

Adams County/Ohio Valley Local School District

Adams County

Single Audit

July 1, 2009 through June 30, 2010

Fiscal Year Audited Under GAGAS: 2010



Balestra, Harr & Scherer, CPAs, Inc.

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Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Adams County/Ohio Valley Local School District, Adams County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2009 through June 30, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

January 31, 2011

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

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Independent Auditor's Report

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Adams County/Ohio Valley Local School District (the School District), Adams County, Ohio, as of and for the year ended June 30, 2010, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

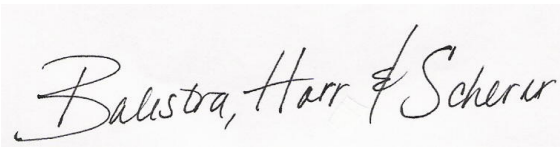
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Adams County/Ohio Valley Local School District, as of June 30, 2010, and the respective changes in financial position thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2010, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

Members of the Board
Adams County/Ohio Valley Local School District
Independent Auditor's Report
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We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements. The accompanying Schedule of Federal Awards Receipts and Expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the Schedule of Federal Awards Receipts and Expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Balestra, Harr & Scherer CPAs, Inc.
December 17, 2010

Adams County/Ohio Valley School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
(Unaudited)

As management of the Adams County/Ohio Valley School District, we offer the readers of the District's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with the additional information that we have provided in the basic financial statements and the notes to the financial statements to enhance their understanding of the District's performance.

This discussion and analysis of Adams County/Ohio Valley School District's financial performance is intended to serve as an introduction to the District's basic financial statements, and provides an overall review of the District's financial activities for the fiscal year ended June 30, 2010. 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, 2010 by \$76,345,758. Invested in capital assets net of related debt and net assets restricted for specific purposes totaled \$77,070,615, leaving a balance in unrestricted net assets of (\$724,857).
- Net assets of governmental activities decreased (\$4,652,954) which represents a 5.7% decrease from 2009.
- General revenues accounted for \$33,563,290 or 71% of all revenues. Program specific revenues in the form of charges for services and sales and operating and capital grants and contributions accounted for \$13,554,736 or 29% of total revenues of \$47,118,026.
- The District had \$51,770,980 in expenses related to governmental activities; only \$13,554,736 of these expenses were offset by program specific charges for services and sales, operating grants, contributions and interest, and capital grants and contributions.

Adams County/Ohio Valley School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
(Unaudited)

Using the Basic Financial Statements

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

The Statement of Net Assets and the Statement of Activities provide information about the activities of the District as a whole, and present a longer term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term, as well as what remains for future spending. The fund financial statements also look at the District's major funds, with all other nonmajor funds presented in total in one column. The major funds for the Adams County/Ohio Valley School District are the General Fund, the Ohio School Facilities Commission (OSFC) Local Funded Initiative Fund, the Ohio School Facilities Commission Project Fund and the Debt Service Fund.

Reporting the District as a Whole

One of the most important questions asked about the District is "How did we do financially during fiscal year 2010?" The *Statement of Net Assets* and the *Statements of Activities*, which appear first in the District's financial statements, report information on the District as a whole and its activities in a way that helps answer this question. These government-wide financial statements include all *assets* and *liabilities* using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all current year revenues and expenses regardless of when cash is received or paid.

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

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

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

Adams County/Ohio Valley School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
(Unaudited)

Reporting the District's Most Significant Funds

Fund Financial Statements

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

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

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

The District as a Whole

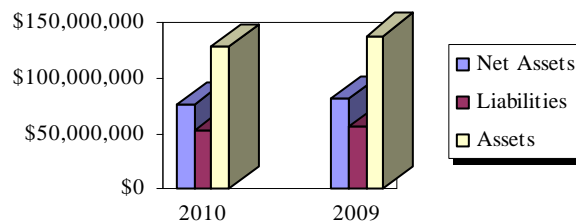
Recall that the Statement of Net Assets provides the perspective of the District as a whole.

Adams County/Ohio Valley School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
(Unaudited)

Table 1 provides a summary of the District's net assets for fiscal years 2010 and 2009:

Table 1
Net Assets

	Governmental Activities	
	2010	2009
Assets		
Current and Other Assets	\$30,730,246	\$51,790,520
Capital Assets, Net	98,865,032	85,961,093
Total Assets	129,595,278	137,751,613
Liabilities		
Long-Term Liabilities	36,506,185	37,662,738
Other Liabilities	16,743,335	19,090,163
Total Liabilities	53,249,520	56,752,901
Net Assets		
Invested in Capital Assets, Net of Related Debt	64,851,933	69,064,489
Restricted	12,218,682	10,517,526
Unrestricted	(724,857)	1,416,697
Total Net Assets	\$76,345,758	\$80,998,712



Net assets decreased by \$4,652,954 because total assets decreased \$8,156,335 due to decreases in pooled cash and investments due to the continuing OSFC building projects. Overall, total liabilities decreased \$3,503,381 due to the decreases in contracts payable, which was due to the continuing OSFC building projects throughout the District.

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

Adams County/Ohio Valley School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
(Unaudited)

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

Table 2
Changes in Net Assets

	Governmental Activities	
	2010	2009
Revenues		
Program Revenues:		
Charges for Services and Sales	\$2,163,383	\$2,597,751
Operating Grants and Contributions	11,391,353	9,383,500
Capital Grants and Contributions	0	60,383
General Revenue:		
Property Taxes	8,951,522	8,846,560
Grants and Entitlements not Restricted	22,717,176	23,609,000
Other	1,894,592	1,244,142
Total Revenues	<u>47,118,026</u>	<u>45,741,336</u>
Program Expenses:		
Instruction	29,986,965	26,151,012
Support Services:		
Pupil and Instructional Staff	5,554,527	4,707,872
General and School Administrative, Fiscal and Business	4,724,724	4,322,076
Operations and Maintenance	3,167,286	3,269,100
Pupil Transportation	3,228,520	2,349,375
Central	306,719	342,691
Operation of Non-Instructional Services	2,470,717	2,275,910
Extracurricular Activities	555,786	540,609
Interest and Fiscal Charges	1,775,736	1,838,281
Total Expenses	<u>51,770,980</u>	<u>45,796,926</u>
Change in Net Assets	(4,652,954)	(55,590)
Beginning Net Assets	<u>80,998,712</u>	<u>81,054,302</u>
Ending Net Assets	<u><u>\$76,345,758</u></u>	<u><u>\$80,998,712</u></u>

Adams County/Ohio Valley School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
(Unaudited)

Governmental Activities

Grants and entitlements not restricted to specific programs made up 48% of total revenues of the Adams County/Ohio Valley School District for fiscal year 2010, while Property Taxes made up 19%. In fiscal year 2010, investment earnings (included in General Revenues: Other) decreased from \$973,367 to \$90,506, a difference of \$882,861, primarily due to decreasing cash balances available to invest and interest rate decreases during the fiscal year.

Instruction comprises 58% of governmental program expenses. Support services expenses comprise of 33% of governmental expenses. All other expenses make up 9% of governmental expenses. The District had an increase in instructional expenses when compared to 2009 due to general inflationary factors.

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

Table 3
Governmental Activities

	Total Cost of Services 2010	Total Cost of Services 2009	Net Cost of Services 2010	Net Cost of Services 2009
Instruction	\$29,986,965	\$26,151,012	(\$21,670,480)	(\$18,792,209)
Support Services:				
Pupil and Instructional Staff	5,554,527	4,707,872	(3,262,518)	(3,032,028)
School Administrative, General				
Administration, Fiscal and Business	4,724,724	4,322,076	(4,397,750)	(3,875,090)
Operations and Maintenance	3,167,286	3,269,100	(3,152,019)	(3,253,884)
Pupil Transportation	3,228,520	2,349,375	(3,093,641)	(2,202,851)
Central	306,719	342,691	(228,483)	(330,079)
Operation of Non-Instructional Services	2,470,717	2,275,910	(304,362)	(124,752)
Extracurricular Activities	555,786	540,609	(331,255)	(306,118)
Interest and Fiscal Charges	1,775,736	1,838,281	(1,775,736)	(1,838,281)
Total Expenses	<u>\$51,770,980</u>	<u>\$45,796,926</u>	<u>(\$38,216,244)</u>	<u>(\$33,755,292)</u>

Adams County/Ohio Valley School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
(Unaudited)

The District's Funds

The District has four major governmental funds: the General Fund, the Debt Service Fund, OSFC Local Funded Initiative Fund and the OSFC Project Fund. Assets of these funds comprised \$25,293,545 (82%) of the total \$30,746,049 governmental funds assets.

General Fund: Fund balance at June 30, 2010 was \$153,091 a decrease in fund balance of \$2,850,263 from 2009. The primary reason for the decrease in fund balance was due to the decrease in taxes and intergovernmental revenue.

OSFC Local Funded Initiative Fund: Fund balance at June 30, 2010 was \$3,067,742 a decrease in fund balance of \$3,348,965 from 2009. The decrease in fund balance is due to the continued construction within the District.

OSFC Project Fund: Fund balance at June 30, 2010 was \$1,599,859 a decrease in fund balance of \$9,775,769 from 2009. The decrease in fund balance is due to the continued construction within the District.

Debt Service Fund: Fund balance at June 30, 2010 was \$4,052,710 an increase in fund balance of \$175,806 from 2009. The primary reason for the increase in fund balance was due to the decrease in debt payments made in 2010 compared to 2009.

General Fund - Budget Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. During the course of fiscal year 2010 the District revised its budget as it attempted to deal with unexpected changes in revenues and expenditures.

For the General Fund, final budget basis revenue was \$33,008,842 with original budget estimates of \$37,063,970, the difference was mainly due to overestimates in taxes revenue and intergovernmental revenue. The original budget estimates for expenditures for the District increased when it is compared to the actual expenditures due to conservative estimates made by the District. The final budget estimated expenditures were \$37,398,511 while the actual expenditures for the District were \$36,082,749, a difference of four percent.

The District's ending unobligated cash balance of \$3,195,993 was \$1,665,560 above the final budgeted amount in the General Fund.

Adams County/Ohio Valley School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
(Unaudited)

Capital Assets and Debt Administration

Capital Assets

The Adams County/Ohio Valley School District's investment in capital assets as of June 30, 2010 was \$98,865,032. This investment in capital assets includes land, land improvements, buildings and improvements, furniture, fixtures, and equipment, and vehicles. Table 4 shows fiscal year 2010 balances compared to fiscal year 2009:

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

	Governmental Activities	
	2010	2009
Land	\$923,258	\$782,803
Construction in Progress	0	52,970,023
Land Improvements	33,064	33,480
Buildings and Improvements	95,799,493	29,856,982
Furniture, Fixtures, and Equipment	380,803	580,484
Vehicles	1,728,414	1,737,321
Totals	<u>\$98,865,032</u>	<u>\$85,961,093</u>

Capital Assets increased by \$12,903,939 primarily as a result of building additions due to the completion of the OSFC projects for the District. For more information on capital assets, refer to note 7 of the basic financial statements.

Adams County/Ohio Valley School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
(Unaudited)

Debt

At June 30, 2010 the District had \$34,013,099 in outstanding debt, \$1,310,323 due within one year. Table 5 summarizes the District's outstanding debt:

Table 5
Outstanding Debt at Year End

	Governmental Activities	
	2010	2009
Energy Conservation Bonds, 2001	\$99,248	\$196,844
School Improvement Bonds, 1995	15,886,460	16,699,760
School Improvement Bonds, 2007:		
Serial Bonds 4.00% - 5.00%	5,690,000	6,020,000
Term Bonds 4.25% - 5.00%	12,100,000	12,100,000
Premium	237,391	247,282
Totals	<u>\$34,013,099</u>	<u>\$35,263,886</u>

The District's debt decreased by \$1,250,787 because of debt payments being made. For more information on outstanding debt, refer to note 12 of the basic financial statements.

For the Future

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

Adams County/Ohio Valley School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
(Unaudited)

In July, 2009, the Ohio's Governor signed HB 1, the state biennium budget bill. Included in this bill was a complete overhaul of the school funding model for all school districts in Ohio. The new Ohio Evidence-Based Model (OEBM) replaces the long-standing foundation formula that was declared unconstitutional by the Ohio Supreme Court. If ever fully-funded, the new model has the potential to drive funding based on student needs and could result in additional revenue. However, the current economic crisis has reduced revenue at the state level prompting budget reduction measures across the State. As such, the funding for the OEBM started in FY10 by allocating the funding for each year based on 99% of the FY09 funding and 98% of the FY10 funding, respectively. Federal stimulus funds are being used in Ohio to balance the education budget and as such, funding for public education at the current level is not secure beyond FY11. This uncertainty could have a major impact on our instructional and operational programs. The need for additional revenue and or expenditure reductions will need to be monitored closely.

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

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

Contacting the District's Financial Management

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

Adams County/Ohio Valley School District, Ohio
Statement of Net Assets
June 30, 2010

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$16,333,477
Restricted Cash and Investments	1,150,494
Receivables:	
Taxes	11,771,374
Accounts	26,291
Interest	695
Intergovernmental	1,181,498
Deferred Bond Issuance Costs	208,193
Inventory	58,224
Nondepreciable Capital Assets	923,258
Depreciable Capital Assets, Net	<u>97,941,774</u>
 Total Assets	 <u>129,595,278</u>
Liabilities:	
Accounts Payable	14,440
Accrued Wages and Benefits	4,681,550
Retainage Payable	1,138,156
Accrued Interest Payable	145,303
Contracts Payable	664,739
Unearned Revenue	10,099,147
Long-Term Liabilities:	
Due Within One Year	1,702,933
Due In More Than One Year	<u>34,803,252</u>
 Total Liabilities	 <u>53,249,520</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	64,851,933
Restricted for:	
Debt Service	4,135,846
Capital Projects	5,886,498
Other Purposes	2,196,338
Unrestricted	<u>(724,857)</u>
 Total Net Assets	 <u><u>\$76,345,758</u></u>

See accompanying notes to the basic financial statements.

Adams County/Ohio Valley School District, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2010

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$21,398,093	\$481,146	\$2,103,366	(\$18,813,581)
Special	4,841,162	136,594	4,346,535	(358,033)
Vocational	2,834,658	559,976	671,105	(1,603,577)
Adult/Continuing	392,655	0	0	(392,655)
Other	520,397	17,763	0	(502,634)
Support Services:				
Pupil	2,188,527	33,459	407,397	(1,747,671)
Instructional Staff	3,366,000	37,343	1,813,810	(1,514,847)
General Administration	42,433	0	0	(42,433)
School Administration	3,145,260	518	148,525	(2,996,217)
Fiscal	1,061,228	0	11,497	(1,049,731)
Business	475,803	0	166,434	(309,369)
Operations and Maintenance	3,167,286	15,267	0	(3,152,019)
Pupil Transportation	3,228,520	2,310	132,569	(3,093,641)
Central	306,719	0	78,236	(228,483)
Operation of Non-Instructional Services	2,470,717	654,476	1,511,879	(304,362)
Extracurricular Activities	555,786	224,531	0	(331,255)
Interest and Fiscal Charges	1,775,736	0	0	(1,775,736)
Total Governmental Activities	\$51,770,980	\$2,163,383	\$11,391,353	(38,216,244)

General Revenues:

Property Taxes Levied for:

General Purposes	6,225,799
Special Revenue Purposes	133,809
Debt Service Purposes	2,445,614
Classroom Facilities	146,300
Grants and Entitlements not Restricted to Specific Programs	22,717,176
Unrestricted Contributions	8,426
Investment Earnings	90,506
Grants and Entitlements Restricted for Capital Construction	1,415,223
Other Revenues	380,437

Total General Revenues 33,563,290

Change in Net Assets (4,652,954)

Net Assets Beginning of Year 80,998,712

Net Assets End of Year \$76,345,758

See accompanying notes to the basic financial statements.

Adams County/Ohio Valley School District, Ohio
 Balance Sheet
 Governmental Funds
 June 30, 2010

	General	OSFC Local Funded Initiative	OSFC Project	Debt Service	Other Governmental Funds
Assets:					
Equity in Pooled Cash and Investments	\$3,190,211	\$3,097,903	\$2,234,437	\$3,826,934	\$3,983,992
Restricted Cash and Investments	12,338	224,444	913,712	0	0
Receivables:					
Taxes	8,748,621	0	0	2,793,963	228,790
Accounts	26,291	0	0	0	0
Interest	695	0	0	0	0
Intergovernmental	0	0	0	0	1,181,498
Interfund	223,996	0	0	0	0
Inventory	0	0	0	0	58,224
Total Assets	12,202,152	3,322,347	3,148,149	6,620,897	5,452,504
Liabilities and Fund Balances:					
Liabilities:					
Accounts Payable	9,115	0	0	0	5,325
Accrued Wages and Benefits	3,775,362	0	0	0	906,188
Compensated Absences	81,806	0	0	0	150,475
Retainage Payable	0	224,444	913,712	0	0
Contracts Payable	0	30,161	634,578	0	0
Interfund Payable	0	0	0	0	223,996
Deferred Revenue	8,182,778	0	0	2,568,187	991,938
Total Liabilities	12,049,061	254,605	1,548,290	2,568,187	2,277,922
Fund Balances:					
Reserved for Encumbrances	210,716	633,559	1,802,032	0	251,711
Reserved for Inventory	0	0	0	0	58,224
Reserved for Property Tax Advances	566,538	0	0	225,776	25,808
Reserved for Unclaimed Monies	12,338	0	0	0	0
Unreserved, Undesignated, Reported in:					
General Fund	(636,501)	0	0	0	0
Special Revenue Funds	0	0	0	0	1,474,343
Debt Service Funds	0	0	0	3,826,934	0
Capital Projects Funds	0	2,434,183	(202,173)	0	1,364,496
Total Fund Balances	153,091	3,067,742	1,599,859	4,052,710	3,174,582
Total Liabilities and Fund Balances	\$12,202,152	\$3,322,347	\$3,148,149	\$6,620,897	\$5,452,504

See accompanying notes to the basic financial statements.

Total
Governmental
Funds

\$16,333,477
1,150,494

11,771,374
26,291
695

1,181,498
223,996
58,224

30,746,049

14,440
4,681,550
232,281
1,138,156
664,739
223,996
11,742,903

18,698,065

2,898,018
58,224
818,122
12,338

(636,501)
1,474,343
3,826,934
3,596,506

12,047,984

\$30,746,049

Adams County/Ohio Valley School District, Ohio
 Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2010

Total Governmental Fund Balances		\$12,047,984
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		98,865,032
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Delinquent Property Taxes	854,105	
Interest	695	
Intergovernmental	<u>788,956</u>	
		1,643,756
In the statement of net assets interest payable is accrued when incurred, whereas in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.		(145,303)
Some liabilities reported in the statement of net assets do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds.		
Compensated Absences		(2,260,805)
Deferred bond issuance cost associated with long-term liabilities are not reported in the funds.		208,193
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		<u>(34,013,099)</u>
Net Assets of Governmental Activities		<u><u>\$76,345,758</u></u>

See accompanying notes to the basic financial statements.

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Adams County/Ohio Valley School District, Ohio
Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2010

	General	OSFC Local Funded Initiative	OSFC Project	Debt Service
Revenues:				
Taxes	\$5,940,309	\$0	\$0	\$2,346,134
Tuition and Fees	1,088,501	0	0	0
Investment Earnings	72,396	19,454	15,989	0
Intergovernmental	25,690,603	0	4,490,353	822,929
Extracurricular Activities	4,624	0	0	0
Charges for Services	47,735	0	0	0
Other Revenues	95,992	3,762	50	7,134
Total Revenues	32,940,160	23,216	4,506,392	3,176,197
Expenditures:				
Current:				
Instruction:				
Regular	16,912,740	0	0	0
Special	2,658,346	0	0	0
Vocational	2,613,717	0	0	0
Adult/Continuing	392,655	0	0	0
Other	520,397	0	0	0
Support Services:				
Pupil	1,644,570	0	0	0
Instructional Staff	1,217,459	0	0	0
General Administration	42,433	0	0	0
School Administration	2,768,758	0	0	0
Fiscal	936,080	0	0	84,283
Business	408,965	0	0	0
Operations and Maintenance	2,957,346	0	0	0
Pupil Transportation	2,190,921	0	0	0
Central	218,528	0	0	0
Operation of Non-Instructional Services	1,279	0	0	0
Extracurricular Activities	293,831	0	0	0
Capital Outlay	11,772	3,372,181	14,282,161	0
Debt Service:				
Principal Retirement	0	0	0	1,240,896
Interest and Fiscal Charges	0	0	0	1,781,813
Total Expenditures	35,789,797	3,372,181	14,282,161	3,106,992
Excess of Revenues Over (Under) Expenditures	(2,849,637)	(3,348,965)	(9,775,769)	69,205
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	110,839	0	0	0
Transfers In	0	0	0	106,601
Transfers (Out)	(111,465)	0	0	0
Total Other Financing Sources (Uses)	(626)	0	0	106,601
Net Change in Fund Balances	(2,850,263)	(3,348,965)	(9,775,769)	175,806
Fund Balances Beginning of Year	3,003,354	6,416,707	11,375,628	3,876,904
Fund Balances End of Year	\$153,091	\$3,067,742	\$1,599,859	\$4,052,710

See accompanying notes to the basic financial statements.

Other Governmental Funds	Total Governmental Funds
\$268,225	\$8,554,668
26,251	1,114,752
701	108,540
7,527,476	38,531,361
295,770	300,394
688,840	736,575
293,587	400,525
9,100,850	49,746,815
1,694,004	18,606,744
1,848,549	4,506,895
113,853	2,727,570
0	392,655
0	520,397
445,180	2,089,750
1,919,609	3,137,068
0	42,433
241,953	3,010,711
9,628	1,029,991
69,011	477,976
9,999	2,967,345
377,617	2,568,538
83,703	302,231
2,430,233	2,431,512
257,641	551,472
86,266	17,752,380
0	1,240,896
0	1,781,813
9,587,246	66,138,377
(486,396)	(16,391,562)
35,532	146,371
4,864	111,465
0	(111,465)
40,396	146,371
(446,000)	(16,245,191)
3,620,582	28,293,175
\$3,174,582	\$12,047,984

Adams County/Ohio Valley School District, Ohio
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balances of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended June 30, 2010

Net Change in Fund Balances - Total Governmental Funds (\$16,245,191)

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

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

Capital assets used in governmental activities	15,714,379	
Depreciation Expense	<u>(1,925,269)</u>	
		13,789,110

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. The amount of the proceeds must be removed and the gain or loss on the disposal of capital assets must be recognized. This is the amount of the difference between the proceeds and the gain or loss. (885,171)

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

Delinquent Property Taxes	396,854	
Interest	(18,034)	
Intergovernmental	<u>(3,007,609)</u>	
		(2,628,789)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 1,240,896

In the statement of activities interest expense is accrued when incurred, whereas in governmental funds an interest expenditure is reported when due. 4,861

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

Compensated Absences	70,114	
Deferred Bond Issuance Cost Amortization	(8,675)	
Amortization of Premium	<u>9,891</u>	
		<u>71,330</u>

Change in Net Assets of Governmental Activities (\$4,652,954)

See accompanying notes to the basic financial statements.

Adams County/Ohio Valley School District, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2010

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$6,555,524	\$5,858,633	\$5,858,633	\$0
Tuition and Fees	1,217,979	1,088,501	1,088,501	0
Investment Earnings	382,402	334,786	341,750	6,964
Intergovernmental	28,746,530	25,566,389	25,690,603	124,214
Extracurricular Activities	5,174	10,400	4,624	(5,776)
Charges for Services	53,413	58,404	47,735	(10,669)
Other Revenues	102,948	91,729	92,004	275
Total Revenues	37,063,970	33,008,842	33,123,850	115,008
Expenditures:				
Current:				
Instruction:				
Regular	17,556,654	16,724,745	17,019,566	(294,821)
Special	2,750,052	2,776,883	2,665,923	110,960
Vocational	2,644,115	2,874,426	2,563,227	311,199
Adult/Continuing	405,046	392,624	392,655	(31)
Student Intervention Services	540,200	635,675	523,674	112,001
Support Services:				
Pupil	1,716,096	1,730,954	1,663,598	67,356
Instructional Staff	1,290,069	1,378,541	1,250,604	127,937
General Administration	44,319	48,210	42,963	5,247
School Administration	2,904,838	2,880,345	2,815,974	64,371
Fiscal	977,537	978,691	947,632	31,059
Business	439,520	566,048	426,074	139,974
Operations and Maintenance	3,138,445	3,398,523	3,042,435	356,088
Pupil Transportation	2,271,583	2,384,139	2,202,091	182,048
Central	225,559	305,389	218,659	86,730
Operation of Non-Instructional Services	1,410	5,500	1,367	4,133
Extracurricular Activities	303,830	291,289	294,535	(3,246)
Capital Outlay	12,143	26,529	11,772	14,757
Total Expenditures	37,221,416	37,398,511	36,082,749	1,315,762
Excess of Revenues Over (Under) Expenditures	(157,446)	(4,389,669)	(2,958,899)	1,430,770
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	124,023	110,839	110,839	0
Advances In	453,283	451,628	405,096	(46,532)
Advances (Out)	(8,362)	(250,000)	(8,106)	241,894
Transfers In	2,800,127	2,621,488	2,502,457	(119,031)
Transfers (Out)	(2,696,410)	(2,772,381)	(2,613,922)	158,459
Total Other Financing Sources (Uses)	672,661	161,574	396,364	234,790
Net Change in Fund Balance	515,215	(4,228,095)	(2,562,535)	1,665,560
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	5,758,528	5,758,528	5,758,528	0
Fund Balance End of Year	\$6,273,743	\$1,530,433	\$3,195,993	\$1,665,560

See accompanying notes to the basic financial statements.

Adams County/Ohio Valley School District, Ohio
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2010

	Private Purpose Trust	Agency
	<u> </u>	<u> </u>
Assets:		
Equity in Pooled Cash and Investments	\$62,370	\$130,981
Receivables:		
Accounts	<u> 0</u>	<u> 1,220</u>
Total Assets	<u> 62,370</u>	<u> 132,201</u>
Liabilities:		
Accounts Payable	0	100
Other Liabilities	<u> 0</u>	<u> 132,101</u>
Total Liabilities	<u> 0</u>	<u> \$132,201</u>
Net Assets:		
Held in Trust	<u> 62,370</u>	
Total Net Assets	<u> \$62,370</u>	

See accompanying notes to the basic financial statements.

Adams County/Ohio Valley School District, Ohio
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2010

	Private Purpose Trust
Additions:	
Donations	\$4,500
Investment Earnings	162
Total Additions	<u>4,662</u>
Deductions:	
Payments In Accordance with Trust Agreements	<u>5,549</u>
Total Deductions	<u>5,549</u>
Change in Net Assets	(887)
Net Assets Beginning of Year	<u>63,257</u>
Net Assets End of Year	<u><u>\$62,370</u></u>

See accompanying notes to the basic financial statements.

Adams County/Ohio Valley School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 1 - Description of the School District and Reporting Entity

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

The Adams County/Ohio Valley School District serves an area of approximately 468 square miles, with 99 percent of its territory located in Adams County and the remaining one percent in Highland County. Political subdivisions included in the District are the Villages of West Union, Peebles, Winchester, Sinking Spring, Cherry Fork, and Seaman, the thirteen townships of Adams County and the southern half of Brush Creek Township in Highland County. The District is staffed by 191 non-certified employees and 291 certified employees as well as 29 administrative employees who provide services to 4,033 students and other community members. The District operates ten instructional buildings, one administrative building, one bus garage and a supply warehouse.

Reporting Entity:

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

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

The following activities are included within the reporting entity:

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

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

Note 2 - Summary of Significant Accounting Policies

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

A. Measurement Focus

Government-wide Financial Statements

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

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

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

Fund Financial Statements

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

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

B. Fund Accounting

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

Governmental Funds

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

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

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

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

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

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

Fiduciary Funds

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

C. Basis of Accounting

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

Revenues – Exchange and Non-exchange Transactions

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

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

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

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2010, but which were levied to finance fiscal year 2011 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Unearned Revenue

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

Expenses/Expenditures

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

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

D. Budgetary Process

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

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

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

E. Equity in Pooled Cash and Investments

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

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2010 amounted to \$72,396, \$19,454 in OSFC Local Fund Initiative Fund, \$15,989 in OSFC Project and \$701 in Other Governmental Funds.

F. Inventory

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

G. Capital Assets

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

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

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

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

H. Interfund Activity

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

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

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

I. Compensated Absences

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

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

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

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

J. Accrued Liabilities and Long-Term Obligations

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

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

K. Restricted Assets

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

L. Fund Balance Reserves

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute for fiscal year 2010. Under Ohio law, unclaimed money must be held for five years before it becomes available for appropriation. Money not yet held for the five year period is presented as reserved.

M. Bond Premiums/Issuance Costs

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

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

N. Estimates

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

O. Net Assets

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

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

The government-wide Statement of Net Assets reports \$12,218,682 of restricted net assets, none of which are restricted by enabling legislation.

Note 3 - Budgetary Basis of Accounting

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

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

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

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

<u>Net Change in Fund Balance</u>	
GAAP Basis	(\$2,850,263)
Revenue Accruals	183,690
Expenditure Accruals	(74,466)
Transfers In	2,502,457
Transfers Out	(2,502,457)
Advances In	405,096
Advances Out	(8,106)
Encumbrances	(218,486)
Budget Basis	<u><u>(\$2,562,535)</u></u>

Note 4 - Deposits and Investments

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

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

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

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

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

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

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year-end, \$14,721,684 of the District's bank balance of \$15,051,259 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

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

Investments

As of June 30, 2010, the District had the following investments, which are in an internal investment pool:

Investment Type	Fair Value	Weighted Average Maturity (Years)
Money Market Funds	\$3,940,580	0.00
Federal Home Loan Bank	316,689	2.44
	\$4,257,269	
Portfolio Weighted Average Maturity		0.18

Interest Rate Risk

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

Credit Risk

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

Custodial Credit Risk

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

Concentration of Credit Risk

The District places no limit on the amount it may invest in any one issuer. Of the District's total investments, 93% is invested in Money Market Funds and 7% is invested in Federal Home Loan Bank.

Note 5 - Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar year 2010 represents collections of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed value listed as of January 1, 2009, 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 2010 represents collections of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien December 31, 2008, were levied after April 1, 2009, and are collected in 2010 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 2010 (other than public utility property) represents the collection of 2010 taxes. Tangible personal property taxes received in calendar year 2010 were levied after April 1, 2009, on the value as of December 31, 2009. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out. The assessment percentage for all property including inventory for 2008 is 6.25 percent. This will be reduced to zero for 2013. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30. This year, the June 2010 tangible personal property tax was not received until July 2010.

The District receives property taxes from Adams and Highland Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2010, are available to finance fiscal year 2010 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, 2010, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 and the delayed settlement of personal property taxes were levied to finance current fiscal year operations and are reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2010, was \$566,538 in the General Fund, \$225,776 in the Debt Service Fund, and \$25,808 in Other Governmental Funds. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

The assessed values upon which the fiscal year 2010 taxes were collected are:

	2010 First Half Collections		2009 Second Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$293,994,559	92.04%	\$292,276,570	92.05%
Public Utility	25,400,571	7.96%	25,252,140	7.95%
Total Assessed Value	<u>\$319,395,130</u>	<u>100.00%</u>	<u>\$317,528,710</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$34.87		\$34.87	

Note 6 – Receivables

Receivables at June 30, 2010, consisted of property taxes, accounts (billings for user charged services and student fees), interest, intergovernmental grants and interfund. All receivables are considered collectible in full and will be received within one year with the exception of the property taxes. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year.

Intergovernmental Receivables at June 30, 2010 were as follows:

Other Governmental Funds:

Public Preschool	\$2,668
Alternative Schools	3,298
IDEA-B	488,493
Carl Perkins	32,001
Title I	537,977
Drug Free Schools	12,343
IDEA Preschools	2,874
Improving Teacher Quality	1,858
Miscellaneous Federal Grants	34,580
Technology Title II-D	5,406
School Improvement	60,000
Total	<u><u>\$1,181,498</u></u>

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Note 7 - Capital Assets

Capital assets activity for the fiscal year ended June 30, 2010, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$782,803	\$140,455	\$0	\$923,258
Construction in Progress	<u>52,970,023</u>	<u>14,799,379</u>	<u>67,769,402</u>	<u>0</u>
Total Capital Assets, not being depreciated	53,752,826	14,939,834	67,769,402	923,258
<i>Capital Assets, being depreciated:</i>				
Land Improvements	3,245,443	11,200	423,958	2,832,685
Buildings and Improvements	43,639,523	68,139,021	3,224,486	108,554,058
Furniture, Fixtures and Equipment	2,597,083	70,542	528,180	2,139,445
Vehicles	<u>4,336,325</u>	<u>323,184</u>	<u>580,060</u>	<u>4,079,449</u>
<i>Total Capital Assets, being depreciated:</i>	<u>53,818,374</u>	<u>68,543,947</u>	<u>4,756,684</u>	<u>117,605,637</u>
Totals at Historical Cost	<u>107,571,200</u>	<u>83,483,781</u>	<u>72,526,086</u>	<u>118,528,895</u>
Less Accumulated Depreciation:				
Land Improvements	3,211,963	11,616	423,958	2,799,621
Buildings and Improvements	13,782,541	1,311,339	2,339,315	12,754,565
Furniture's, Fixtures and Equipment	2,016,599	270,223	528,180	1,758,642
Vehicles	<u>2,599,004</u>	<u>332,091</u>	<u>580,060</u>	<u>2,351,035</u>
Total Accumulated Depreciation	<u>21,610,107</u>	<u>1,925,269</u>	<u>3,871,513</u>	<u>19,663,863</u>
Governmental Activities Capital Assets, Net	<u><u>\$85,961,093</u></u>	<u><u>\$81,558,512</u></u>	<u><u>\$68,654,573</u></u>	<u><u>\$98,865,032</u></u>

Depreciation expense was charged to governmental functions as follows:

Instruction:		
Regular		\$751,421
Special		179,036
Vocational		84,736
Support Services:		
Pupil		42,877
Instructional Staff		115,639
School Administration		93,620
Fiscal		15,652
Business		5,337
Operations and Maintenance		114,471
Pupil Transportation		481,351
Central		2,297
Operation of Non-Instructional Services		34,518
Extracurricular Activities		4,314
Total Depreciation Expense		<u>\$1,925,269</u>

Note 8 - Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. As of June 30, 2010, the District obtained coverage through the Southwestern Ohio Educational Purchasing Council Property, Fleet and Liability Program (Note 15) with AJ Gallagher and Associates of Cincinnati, Ohio, serving as the agent. General liability coverage, educator's legal liability coverage, and auto liability and physical damage coverage are provided by Selective Insurance Company of South Carolina. Property coverage is provided by Travelers Indemnity Insurance Company. Boiler and machinery coverage is provided by Federal Insurance Company, a division of Chubb & Sons Insurance Company. Umbrella coverage is provided by American Alternative Insurance Company. Insurance coverage provided includes the following:

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

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

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

Note 9 - Pension Plans

School Employees Retirement System of Ohio

Plan Description

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

Funding Policy

Plan members are required to contribute 10% of their annual covered salary and District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care fund) of the System. For fiscal year ending June 30, 2010, the allocation to pension and death benefits is 12.78%. The remaining 1.22% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's contributions to SERS for the years ended June 30, 2010, 2009, and 2008 were \$780,876, \$735,984, and \$689,184, respectively; 49% has been contributed for fiscal year 2010 and 100% for fiscal years 2009 and 2008.

State Teachers Retirement System of Ohio

Plan Description

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

Plan Options

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

DB Plan Benefits

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

DC Plan Benefits

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

Combined Plan Benefits

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

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

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

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

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

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

Funding Policy

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

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2010, were 10% of covered payroll for members and 14% for employers. The District's contributions to STRS for the years ended June 30, 2010, 2009, and 2008 were \$2,810,916, \$2,541,264, and \$2,362,800, respectively; 83% has been contributed for fiscal year 2010 and 100% for fiscal years 2009 and 2008.

Note 10 - Post Employment Benefits

School Employees Retirement System of Ohio

Plan Description

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

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2010 was \$96.40; SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2010, the actuarially required allocation was .76%. District contributions for the year ended June 30, 2010, 2009 and 2008 were \$42,390, \$39,428 and \$33,475, respectively, which equaled the required contributions each year.

Health Care Plan

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

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

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2010, the health care allocation was .46%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statues provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2010, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District contributions assigned to health care for the years ended June 30, 2010, 2009, and 2008 were \$25,657, \$218,692, and \$163,435, respectively; 49% has been contributed for fiscal year 2010 and 100% for fiscal years 2009 and 2008.

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

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

State Teachers Retirement System of Ohio

Plan Description

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

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

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

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

Funding Policy

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contributions rate, 1% of covered payroll was allocated to post-employment health care for the years ended June 30, 2010, 2009 and 2008. The 14% employer contribution rate is the maximum rate established under Ohio law. The District contributions for the years ended June 30, 2010, 2009, and 2008 were \$200,780, \$181,519, and \$168,771, respectively; 83% has been contributed for fiscal year 2010 and 100% for fiscal years 2009 and 2008.

Note 11 - Employee Benefits

A. Compensated Absences

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

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

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

B. Insurance Benefits

The District provides life insurance and accidental death and dismemberment insurance to all employees through MetLife. The District has elected to provide medical/surgical, dental and vision benefits through Anthem Blue Cross and Blue Shield. Dental and vision benefits are provided at the expense of the Board of Education. Effective with the 2008-2009 fiscal year, teachers, administrators and classified employees agreed to contribute \$60.00 per month and \$25.00 per month towards family and single medical plans respectively with the Board of Education assuming the remaining expense.

C. Perfect/Excellent Attendance Incentive

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

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

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

Note 12 - Long-Term Obligations

The changes in the District's long-term obligations during fiscal year 2010 were as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due In One Year
Governmental Activities:					
Energy Conversation Bonds					
2001 5.92%	\$196,844	\$0	\$97,596	\$99,248	\$99,248
School Improvement Bonds					
1995 4.55% - 5.25%	16,699,760	0	813,300	15,886,460	881,075
School Improvement Bonds 2007					
Serial Bonds 4.00% - 5.00%	6,020,000	0	330,000	5,690,000	330,000
Term Bonds 4.25% - 5.00%	12,100,000	0	0	12,100,000	0
Premium on Debt Issue	247,282	0	9,891	237,391	0
Total Long-Term Bonds	<u>35,263,886</u>	<u>0</u>	<u>1,250,787</u>	<u>34,013,099</u>	<u>1,310,323</u>
Compensated Absences	2,398,852	316,292	222,058	2,493,086	392,610
Total Governmental Activities	<u>\$37,662,738</u>	<u>\$316,292</u>	<u>\$1,472,845</u>	<u>\$36,506,185</u>	<u>\$1,702,933</u>

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Principal requirements to retire general obligation debt at June 30, 2010, are as follows:

Energy Conservation Bonds - 2001			
Fiscal year Ending June 30,	Principal	Interest	Total
2011	\$99,248	\$3,227	\$102,475

School Improvement Bonds - 1995			
Fiscal year Ending June 30,	Principal	Interest	Total
2011	\$881,075	\$917,064	\$1,798,139
2012	948,850	853,016	1,801,866
2013	1,030,180	783,750	1,813,930
2014	1,125,065	708,316	1,833,381
2015	1,219,950	626,240	1,846,190
2016-2020	7,157,040	1,916,440	9,073,480
2021-2022	3,524,300	187,875	3,712,175
Total	\$15,886,460	\$5,992,701	\$21,879,161

School Improvement Bonds - 2007

Fiscal Year Ending June 30,	Serial	Serial	Term Bonds Principal	Term Bonds Interest	Total
	Bonds Principal	Bonds Interest			
2011	\$330,000	\$226,850	\$0	\$562,288	\$1,119,138
2012	400,000	212,250	0	562,288	1,174,538
2013	420,000	195,850	0	562,288	1,178,138
2014	460,000	178,250	0	562,288	1,200,538
2015	500,000	159,050	0	562,288	1,221,338
2016-2020	2,925,000	448,525	0	2,811,440	6,184,965
2021-2025	655,000	13,100	2,900,000	2,530,940	6,099,040
2026-2030	0	0	3,505,000	1,550,134	5,055,134
2031-2034	0	0	5,695,000	417,562	6,112,562
Total	<u>\$5,690,000</u>	<u>\$1,433,875</u>	<u>\$12,100,000</u>	<u>\$10,121,516</u>	<u>\$29,345,391</u>

Note 13 - Interfund Activity

Interfund transactions at June 30, 2010, consisted of the following individual interfund receivables, interfund payables, transfers in and transfers out:

	Interfund		Transfers	
	Receivable	Payable	In	Out
General Fund	\$223,996	\$0	\$0	\$111,465
OSFC LPI	0	0	0	0
Debt Service	0	0	106,601	0
Other Governmental Funds	0	223,996	4,864	0
Total All Funds	<u>\$223,996</u>	<u>\$223,996</u>	<u>\$111,465</u>	<u>\$111,465</u>

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

Note 14 - Jointly Governed Organizations

A. South Central Ohio Computer Association

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

B. Hopewell Special Education Regional Resource Center

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

C. Southwestern Ohio Educational Purchasing Council

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

Note 15 - Insurance Purchasing Pool

Southwestern Ohio Educational Purchasing Council Property, Fleet and Liability Program

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

Note 16 - Set-Aside Calculations and Fund Reserves

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

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set Aside Reserve Balance as of June 30, 2009	(\$1,575,757)	\$0
Current Year Set Aside Requirements	685,004	685,004
Qualified Disbursements	(858,792)	(686,200)
Set Aside Reserve Balance as of June 30, 2010	<u>(\$1,749,545)</u>	<u>(\$1,196)</u>
Restricted Cash as of June 30, 2010	<u>\$0</u>	<u>\$0</u>
Carried Forward to FY 2011	<u>(\$1,749,545)</u>	

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

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

Note 17 – Contingencies

A. Grants

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2010.

B. Litigation

The District is not involved in any litigation as of June 30, 2010.

Note 18 – Accountability

The following funds had deficit fund balances at June 30, 2010:

<u>Other Governmental Funds</u>	<u>Deficit</u>
EMIS	\$8,106
IDEA-B	99,616
Title I	157,538
IDEA Preschool	10,821
Improving Teacher Quality	67,526
Fiscal Stabilization	80,653

These deficits were created by the recognition of accrued liabilities.

ADAMS COUNTY/OHIO VALLEY LOCAL SCHOOL DISTRICT
Schedule of Federal Awards Receipts and Expenditures
For the Fiscal Year Ended June 30, 2010

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>United States Department of Agriculture</u>						
<i>Passed through Ohio Department of Education</i>						
<i>Child Nutrition Cluster:</i>						
School Breakfast Program	3L70	10.553	\$ 330,568	\$ -	\$ 330,568	\$ -
National School Lunch Program	3L60	10.555	946,543	295,826	946,543	295,826
Total Child Nutrition Cluster			1,277,111	295,826	1,277,111	295,826
Total United States Department of Agriculture			1,277,111	295,826	1,277,111	295,826
<u>United States Department of Transportation</u>						
<i>Passed through Ohio Department of Transportation</i>						
Safe Route to Schools Program	N	20.205	2,999	-	2,999	-
Total United States Department of Transportation			2,999	-	2,999	-
<u>United States Department of Education</u>						
<i>Passed through Ohio Department of Education</i>						
<i>Special Education Cluster:</i>						
Special Education - Grants to States	6BSF	84.027	884,209	-	840,853	-
Special Education - Preschool Grants	PGS1	84.173	16,258	-	15,491	-
Special Education - Grants to States - ARRA	N/A	84.391	413,505	-	463,277	-
Special Education - Preschool Grants - ARRA	N/A	84.392	17,624	-	19,099	-
Total Special Education Cluster			1,331,596	-	1,338,720	-
<i>Title I Cluster</i>						
Title I Grants to Local Educational Agencies	C1S1	84.010	1,794,919	-	1,658,841	-
Title I Grants to Local Educational Agencies - ARRA	N/A	84.389	384,392	-	424,912	-
Total Title I Cluster			2,179,311	-	2,083,753	-
Vocational Educational Basic Grants to States	20C1	84.048	100,767	-	106,435	-
Safe and Drug Free Schools and Communities - State Grants	DRS1	84.186	20,296	-	19,597	-
Javits Gifted and Talented Students Education Grant Program	N/A	84.206	-	-	3,000	-
State Grants for Innovative Programs	C2S1	84.298	8,971	-	431	-
Education Technology State Grants	TJS1	84.318	25,379	-	21,533	-
Rural Education	N/A	84.358	107,936	-	101,577	-
Improving Teacher Quality State Grants	TRS1	84.367	434,770	-	392,331	-
State Fiscal Stabilization Fund (SFSF) - Education						
State Grants - ARRA	N/A	84.394	1,615,701	-	1,443,719	-
Total United States Department of Education			5,824,727	-	5,511,096	-
Total Federal Financial Assistance			<u>\$ 7,104,837</u>	<u>\$ 295,826</u>	<u>\$ 6,791,206</u>	<u>\$ 295,826</u>

N/A=Not Available
N=Direct award

See accompanying notes to Schedule of Federal Awards Receipts and Expenditures.

ADAMS COUNTY/OHIO VALLEY LOCAL SCHOOL DISTRICT

Notes to Schedule of Federal Awards Receipts and Expenditures

For the Fiscal Year Ended June 30, 2010

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B –FOOD DISTRIBUTIONS

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

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



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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Adams County/Ohio Valley Local School District, Adams County (the School District) as of and for the year ended June 30, 2010, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 17, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

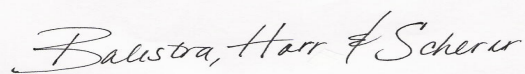
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-001 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

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

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

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



Balestra, Harr & Scherer, CPAs, Inc.

December 17, 2010



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 (the School District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that apply to each of its major federal programs for the year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts and grants applicable to each major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

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

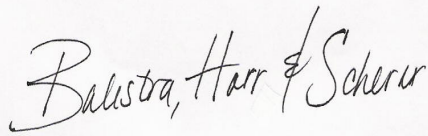
Internal Control Over Compliance (Continued)

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent or to timely detect and correct noncompliance with a federal program's compliance requirement..

A material weakness in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented or timely detected and corrected.

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

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

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

Balestra, Harr & Scherer, CPAs, Inc.

December 17, 2010

ADAMS COUNTY/OHIO VALLEY LOCAL SCHOOL DISTRICT
ADAMS COUNTY
JUNE 30, 2010

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 SECTION .505

SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section .510?	No
(d)(1)(vii)	Major Programs (list):	Special Education Cluster CFDA# 84.027, 84.173, 84.391 & 84.392 Title I Cluster CFDA# 84.010 and 84.389 State Fiscal Stabilization Fund CFDA# 84.394
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

ADAMS COUNTY/OHIO VALLEY LOCAL SCHOOL DISTRICT
ADAMS COUNTY
JUNE 30, 2010

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 SECTION .505

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

Finding Number 2009-001

Material Weakness

The District incurred adjustments to Contracts Payable and Retainage Payable. The accompanying financial statements were adjusted to reflect correction of these material misstatements.

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

Client Response

As Treasurer for the Adams County/Ohio Valley Local School District, I will do my best to review and discuss all financial statements with the chosen GAAP auditors prior to completion.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

ADAMS COUNTY/OHIO VALLEY LOCAL SCHOOL DISTRICT
 ADAMS COUNTY
 JUNE 30, 2010

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 §.315 (b)
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Finding Number	Finding Summary	Fully Corrected?	No Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2009-001	Ohio Revised Code Section 5705.36(A)(2) – Appropriations in Excess of Available Resources	Yes	
2009-002	Material Weakness – Adjustments to the Financial Statements	No	Re-issue as 2010-001



Dave Yost • Auditor of State

ADAMS COUNTY OHIO VALLEY LOCAL SCHOOL DISTRICT

ADAMS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 10, 2011