLIGATIONS (continued)

Principal requirements to retire general obligation debt at June 30, 2007, are as follows:

Energy Conservation Bonds - 2001			
Fiscal year Ending June 30,	Principal	Interest	Total
2008	\$97,596	\$21,042	\$118,638
2009	97,596	15,264	112,860
2010	97,596	9,487	107,083
2011	97,596	3,709	101,305
2012	1,652	48	1,700
Total	\$392,036	\$49,550	\$441,586

School Improvement Bonds - 1995			
Fiscal year Ending June 30,	Principal	Interest	Total
2008	\$704,860	\$1,053,264	\$1,758,124
2009	759,080	1,013,724	1,772,804
2010	813,300	970,470	1,783,770
2011	881,075	917,064	1,798,139
2012	948,850	853,016	1,801,866
2013-2017	6,004,865	3,113,889	9,118,754
2018-2022	8,051,670	1,108,733	9,160,403
Total	\$18,163,700	\$9,030,160	\$27,193,860

School Improvement Bonds - 1998			
Fiscal year Ending June 30,	Principal	Interest	Total
2008	\$16,266	\$397	\$16,663

Adams County/Ohio Valley School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)

NOTE 12 - LONG-TERM OBLIGATIONS (continued)

School Improvement Bonds 2007					
Fiscal Year Ending June 30,	Serial Bonds Principal	Serial Bonds Interest	Term Bonds Principal	Term Bonds Interest	Total
2008	\$220,000	\$274,486	\$0	\$815,540	\$1,310,026
2009	330,000	253,250	0	562,288	1,145,538
2010	330,000	240,050	0	562,288	1,132,338
2011	330,000	226,850	0	562,288	1,119,138
2012	400,000	212,250	0	562,288	1,174,538
2013-2017	2,470,000	788,050	0	2,811,440	6,069,490
2018-2022	2,490,000	206,725	665,000	2,794,815	6,156,540
2023-2027	0	0	3,905,000	2,175,065	6,080,065
2028-2032	0	0	1,835,000	1,107,776	2,942,776
2033 - 2034	0	0	5,695,000	107,844	5,802,844
Total	\$6,570,000	\$2,201,661	\$12,100,000	\$12,061,632	\$32,933,293

NOTE 13 - SHORT-TERM OBLIGATIONS

A summary of the short-term note transactions for the fiscal year follows:

	Amount Outstanding 6/30/06	Additions	Deductions	Amount Outstanding 6/30/07
<u>Governmental Activities</u>				
School Improvement Bond				
Anticipation Notes 4.4%	\$0	\$14,800,000	\$14,800,000	\$0
	\$0	\$14,800,000	\$14,800,000	\$0

On November 16, 2006, the School District issued \$14,800,000 in School Improvement Bond Anticipation Notes for the purpose of constructing new buildings and improving existing buildings. The notes were retired on February 15, 2007 with the proceeds of the 2007 School Improvement Bonds.

Adams County/Ohio Valley School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)

NOTE 14 - INTERFUND ACTIVITY

A. Interfund Transfers

Transfers made during the fiscal year ended June 30, 2007, were as follows:

	Transfer From		
	General Fund	All Other Governmental Funds	Totals
Transfer To			
Ohio School Facilities Commission Locally Funded Initiative Fund	\$0	\$10,868,368	\$10,868,368
Ohio School Facilities Commission Project Fund	0	3,931,632	3,931,632
All Other Governmental Funds	982,819	0	982,819
Total	<u>\$982,819</u>	<u>\$14,800,000</u>	<u>\$15,782,819</u>

Transfers were made for annual debt service payments and to move unrestricted balances to support programs and projects accounted for in other funds. The amounts transferred to the Ohio School Facilities Commission Locally Funded Initiative and Ohio School Facilities Commission Project Funds were debt proceeds for use in the construction of new facilities and the demolition of old buildings.

B. Interfund Receivables/Payables

As of June 30, 2007, receivables and payables that resulted from various interfund transactions were as follows:

Payable	Receivable General Fund
All Other Governmental Funds	<u>\$112,873</u>

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

Adams County/Ohio Valley School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS

A. South Central Ohio Computer Association

The School District is a participant in the South Central Ohio Computer Association (SCOCA), which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Adams, Brown, Gallia, Highland, Pickaway, Pike, Ross, Scioto, Vinton, Jackson and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each county in the SCOCA service region designated by the Ohio Department of Education, two representatives of the school treasurers, plus a representative of the fiscal agent. The School District paid SCOCA \$346,644 for services provided during the fiscal year. Financial information can be obtained from their fiscal agent, the Pike County Joint Vocational School District, Tonya Cooper who serves as Treasurer, P.O. Box 577, 175 Beaver Creek Road, Piketon, Ohio, 45661.

B. Hopewell Special Education Regional Resource Center

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

Adams County/Ohio Valley School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS (continued)

C. Southwestern Ohio Educational Purchasing Council

The School District participates in the Southwestern Ohio Educational Purchasing Council (SOEPC), a purchasing council made up of nearly 100 school districts in 12 counties. The purpose of the SOEPC is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations during the one year period. Payments to SOEPC are made from the General Fund. During fiscal year 2007, the School District paid \$131,129 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

NOTE 16 - INSURANCE PURCHASING POOL

Southwestern Ohio Educational Purchasing Council Property, Fleet and Liability Program

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

NOTE 17 - RELATED ORGANIZATION

Adams County Public Library

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

Adams County/Ohio Valley School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)

NOTE 18 - SET-ASIDE CALCULATIONS AND FUND RESERVES

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

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

	Textbooks	Capital Acquisition
Set-aside Reserve Balance as of June 30, 2006	(\$1,484,760)	\$0
Current Fiscal Year Set-aside Requirement	652,359	652,359
Qualifying Disbursements	(623,579)	(1,197,293)
Totals	(\$1,455,980)	(\$544,934)
Set-aside Reserve Balance as of June 30, 2007	\$0	\$0
Set-aside Reserve Balance Carried Forward to FY 2008	(\$1,455,980)	\$0

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

NOTE 19 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2007.

B. Litigation

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

Adams County/Ohio Valley School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)

NOTE 20 - SUBSEQUENT EVENT

On November 29, 2007, the School District entered into contractual agreements with the following contractors for work on the School District's Ohio School Facilities Commission construction project:

<u>Contractor</u>	<u>Work to Be Performed</u>	<u>Contract Amount</u>
Mark Schaffer Excavating	Early Site Work-West Union Elementary	\$1,279,735
Mark Schaffer Excavating	Early Site Work-North Adams Elementary	\$1,303,256
Charles H. Hamilton Company	Early Site Work-Peebles Elementary	\$1,022,000
Middleton Geothermal	Geothermal Wells for North Adams, Peebles and West Union Elementaries	\$1,768,671

In addition, on February 25, 2008, the Ohio Schools Facilities Commission passed a resolution acknowledging a scope of work adjustment to the School District's construction project. The recommended changes to the School District's Master Facilities Plan totaled \$2,627,487. If it is determined by the Ohio School Facilities Commission at a future date that the total project budget is insufficient to enter into contracts, or if the contingency reserve and all interest earnings on project funds should or will become depleted before project completion, both the Ohio School Facilities Commission and the School District will be required to contribute their proportional share of the overrun to the project.

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

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30,2007**

FEDERAL GRANTOR/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Food Distribution Program	N/A	10.550	\$0	\$248,399	\$0	\$248,399
Child Nutrition Cluster:						
School Breakfast Program	05-PU-06	10.553	63,255		63,255	
	05-PU-07	10.553	153,348		153,348	
Total School Breakfast Program			216,603		216,603	
National School Lunch Program	LL-P4-06	10.555	204,896		204,896	
	LL-P4-07	10.555	470,843		470,843	
Total National School Lunch Program			675,739		675,739	
Summer Food Service Program	24-PU-06	10.559	7,513		7,513	
Total Child Nutrition Cluster			899,855		899,855	
Fresh Fruit and Vegetable Program	VG-S1-06	10.582	13,998		13,998	
Team Nutrition Grant	TW-NT-04	10.574	0		217	
Total U.S. Department of Agriculture			913,853	248,399	914,070	248,399
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Title 1 Grants to Local Educational Agencies	C1-S1-06	84.010	91,668		205,255	
	C1-S1-07	84.010	1,016,516		1,072,146	
	C1-SN-06	84.010	2,973		863	
	C1-SN-07	84.010	4,036		4,977	
Total Title 1			1,115,193		1,283,241	
Special Education Cluster:						
Special Education - Grants to States						
	6B-PM-06	84.027	5,964		2,660	
	6B-PM-07	84.027	15,642		23,040	
	6B-SA-06	84.027	11,964		15,094	
	6B-SD-06	84.027	21,060		13,095	
	6B-SF-06	84.027	154,525		257,855	
	6B-SF-07	84.027	881,169		914,791	
<i>Passed Through Hopewell Education Regional Resource Center</i>						
Data-Based Student Progress Monitoring	2005	84.027	0		11,016	
	2007	84.027	15,000		3,115	
Total Special Education			1,105,324		1,240,666	
Special Education Preschool Grants	PG-S1-06	84.173	9,023		6,649	
	PG-S1-07	84.173	23,354		16,909	
Total Special Education Preschool Grants			32,377		23,558	
Total Special Education Cluster			1,137,701		1,264,224	
Vocational Educational Basic Grants to States	20-C1-06	84.048	9,836		10,272	
	20-C1-07	84.048	118,386		134,873	
Total Vocational Education			128,222		145,145	

(Continued)

ADAMS COUNTY/OHIO VALLEY SCHOOL DISTRICT
ADAMS COUNTY

FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2007
(Continued)

FEDERAL GRANTOR/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
Safe and Drug -Free Schools and Communities-State Grants	DR-S1-06	84.186	4,539		2,375	
	DR-S1-07	84.186	31,371		31,371	
Total Safe and Drug-Free Schools			35,910		33,746	
Innovative Educational Program Strategies	C2-S1-07	84.298	6,131		6,131	
Technology Literacy Challenge	TJ-S1-06	84.318	4,290		4,290	
	TJ-SL-06	84.318			289	
	TJ-S1-07	84.318	13,665		13,665	
Total Technology Literacy Challenge			17,955		18,244	
Improving Teacher Quality State Grants	TR-S1-06	84.367	39,285		47,917	
	TR-S1-07	84.367	243,219		260,812	
Total Improving Teacher Quality State Grants			282,504		308,729	
Total U.S. Department of Education			2,723,616		3,059,460	
<u>U. S. ENVIRONMENTAL PROTECTION AGENCY</u>						
Toxic Substances Compliance Monitoring Cooperative		66.701	0		4,725	
<u>INSTITUTE OF MUSEUM AND LIBRARY SERVICES</u>						
Passed through State Library of Ohio Grants to States		45.310	4,096		7,639	
Totals			\$3,641,565	\$248,399	\$3,985,894	\$248,399

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

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

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2007**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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

NOTE D - MATCHING REQUIREMENTS

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

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Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Adams County/Ohio Valley Local School District, Adams County, Ohio (the District), as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 29, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

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

We noted certain matters that we reported to the District's management in a separate letter dated April 29, 2008.

Compliance and Other Matters

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

We did note certain noncompliance or other matters that we reported to the District's management in a separate letter dated April 29, 2008.

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

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

Mary Taylor, CPA
Auditor of State

April 29, 2008



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of the Adams County/Ohio Valley Local School District, Adams County, Ohio (the District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended June 30, 2007. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Adams County/Ohio Valley Local School District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2007.

Internal Control Over Compliance

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

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we noted a certain matter involving the internal control over federal compliance that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated April 29, 2008.

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



Mary Taylor, CPA
Auditor of State

April 29, 2008

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2007**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Title I CFDA# 84.010
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



Mary Taylor, CPA
Auditor of State

ADAMS COUNTY/OHIO VALLEY LOCAL SCHOOL DISTRICT

ADAMS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MAY 13, 2008