



**Auditor of State  
Betty Montgomery**



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

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Adams County/Ohio Valley School District, Adams County, Ohio (the District), as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of District, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 20, 2005, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

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

**Betty Montgomery**  
Auditor of State

July 20, 2005

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

**MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Unaudited)**

As management of the Adams County/Ohio Valley School District, Adams County, Ohio (the District), we offer the readers of the District's financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2004. We encourage readers to consider the information presented here in conjunction with the additional information that we have provided in the notes to the financial statements to enhance their understanding of the 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, 2004. 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 Standard Board (GASB) in their Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Government issued June 1999.

**Financial Highlights**

- The assets of the Adams County/Ohio Valley School District exceeded its liabilities at June 30, 2004 by \$20,673,779. Invested in capital assets net of related debt and net assets restricted for specific purposes totaled \$21,039,312, leaving a deficit in unrestricted net assets of \$365,533.
- In total, net assets increased \$5,046,251. Net assets of governmental activities increased \$6,373,457 and net assets of business-type activities decreased by \$1,327,206. The increase in total net assets resulted primarily from an increase in Invested in Capital Assets, Net of Related Debt due to the reduction of debt from the deconsolidation of Manchester Local School District. See Table 1 for analysis of the change in net assets.
- General revenues accounted for \$35,122,466 or 79 percent of all revenues. Program specific revenues in the form of charges for services and operating and capital grants, contributions and interest accounted for \$9,554,093 or 21 percent of total revenues of \$44,676,559.
- The District had \$42,872,878 in expenses related to governmental activities; only \$7,343,304 of these expenses were offset by program specific charges for services, operating grants, contributions and interest, and capital grants and contributions. General revenues (primarily grants, entitlements and property taxes) of \$35,115,035 were used to provide for these programs along with unrestricted net assets from the prior year.
- In 2004, a portion of the District was deconsolidated, creating Manchester Local School District. As a result of this deconsolidation, Manchester Local School District assumed 46 percent of the original District's long term debt and taxes receivable, as well as a portion of cash balances and compensated absences. This resulted in the recognition of an extraordinary gain in the governmental activities of \$6,787,996 and an extraordinary loss in the business-type activities of \$898,408.

**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.

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

**MANAGEMENT DISUCSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Unaudited)  
(Continued)**

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 major funds presented in total in one column. The major funds for the Adams County/Ohio Valley School District are the General Fund and the Debt Service Fund.

**Reporting the District as a Whole**

One of the most important questions asked about the District is "How did we do financially during 2004?" 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 Statement of Net Assets and the Statement of Activities, the District is divided into two distinct kinds of activities:

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

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

**Fund Financial Statements**

The analysis of the District's major funds begins on page 8. 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.



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

**MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Unaudited)  
(Continued)**

**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 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.

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

**Fiduciary Funds** - The 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. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds use the accrual basis of accounting.

**The District as a Whole**

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

Table 1 provides a summary of the District's net assets for 2004 and 2003:

	Net Assets					
	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
<b>Assets</b>						
Current and Other Assets	\$15,834,388	\$20,270,516	\$1,187,662	\$1,312,956	\$17,022,050	\$21,583,472
Capital Assets	36,269,294	47,397,271	2,737,897	3,667,643	39,007,191	51,064,914
Total Assets	<u>52,103,682</u>	<u>67,667,787</u>	<u>3,925,559</u>	<u>4,980,599</u>	<u>56,029,241</u>	<u>72,648,386</u>
<b>Liabilities</b>						
Long-Term Liabilities	22,355,938	41,835,427	37,698	56,498	22,393,636	41,891,925
Other Liabilities	12,592,902	15,050,975	368,924	77,958	12,961,826	15,128,933
Total Liabilities	<u>34,948,840</u>	<u>56,886,402</u>	<u>406,622</u>	<u>134,456</u>	<u>35,355,462</u>	<u>57,020,858</u>
<b>Net Assets</b>						
Invested in Capital Assets, Net of Related Debt	15,701,996	8,199,243	2,737,897	3,667,643	18,439,893	11,866,886
Restricted	2,599,419	2,953,421	0	0	2,599,419	2,953,421
Unrestricted	(1,146,573)	(371,279)	781,040	1,178,500	(365,533)	807,221
Total Net Assets	<u>\$17,154,842</u>	<u>\$10,781,385</u>	<u>\$3,518,937</u>	<u>\$4,846,143</u>	<u>\$20,673,779</u>	<u>\$15,627,528</u>

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

**MANAGEMENT DISUCSSION AND ANALYSIS  
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(Continued)**

Several factors contributed to a net assets increase of \$5,046,251. First and foremost, a decrease in Capital Assets of \$12,057,723 occurred along with a decrease in Long Term Liabilities of \$19,498,289, both of which are primarily attributable to the creation of the Manchester Local School District out of the District. Manchester Local School District assumed approximately 46 percent of the District's debt and received the capital assets which were physically located within the boundaries of the new district. The excess of the decrease in Long Term Liabilities over the decrease in Capital Assets contributed to an extraordinary gain on the statement of activities in the amount of \$5,889,588, which is the primary reason for the increase in overall net assets. Current and Other Assets as well as Other Liabilities decreased as a result of the new Manchester Local School District. Primarily, Taxes Receivable decreased by \$5,608,478 along with a corresponding decrease in Deferred Revenue. Manchester Local School District will be receiving approximately 46% of the tax revenues which previously were collected by the District.

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

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

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

**MANAGEMENT DISUCSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Unaudited)  
(Continued)**

	Net Assets					
	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
<b>Revenues</b>						
Program Revenues:						
Charges for Services and Sales	\$541,904	\$373,384	\$944,745	\$959,223	\$1,486,649	\$1,332,607
Operating Grants and Contributions	6,748,142	7,069,930	1,266,044	900,066	8,014,186	7,969,996
Capital Grants and Contributions	53,258	0	0	0	53,258	0
<b>Total Program Revenues</b>	<b>7,343,304</b>	<b>7,443,314</b>	<b>2,210,789</b>	<b>1,859,289</b>	<b>9,554,093</b>	<b>9,302,603</b>
General Revenues:						
Property Taxes	12,438,797	12,209,212	0	0	12,438,797	12,209,212
Grants and Entitlements not Restricted to Specific Programs	22,507,267	20,918,262	0	0	22,507,267	20,918,262
Gifts and Donations	1,101	0	0	0	1,101	0
Investment Earnings	61,971	68,205	7,347	13,591	69,318	81,796
Gain on Sale of Capital Assets	0	0	0	1,000	0	1,000
Rent	0	1,064	0	0	0	1,064
Miscellaneous	105,899	42,458	84	0	105,983	42,458
<b>Total General Revenues</b>	<b>35,115,035</b>	<b>33,239,201</b>	<b>7,431</b>	<b>14,591</b>	<b>35,122,466</b>	<b>33,253,792</b>
<b>Total Revenues</b>	<b>\$42,458,339</b>	<b>\$40,682,515</b>	<b>\$2,218,220</b>	<b>\$1,873,880</b>	<b>\$44,676,559</b>	<b>\$42,556,395</b>
<b>Program Expenses</b>						
Instruction						
Regular	18,055,007	16,195,824	0	0	18,055,007	16,195,824
Special	4,093,413	4,513,594	0	0	4,093,413	4,513,594
Vocational	2,964,324	2,462,429	0	0	2,964,324	2,462,429
Adult/Continuing	0	2,238	0	0	0	2,238
Support Services						
Pupils	1,457,600	1,253,747	0	0	1,457,600	1,253,747
Instructional Staff	2,779,832	2,348,113	0	0	2,779,832	2,348,113
Board of Education	552,317	521,316	0	0	552,317	521,316
Administration	2,911,488	2,646,504	0	0	2,911,488	2,646,504
Fiscal	954,001	1,012,478	0	0	954,001	1,012,478
Business	280,399	188,290	0	0	280,399	188,290
Operation and Maintenance of Plant	3,224,236	2,894,652	0	0	3,224,236	2,894,652
Pupil Transportation	2,519,016	2,064,718	0	0	2,519,016	2,064,718
Central	276,297	251,992	0	0	276,297	251,992
Operation of Non-Instructional Services	157,069	118,926	0	0	157,069	118,926
Food Services	0	0	2,647,018	2,034,306	2,647,018	2,034,306
Extracurricular Activities	466,866	451,600	0	0	466,866	451,600
Interest and Fiscal Charges	2,181,013	2,348,152	0	0	2,181,013	2,348,152
<b>Total Expenses</b>	<b>42,872,878</b>	<b>39,274,573</b>	<b>2,647,018</b>	<b>2,034,306</b>	<b>45,519,896</b>	<b>41,308,879</b>
Extraordinary Gain/(Loss)	6,787,996	0	(898,408)	0	5,889,588	0
<b>Change in Net Assets</b>	<b>\$6,373,457</b>	<b>\$1,407,942</b>	<b>(\$1,327,206)</b>	<b>(\$160,426)</b>	<b>\$5,046,251</b>	<b>\$1,247,516</b>

**Governmental Activities**

Grants and Entitlements not Restricted to Specific Programs made up 53 percent of revenues for governmental activities of the Adams County/Ohio Valley School District for fiscal year 2004, while Property Taxes made up 29 percent.

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

**MANAGEMENT DISUCSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Unaudited)  
(Continued)**

Instruction comprises 59 percent of governmental program expenses. Support services expenses make up 35 percent of governmental expenses. Instruction costs increased by \$1,938,659 primarily due to a four percent salary increase to employees.

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

Table 3  
Governmental Activities

	Total Cost of Services 2004	Net Cost of Services 2004	Total Cost of Services 2003	Net Cost of Services 2003
Instruction	\$25,112,744	\$20,363,725	\$23,174,085	\$17,368,392
Support Services	14,955,186	12,685,942	13,181,810	11,883,480
Operation of Non- Instructional Services	157,069	20,725	118,926	(7,824)
Extracurricular Activities	466,866	278,169	451,600	239,059
Interest and Fiscal Charges	2,181,013	2,181,013	2,348,152	2,348,152
<b>Total Expenses</b>	<b>\$42,872,878</b>	<b>\$35,529,574</b>	<b>\$39,274,573</b>	<b>\$31,831,259</b>

**Business-Type Activities**

The only business-type activity is the food service operation. This program had revenues of \$2,218,220 and expenses of \$2,647,018 for fiscal year 2004. Of the revenues, \$944,745 was charges for services and \$1,266,044 was from State and Federal grants. General revenues were \$7,347 from investment earnings, and \$84 from miscellaneous sources. Business activities receive no support from tax revenues. The District will continue to monitor the charges for costs of this activity.

**The District's Funds**

Information about the District's major funds starts on page 16. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$42,783,662 and expenditures of \$42,874,009. The net change in fund balance for the year was most significant in the general fund, a decrease of \$555,394. This was primarily due to an increase in instructional expenditures of \$2,194,440. Property tax revenues increased by \$1,431,716 to offset these increased instructional expenditures. The increase in property tax revenue resulted primarily from a back tax settlement from Dayton Power & Light in excess of \$1,000,000. The net change in fund balance for the year in Debt Service Fund was an increase of \$563,767. This increase was caused primarily by general fund transfer to pay debt payments.

**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 2004 the District revised its budget as it attempted to deal with unexpected changes in revenues and expenditures.

**ADAMS COUNTY/OHIO VALLEY SCHOOL DISTRICT  
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**MANAGEMENT DISUCSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
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(Continued)**

The District's ending unobligated cash balance was \$493,124 above the final budgeted amount in the General Fund.

For the General Fund, budget basis revenue was \$33,167,695 with original budget estimates of \$30,521,981, a difference of nine percent. Budget basis expenditures were \$33,302,983 with original appropriations of \$32,623,508, a difference of two percent.

**Capital Assets and Debt Administration**

***Capital Assets***

The Adams County/Ohio Valley School District's investment in capital assets as of June 30, 2004 was \$39,007,191. This investment in capital assets includes land, land improvements, buildings and improvements, furniture, fixtures and equipment, vehicles, and educational media. Table 4 shows fiscal year 2004 balances compared to 2003:

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

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Land	\$573,820	\$858,825	\$30,193	\$30,193	\$604,013	\$889,018
Land Improvements	414,289	68,577	0	0	414,289	68,577
Buildings and Improvements	31,653,627	41,795,785	2,301,122	3,049,370	33,954,749	44,845,155
Furniture and Equipment	2,283,276	3,445,456	406,582	588,080	2,689,858	4,033,536
Vehicles	1,289,294	953,299	0	0	1,289,294	953,299
Educational Media	54,988	275,329	0	0	54,988	275,329
Totals	<u>\$36,269,294</u>	<u>\$47,397,271</u>	<u>\$2,737,897</u>	<u>\$3,667,643</u>	<u>\$39,007,191</u>	<u>\$51,064,914</u>

Capital Assets decreased by \$12,057,723 primarily as a result of the transfer of assets to the newly created Manchester Local School District. For more information on capital assets, refer to Notes 8 and 19 to the basic financial statements.

***Debt***

At June 30, 2004 the District had \$20,591,128 in outstanding debt, \$627,659 due within one year. Table 5 summarizes the District's outstanding debt:

**ADAMS COUNTY/OHIO VALLEY SCHOOL DISTRICT  
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**MANAGEMENT DISUCSSION AND ANALYSIS  
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Table 5  
Outstanding Debt, at Year End  
Governmental Activities

	2004	2003
EPA Asbestos Loan, 1987	\$23,830	\$61,565
Energy Conservation Loan, 1999	-	174,000
Energy Conservation Bonds, 2002	603,494	1,173,047
School Improvement Bonds, 1995	19,898,740	37,700,000
School Improvement Bonds, 1998	65,064	150,000
Totals	\$20,591,128	\$39,258,612

The District's debt decreased by \$18,667,484 as a result of the newly created Manchester Local School District assuming approximately 46% of the District's outstanding debt obligations in addition to principal payments made during the year. For more information on debt, see Notes 13 and 19 to the basic financial statements.

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

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

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

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

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

**District Challenges for the Future**

*District Deconsolidation*

On January 12, 2004, the South Central Ohio Educational Service Center (the ESC) Governing Board passed a resolution creating the Manchester Local School District, effective January 13, 2004. These newly-created school districts are anticipated to begin operations on July 1, 2004.

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**MANAGEMENT DISUCSSION AND ANALYSIS  
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The deconsolidation of the Adams County/Ohio Valley School District causes much uncertainty regarding the future financial status of our District. The District lost approximately 46 percent of its assessed tax valuation, while only losing approximately 17 percent of its enrollment. The District's tax valuation has been largely dependent for the last three decades on two power plants along the Ohio River. These power plants are located in the new Manchester Local School District. Additionally, the deconsolidation will alter the District's state foundation funding. Under the current foundation formula, the District's revenue would increase as a result of the loss of assessed tax valuation. However, it is uncertain whether the increased state funding would offset the loss of local tax revenue. Loss of tax valuation and state funding concerns all indicate that the District's biggest challenge for the future is operating within the resources available to our District, while continuing to provide a quality education to our students.

*Ohio School Funding System*

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

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

Projection of student enrollment is another issue that is hard to forecast. Fluctuations in enrollment make it very difficult to forecast an accurate financial picture for the District. The transient nature of the District's residents, students choosing open enrollment, parents utilizing home schooling and students selecting the post-secondary option makes estimating the number of students to be funded through the school foundation program difficult.

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

**Contacting the 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 Eric Toole, Treasurer, at Adams County/Ohio Valley School District, 141 Lloyd Road, West Union, OH 45693.

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

**STATEMENT OF NET ASSETS  
JUNE 30, 2004**

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$7,658,669	\$940,445	\$8,599,114
Inventory Held for Resale	0	33,713	33,713
Accounts Receivable	16,170	0	16,170
Prepaid Items	2,697	0	2,697
Materials and Supplies Inventory	0	8,138	8,138
Intergovernmental Receivable	770,398	205,366	975,764
Taxes Receivable	7,386,454	0	7,386,454
Capital Assets:			
Land	573,820	30,193	604,013
Depreciable Capital Assets, Net	35,695,474	2,707,704	38,403,178
<b>Total Assets</b>	<b>52,103,682</b>	<b>3,925,559</b>	<b>56,029,241</b>
<b>Liabilities</b>			
Accounts Payable	109,200	176	109,376
Accrued Wages and Benefits	3,129,807	104,014	3,233,821
Intergovernmental Payable	2,512,637	264,734	2,777,371
Deferred Revenue	6,518,335	0	6,518,335
Matured Compensated Absences Payable	224,459	0	224,459
Accrued Interest Payable	98,464	0	98,464
Long-Term Liabilities:			
Due Within One Year	727,031	1,287	728,318
Due in More Than One Year	21,628,907	36,411	21,665,318
<b>Total Liabilities</b>	<b>34,948,840</b>	<b>406,622</b>	<b>35,355,462</b>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	15,701,996	2,737,897	18,439,893
Restricted for:			
Capital Outlay	3,066	0	3,066
Debt Service	1,627,218	0	1,627,218
Other Purposes	969,135	0	969,135
Unrestricted (Deficit)	(1,146,573)	781,040	(365,533)
<b>Total Net Assets</b>	<b>\$17,154,842</b>	<b>\$3,518,937</b>	<b>\$20,673,779</b>

*See accompanying notes to the basic financial statements*

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

**STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants Contributions and Interest	Capital Grants and Contributions
<b>Governmental Activities</b>				
Instruction:				
Regular	\$18,055,007	\$202,349	\$894,130	\$0
Special	4,093,413	52,750	2,981,776	0
Vocational	2,964,324	48,144	569,870	0
Support Services:				
Pupils	1,457,600	14,388	157,135	0
Instructional Staff	2,779,832	6,729	1,522,274	0
Board of Education	552,317	0	77	0
Administration	2,911,488	242	273,952	0
Fiscal	954,001	0	17,435	0
Business	280,399	0	0	0
Operation and Maintenance of Plant	3,224,236	11,746	45,911	947
Pupil Transportation	2,519,016	20,276	87,620	52,311
Central	276,297	0	58,201	0
Operation of Non-Instructional Services	157,069	295	136,049	0
Extracurricular Activities	466,866	184,985	3,712	0
Interest and Fiscal Charges	2,181,013	0	0	0
<b>Total Governmental Activities</b>	<b>42,872,878</b>	<b>541,904</b>	<b>6,748,142</b>	<b>53,258</b>
<b>Business-Type Activity</b>				
Food Service	2,647,018	944,745	1,266,044	0
<b>Total</b>	<b>\$45,519,896</b>	<b>\$1,486,649</b>	<b>\$8,014,186</b>	<b>\$53,258</b>

General Revenues:  
Property Taxes Levied for:  
    General Purposes  
    Debt Service  
Grants and Entitlements not Restricted to Specific Programs  
Gifts and Donations  
Investment Earnings  
Miscellaneous

Total General Revenues

Change before Extraordinary Item

Extraordinary Gain/(Loss) - Deconsolidation (Note 19)

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activity	Total
(\$16,958,528)	\$0	(\$16,958,528)
(1,058,887)	0	(1,058,887)
(2,346,310)	0	(2,346,310)
(1,286,077)	0	(1,286,077)
(1,250,829)	0	(1,250,829)
(552,240)	0	(552,240)
(2,637,294)	0	(2,637,294)
(936,566)	0	(936,566)
(280,399)	0	(280,399)
(3,165,632)	0	(3,165,632)
(2,358,809)	0	(2,358,809)
(218,096)	0	(218,096)
(20,725)	0	(20,725)
(278,169)	0	(278,169)
(2,181,013)	0	(2,181,013)
(35,529,574)	0	(35,529,574)
0	(436,229)	(436,229)
(\$35,529,574)	(\$436,229)	(\$35,965,803)
9,915,604	0	9,915,604
2,523,193	0	2,523,193
22,507,267	0	22,507,267
1,101	0	1,101
61,971	7,347	69,318
105,899	84	105,983
35,115,035	7,431	35,122,466
(414,539)	(428,798)	(843,337)
6,787,996	(898,408)	5,889,588
6,373,457	(1,327,206)	5,046,251
10,781,385	4,846,143	15,627,528
<u>\$17,154,842</u>	<u>\$3,518,937</u>	<u>\$20,673,779</u>

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

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2004**

	General Fund	Debt Service Fund	All Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$3,646,848	\$2,832,566	\$1,179,255	\$7,658,669
Accounts Receivable	16,170	0	0	16,170
Interfund Receivable	47,437	474	0	47,911
Intergovernmental Receivable	27,027	0	743,371	770,398
Prepaid Items	2,697	0	0	2,697
Property Taxes Receivable	5,870,348	1,516,106	0	7,386,454
<b>Total Assets</b>	<b>\$9,610,527</b>	<b>\$4,349,146</b>	<b>\$1,922,626</b>	<b>\$15,882,299</b>
<b>Liabilities</b>				
Accounts Payable	\$96,769	\$0	\$12,431	\$109,200
Accrued Wages and Benefits	2,653,959	0	475,848	3,129,807
Interfund Payable	474	0	47,437	47,911
Intergovernmental Payable	618,940	1,291,756	145,173	2,055,869
Matured Compensated Absences Payable	154,508	0	69,951	224,459
Deferred Revenue	5,565,219	1,432,161	632,498	7,629,878
<b>Total Liabilities</b>	<b>9,089,869</b>	<b>2,723,917</b>	<b>1,383,338</b>	<b>13,197,124</b>
<b>Fund Balances</b>				
Reserved for Encumbrances	555,387	0	117,538	672,925
Reserved for Property Taxes	233,373	67,780	0	301,153
Reserved for Unclaimed Monies	25,893	0	0	25,893
Unreserved (Deficit):				
Undesignated, Reported in:				
General Fund	(293,995)	0	0	(293,995)
Special Revenue Funds	0	0	418,684	418,684
Debt Service Funds	0	1,557,449	0	1,557,449
Capital Projects Funds	0	0	3,066	3,066
<b>Total Fund Balances</b>	<b>520,658</b>	<b>1,625,229</b>	<b>539,288</b>	<b>2,685,175</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$9,610,527</b>	<b>\$4,349,146</b>	<b>\$1,922,626</b>	<b>\$15,882,299</b>

*See accompanying notes to the basic financial statements*

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

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2004**

<b>Total Governmental Fund Balances</b>	\$2,685,175
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**Amounts reported for governmental activities in the  
statement of net assets are different because:**

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

Land	573,820	
Capital assets	54,815,668	
Accumulated depreciation	<u>(19,120,194)</u>	
Total capital assets		36,269,294

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

Taxes	479,045	
Intergovernmental	<u>632,498</u>	
		1,111,543

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

(456,768)

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

Bonds and loans payable	(20,591,128)	
Accrued Interest on Bonds and Loans	(98,464)	
Compensated Absences	<u>(1,764,810)</u>	
Total liabilities		<u>(22,454,402)</u>

<b>Net Assets of Governmental Activities</b>	<b><u><u>\$17,154,842</u></u></b>
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*See accompanying notes to the basic financial statements*

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	General Fund	Debt Service Fund	All Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property Taxes	\$10,653,611	\$2,718,951	\$0	\$13,372,562
Intergovernmental	21,955,719	1,154,447	5,530,439	28,640,605
Interest	61,971	0	0	61,971
Tuition and Fees	215,014	0	5,470	220,484
Rent	13,566	0	0	13,566
Extracurricular Activities	3,739	0	213,691	217,430
Gifts and Donations	1,101	0	59,620	60,721
Customer Sales and Services	47,226	0	0	47,226
Miscellaneous	97,584	0	51,513	149,097
<b>Total Revenues</b>	<b>33,049,531</b>	<b>3,873,398</b>	<b>5,860,733</b>	<b>42,783,662</b>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	14,459,721	0	2,317,691	16,777,412
Special	2,712,908	0	1,464,128	4,177,036
Vocational	2,761,342	0	51,099	2,812,441
Support Services:				
Pupils	1,244,399	0	180,288	1,424,687
Instructional Staff	1,066,306	0	1,315,758	2,382,064
Board of Education	551,151	0	105	551,256
Administration	2,570,703	0	249,690	2,820,393
Fiscal	837,062	103,353	14,649	955,064
Business	272,066	0	0	272,066
Operation and Maintenance of Plant	3,206,747	0	47,075	3,253,822
Pupil Transportation	2,649,104	0	3,632	2,652,736
Central	201,174	0	72,577	273,751
Operation of Non-Instructional Services	0	0	166,660	166,660
Extracurricular Activities	257,730	0	192,728	450,458
Capital Outlay	330,479	0	6,974	337,453
Debt Service				
Principal Retirement	0	1,281,616	0	1,281,616
Interest and Fiscal Charges	0	2,285,094	0	2,285,094
<b>Total Expenditures</b>	<b>33,120,892</b>	<b>3,670,063</b>	<b>6,083,054</b>	<b>42,874,009</b>
Excess of Revenues Over (Under) Expenditures	(71,361)	203,335	(222,321)	(90,347)
<b>Other Financing Sources (Uses)</b>				
Transfers In	0	360,432	23,444	383,876
Proceeds from Sale of Capital Assets	4,760	0	0	4,760
Transfers Out	(383,717)	0	(159)	(383,876)
<b>Total Other Financing Sources (Uses)</b>	<b>(378,957)</b>	<b>360,432</b>	<b>23,285</b>	<b>4,760</b>
Excess of Revenues and Other Financing Sources over (under) expenditures and other financing (uses) before extraordinary item	(450,318)	563,767	(199,036)	(85,587)
Extraordinary Item	(105,076)	(1,291,756)	(71,175)	(1,468,007)
Net Change in Fund Balances	(555,394)	(727,989)	(270,211)	(1,553,594)
Fund Balance at Beginning of Year	1,076,052	2,353,218	809,499	4,238,769
Fund Balance at End of Year	\$520,658	\$1,625,229	\$539,288	\$2,685,175

See accompanying notes to the basic financial statements

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

**RECONCILIATION TO THE CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**Net Change in Fund Balances - Total Governmental Funds** (\$1,553,594)

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

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

Capital asset additions	1,365,623	
Depreciation expense	<u>(2,094,062)</u>	
Excess of capital outlay over depreciation expense		(728,439)

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

Proceeds from Sale of Capital Assets	(4,760)	
Loss on Disposal of Capital Assets	<u>(508,003)</u>	
		(512,763)

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

Delinquent Property Taxes	(933,765)	
Intergovernmental	<u>608,442</u>	
		(325,323)

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

Loan principal retirement	191,616	
Bond principal retirement	<u>1,090,000</u>	
Total long-term debt repayment		1,281,616

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

Decrease in accrued interest payable	104,081	
Decrease in compensated absences	55,095	
Increase in intergovernmental payable	<u>(203,219)</u>	
Total additional expenditures		(44,043)

Extraordinary gain/loss in the statement of activities does not require the use of current financial resources except for intergovernmental payable loss and therefore is not reported as expenditure in governmental fund

Difference between gain on Statement of Activities and extraordinary loss on Statement of Revenues, Expenditures and Changes in Fund Balances		<u>8,256,003</u>
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**Change in Net Assets of Governmental Activities** \$6,373,457

ADAMS COUNTY/OHIO VALLEY SCHOOL DISTRICT  
ADAMS COUNTY

**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>Revenues</b>				
Property Taxes	\$9,978,445	\$10,816,011	\$10,820,986	\$4,975
Intergovernmental	20,115,112	21,791,173	21,966,606	175,433
Interest	73,451	68,205	61,971	(6,234)
Tuition and Fees	215,104	233,027	215,014	(18,013)
Rent	2	2	13,566	13,564
Extracurricular Activities	15,869	6,240	3,739	(2,501)
Gifts and Donations	2,838	3,075	1,101	(1,974)
Customer Sales and Services	103,755	68,595	47,226	(21,369)
Miscellaneous	17,405	16,690	37,486	20,796
<b>Total Revenues</b>	<b>30,521,981</b>	<b>33,003,018</b>	<b>33,167,695</b>	<b>164,677</b>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	14,381,926	15,256,612	14,352,346	904,266
Special	2,652,253	2,654,919	2,751,572	(96,653)
Vocational	2,528,624	2,624,111	2,742,417	(118,306)
Other	87,806	99,806	123,670	(23,864)
Support Services:				
Pupils	1,116,826	1,119,625	1,236,029	(116,404)
Instructional Staff	1,025,171	1,035,073	1,048,026	(12,953)
Board of Education	619,190	619,190	552,391	66,799
Administration	2,345,656	2,383,498	2,574,115	(190,617)
Fiscal	892,331	964,831	854,919	109,912
Business	462,521	462,521	215,279	247,242
Operation and Maintenance of Plant	3,218,702	3,030,502	3,375,604	(345,102)
Pupil Transportation	2,541,992	2,631,510	2,688,049	(56,539)
Central	251,039	232,396	201,985	30,411
Operation of Non-Instructional Services	80	664	858	(194)
Extracurricular Activities	229,304	228,494	255,054	(26,560)
Capital Outlay	270,087	282,108	330,669	(48,561)
<b>Total Expenditures</b>	<b>32,623,508</b>	<b>33,625,860</b>	<b>33,302,983</b>	<b>322,877</b>
Excess of Revenues Over (Under) Expenditures	(2,101,527)	(622,842)	(135,288)	487,554
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Capital Assets	4,374	4,739	4,760	21
Refund of Prior Year Expenditures	51,898	56,222	53,712	(2,510)
Transfers In	1,384,140	1,506,875	0	(1,506,875)
Advances In	276,926	300,000	167,370	(132,630)
Transfers Out	(1,217,746)	(1,867,059)	(383,717)	1,483,342
Refund of Prior Year Receipts	0	0	(4,238)	(4,238)
Advances Out	(1,172,533)	(350,000)	(181,540)	168,460
<b>Total Other Financing Sources (Uses)</b>	<b>(672,941)</b>	<b>(349,223)</b>	<b>(343,653)</b>	<b>5,570</b>
Net Change in Fund Balance	(2,774,468)	(972,065)	(478,941)	493,124
Fund Balance at Beginning of Year	2,758,336	2,758,336	2,758,336	0
Prior Year Encumbrances Appropriated	758,299	758,299	758,299	0
<b>Fund Balance at End of Year</b>	<b>\$742,167</b>	<b>\$2,544,570</b>	<b>\$3,037,694</b>	<b>\$493,124</b>



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

**STATEMENT OF FUND NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2004**

	<u>Food Service</u>
<b>Assets</b>	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$940,445
Inventory Held for Resale	33,713
Materials and Supplies Inventory	8,138
Intergovernmental Receivable	<u>205,366</u>
Total Current Assets	1,187,662
Capital Assets:	
Land	30,193
Depreciable Capital Assets, Net	<u>2,707,704</u>
Total Assets	<u>3,925,559</u>
<b>Liabilities</b>	
Accounts Payable	176
Accrued Wages and Benefits	104,014
Intergovernmental Payable	264,734
Compensated Absences Payable	<u>1,287</u>
Total Current Liabilities	370,211
Compensated Absences Payable	<u>36,411</u>
Total Liabilities	<u>406,622</u>
<b>Net Assets</b>	
Invested in Capital Assets	2,737,897
Unrestricted	<u>781,040</u>
<b>Total Net Assets</b>	<b><u><u>\$3,518,937</u></u></b>

*See accompanying notes to the basic financial statements*

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	Food Service
<b>Operating Revenues</b>	
Sales	\$944,745
Other	84
	944,829
<b>Operating Expenses</b>	
Salaries	677,290
Fringe Benefits	561,315
Purchased Services	133,240
Materials and Supplies	93,800
Cost of Sales	971,927
Depreciation	159,727
Other	44,459
	2,641,758
Operating Loss	(1,696,929)
<b>Non-Operating Revenues</b>	
Federal Donated Commodities	217,881
Interest	7,347
Federal and State Subsidies	1,048,163
Loss on Sale of Capital Assets	(5,260)
	1,268,131
Net (Loss) Before Extraordinary Item	(428,798)
Extraordinary Loss - Deconsolidation (Note 19)	(898,408)
Change in Net Assets	(1,327,206)
Net Assets Beginning of Year	4,846,143
Net Assets End of Year	\$3,518,937

*See accompanying notes to the basic financial statements*

**ADAMS COUNTY/OHIO VALLEY SCHOOLS  
ADAMS COUNTY**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUND TYPE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<u>Enterprise</u>
<b>Increase (Decrease) in Cash and Cash Equivalents:</b>	
<b>Cash Flows from Operating Activities:</b>	
Cash Received from Customers	\$944,745
Other Non-Operating Revenue	84
Cash Payments to Suppliers for Goods and Services	(989,572)
Cash Payments to Employees for Services	(613,112)
Cash Payments for Employee Benefits	(480,429)
Cash Payments for Other Operating Expenses	<u>(44,459)</u>
Net Cash Used for Operating Activities	<u>(1,182,743)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>	
Operating Grants Received	<u>1,062,601</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Payments for Capital Acquisitions	(7,081)
Proceeds from Sale of Capital Assets	<u>358</u>
Net Cash Used for Capital and Related Financing Activities	<u>(6,723)</u>
<b>Cash Flows from Investing Activities:</b>	
Interest on Investments	<u>7,347</u>
Net Decrease in Cash and Cash Equivalents	(119,518)
Cash and Cash Equivalents at Beginning of Year	<u>1,059,963</u>
Cash and Cash Equivalents at End of Year	<u><u>\$940,445</u></u>
<b>Reconciliation of Operating Loss to Net Cash Used for Operating Activities:</b>	
Operating Loss	<u>(\$1,696,929)</u>
<b>Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:</b>	
Depreciation	159,727
Donated Commodities Received During Year	217,881
<b>Changes in Assets and Liabilities:</b>	
Increase in Inventory Held for Resale	(8,530)
Increase in Materials and Supply Inventory	(132)
Increase in Accrued Wages	78,539
Increase in Accounts Payable	176
Decrease in Compensated Absences Payable	(7,885)
Increase in Intergovernmental Payable	<u>74,410</u>
Total Adjustments	<u>514,186</u>
Net Cash Used for Operating Activities	<u><u>(\$1,182,743)</u></u>

**Non-Cash Transactions:**

During fiscal year 2004, the Food Service Enterprise Fund received \$217,881 in donated commodities. In addition, an extraordinary loss of \$898,408 related to the deconsolidation of the School District was recognized in the Food Service Enterprise Fund.

*See accompanying notes to the basic financial statements*

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

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2004**

	Private Purpose Trust	
	Scholarship	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$63,549	\$136,460
Taxes Receivable	0	6,173,917
Total Assets	63,549	\$6,310,377
<b>Liabilities</b>		
Intergovernmental Payable	7,593	6,173,917
Undistributed Monies	0	136,460
Total Liabilities	7,593	\$6,310,377
<b>Net Assets</b>		
Held in Trust for Scholarships	55,956	
<b>Total Net Assets</b>	<b>\$55,956</b>	

*See accompanying notes to the basic financial statements*

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

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
FOR THE YEAR ENDED JUNE 30, 2004**

	Private Purpose Trust
	Scholarship
<b>Additions</b>	
Gifts and Donations	\$10,719
Interest	323
Miscellaneous	1,188
Total Additions	12,230
<b>Deductions</b>	
Payments in Accordance with Trust Agreements	6,360
Total Deductions	6,360
Change in Net Assets Before Extraordinary Item	5,870
Extraordinary Loss - Deconsolidation (Note 19)	(7,593)
Change in Net Assets	(1,723)
Net Assets at Beginning of Year	57,679
Net Assets at End of Year	\$55,956

*See accompanying notes to the basic financial statements*

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**1. DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY**

Adams County/Ohio Valley School District, Adams County, Ohio (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 510 square miles, with 99 percent of its territory located in Adams County and the remaining 1 percent in Highland County. Political subdivisions included in the District are the Villages of West Union, Manchester, Peebles, Winchester, Sinking Spring, Cherry Fork, and Seaman, the fifteen townships of Adams County and the southern half of Brush Township in Highland County. The District is staffed by 190 non-certificated employees, 317 certificated employees who provide services to 4,135 students and other community members. The District operates twelve instructional buildings, one administrative building, two bus garages and a supply warehouse.

After the deconsolidation of Manchester Local School District, the Adams County/Ohio Valley School District will serve an area of approximately 468 square miles, with 99 percent of its territory located in Adams County and the remaining 1 percent in Highland County. Political subdivisions included in the District will be the Villages of West Union, Peebles, Winchester, Sinking Spring, Cherry Fork, and Seaman, portions of the thirteen townships of Adams County and the southern half of Brush Township in Highland County. The District will operate ten instructional buildings, one administrative building, one bus garage and a supply warehouse. Adams County/Ohio Valley had a contract with their certificated employees through August of 2005. Therefore, the wages of those employees who left the service of the district after the deconsolidation are the responsibility of Adams County/Ohio Valley District.

*Reporting Entity:*

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

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

The following activities are included within the reporting entity:

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**1. DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY (Continued)**

The District participates in two organizations which are classified as jointly governed organizations. These organizations are the South Central Ohio Computer Association and the Hopewell Special Education Regional Resource Center. These organizations are presented in Note 15 to the basic financial statements.

**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 District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its proprietary fund unless they conflict with or contradict GASB pronouncements. The entity has elected not to apply FASB pronouncements and interpretations issued after November 30, 1989, to its business-type activities and enterprise fund. The more significant of the District's accounting policies are described below.

**A. Basis of Presentation**

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.

Government-wide Financial Statements

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

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

Fund Financial Statements

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



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Fund Accounting**

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

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

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

Proprietary Fund

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

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

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the 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. The agency funds also account for receipt and the remittance of taxes received on behalf of the Manchester Local School District.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus**

Government-wide Financial Statements

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

Fund Financial Statements

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

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

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

**D. Basis of Accounting**

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

Revenues – Exchange and Non-exchange Transactions

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). 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 non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: property taxes available as an advance, grants and accrued 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, 2004, but which were levied to finance fiscal year 2005 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.

Expenses/Expenditures

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.

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

**E. Budgetary Process**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 in the final column of the budgetary statements reflect the amounts in the amended certificate that was in effect at the time the final appropriations were passed.

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

**F. Cash and Investments**

To improve cash management, all cash received by the District is pooled. Monies for all funds, including the proprietary fund, 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 Cash Equivalents" on the financial statements.

During fiscal year 2004, the District's investments were limited to certificates of deposit, which are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2004 amounted to \$61,971, which includes \$35,793 assigned from other District funds.

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

**G. Inventory**

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

**H. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2004, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**I. Capital Assets**

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

All capital assets are capitalized at cost (or estimated historical cost which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one 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.

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

Description	Estimated Lives
Land and Improvements	1 - 5 years
Buildings and Improvements	20 - 50 years
Furniture, Fixtures and Equipment	6 - 15 years
Vehicles	10 years
Educational Media	10 years

**J. Interfund Balances**

On government wide financial statements, receivables and payables resulting from short-term interfund loans are classified as "Interfund Receivables" and "Interfund Payables." These amounts are eliminated in the governmental activities column of the Statement of Net Assets.

**K. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**L. Accrued Liabilities and Long-Term Obligations**

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

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

**M. Interfund Transactions**

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

**N. Restricted Assets**

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors or laws of the other governments or imposed by law through constitutional provisions or enabling legislation.

**O. 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, property taxes, and unclaimed monies.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute for fiscal year 2004.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**P. Estimates**

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

**Q. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the 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 includes required budget reserves, 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.

**R. Operating Revenues and Expenses**

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

**3. CHANGES IN ACCOUNTING PRINCIPLES**

For fiscal year 2004, the District has implemented *GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units."* This Statement further defines the guidelines of *GASB Statement No. 14, "The Financial Reporting Entity."* The implementation of this new statement had no effect on the District's financial statements for fiscal year 2004.

**4. BUDGETARY BASIS OF ACCOUNTING**

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

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**4. BUDGETARY BASIS OF ACCOUNTING (Continued)**

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.
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
5. Extraordinary Loss for monies owed Manchester per deconsolidation is a balance sheet transaction (GAAP basis) as opposed to an operating transaction (budget basis).

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

Net Change in Fund Balance	
GAAP Basis	(\$555,394)
Adjustments:	
Revenue Accruals	171,876
Expenditure Accruals	422,825
Advances	(14,170)
Encumbrances	(609,154)
Extraordinary Item	105,076
Budget Basis	(\$478,941)

**5. DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**5. DEPOSITS AND INVESTMENTS (Continued)**

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

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

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

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

*Deposits:* At fiscal year-end, the carrying amount of the District's deposits was \$8,799,123 and the bank balance was \$10,196,832. Of the bank balance, \$300,000 was covered by federal depository insurance and \$9,896,832 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**5. DEPOSITS AND INVESTMENTS (Continued)**

*Investments:* The District had no outstanding investments at June 30, 2004.

**6. PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis while the District 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 2004 represents collections of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, 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 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2002, were levied after April 1, 2003, and are collected in 2004 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 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2003, on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30. This year, the June 2004 tangible personal property tax was not received until July 2004.

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 County by June 30, 2004, are available to finance fiscal year 2004 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, 2004, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 and the delayed settlement of personal property taxes were levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2004, was \$233,373 in the General Fund and \$67,780 in the Debt Service Fund. The amount available as an advance at June 30, 2003, was \$369,041 in the General Fund and \$106,895 in the Debt Service Fund.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**6. PROPERTY TAXES (Continued)**

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 2004 taxes were collected are:

	2003 Second- Half Collections		2004 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$311,379,050	65.10%	\$164,446,489	65.04%
Public Utility	143,184,890	29.93%	76,089,355	30.10%
Tangible Personal Property	23,760,330	4.97%	12,290,275	4.86%
<b>Total Assessed Value</b>	<b>\$478,324,270</b>	<b>100.00%</b>	<b>\$252,826,119</b>	<b>100.00%</b>
Tax rate per \$1,000 of assessed valuation	\$32.47		\$32.47	

The decrease in assessed valued is due to the deconsolidation of the Manchester Local School District as of June 30, 2004. The newly created District encompassed 45.78% of the former district's assessed tax valuation. See note 19 for further details.

**7. RECEIVABLES**

Receivables at June 30, 2004, consisted of accounts (billings for user charged services and student fees), interfund, intergovernmental grants, and property taxes. All receivables are considered collectible in full and will be received in one year, due to the ability to foreclose for the non payment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

	Amounts
<b>Governmental Activities:</b>	
Tuition from Other Districts	\$6,856
Transportation Reimbursements from Other Districts	20,171
Public School Preschool	3,053
Student Intervention	1,188
Miscellaneous State Grants	15,188
Ttitle VI_B	133,044
Title I	336,465
Title V	4,393
Title IV	8,805
Early Childhood Education Grant	1,065
Title II-A	193,535
Miscellaneous Federal Grants	46,635
<b>Total Governmental Activities</b>	<b>770,398</b>
<b>Business-Type Activity:</b>	
Food Service - Federal and State Lunch Reimbursement	205,366
<b>Total Intergovernmental Receivable</b>	<b>\$975,764</b>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**8. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	Restated Balance at 6/30/03	Additions	Deductions*	Deductions Due to Deconsolidation*	Balance at 6/30/04
<b>Governmental Activities</b>					
<i>Capital Assets, Not being Depreciated</i>					
Land	\$858,825	\$0	\$0	(\$285,005)	\$573,820
<i>Capital Assets Being Depreciated</i>					
Land Improvements	3,974,186	113,826	(4,857)	(528,397)	3,554,758
Buildings and Improvements	52,240,847	199,932	(33,708)	(11,617,752)	40,789,319
Furniture, Fixtures and Equipment	8,812,811	436,579	(1,745,494)	(1,315,965)	6,187,931
Vehicles	3,664,477	615,286	(598,824)	(55,670)	3,625,269
Educational Media	2,104,015	0	(1,184,972)	(260,652)	658,391
Total Capital Assets, Being Depreciated	70,796,336	1,365,623	(3,567,855)	(13,778,436)	54,815,668
<i>Less Accumulated Depreciation:</i>					
Land Improvements	(3,905,609)	(22,060)	4,857	782,343	(3,140,469)
Buildings and Improvements	(10,445,062)	(1,039,277)	9,031	2,339,616	(9,135,692)
Furniture, Fixtures and Equipment	(5,367,355)	(727,404)	1,373,355	816,749	(3,904,655)
Vehicles	(2,711,178)	(195,554)	561,943	8,814	(2,335,975)
Educational Media	(1,828,686)	(109,767)	1,105,906	229,144	(603,403)
Total Accumulated Depreciation	(24,257,890)	(2,094,062)	3,055,092	4,176,666	(19,120,194)
Total Capital Assets, Being Depreciated, Net Governmental Activities	46,538,446	(728,439)	(512,763)	(9,601,770)	35,695,474
Capital Assets, Net	\$47,397,271	(\$728,439)	(\$512,763)	(\$9,886,775)	\$36,269,294

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**8. CAPITAL ASSETS (Continued)**

	Restated Balance at 6/30/03	Additions	Deductions	Deductions to Deconsolidation*	Due Balance at 6/30/04
<b><u>Business-Type Activity</u></b>					
<i>Capital Assets, Not being Depreciated</i>					
Land	\$30,193	\$0	\$0	0	\$30,193
<i>Capital Assets Being Depreciated</i>					
Buildings and Improvements	3,811,450	0	0	(847,647)	2,963,803
Furniture, Fixtures and Equipment	1,400,490	7,081	(9,335)	(250,368)	1,147,868
Total Capital Assets, Being Depreciated	5,211,940	7,081	(9,335)	(1,098,015)	4,111,671
<i>Less Accumulated Depreciation:</i>					
Buildings and Improvements	(762,080)	(71,303)	0	170,702	(662,681)
Furniture, Fixtures and Equipment	(812,410)	(88,424)	3,717	155,831	(741,286)
Total Accumulated Depreciation	(1,574,490)	(159,727)	3,717	326,533	(1,403,967)
Total Capital Assets, Being Depreciated, Net	3,637,450	(152,646)	(5,618)	(771,482)	2,707,704
Business-Type Activity Capital Assets, Net	\$3,667,643	(\$152,646)	(\$5,618)	(\$771,482)	\$2,737,897

\* These amounts are included as part of the extraordinary item (see Note 19).

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**8. CAPITAL ASSETS (Continued)**

Instruction:	
Regular	\$995,907
Special	143,569
Vocational	158,507
Support Services:	
Pupils	32,222
Instructional Staff	203,664
Administration	95,673
Fiscal	11,710
Business	4,805
Operation and Maintenance of Plant	105,170
Pupil Transportation	311,304
Central	2,894
Community Services	12,112
Extracurricular Activities	16,431
Operation of Non-Instructional Services	94
Total Depreciation Expense	\$2,094,062

**9. 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. During fiscal year 2004, the District contracted with Indiana Insurance for property, inland marine coverage and fleet insurance. Insurance coverage provided includes the following:

Building and Contents replacement cost (\$5,000 deductible)	\$81,851,643
Inland Marine Coverage (\$250 deductible)	2,669,175
Crime Insurance	50,000
Automobile Liability (\$2,500 deductible)	1,000,000
Uninsured Motorists (\$2,500 deductible)	1,000,000

During fiscal year 2004, the District entered into an agreement with the Ohio School Insurance Program and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The District pays its annual premium to Marsh Company, the local agent for the Selective Insurance Company of South Carolina and National Union Fire Insurance Company of Pittsburgh, PA. All coverage is provided through Selective Insurance Company of South Carolina, except for School Board Errors and Omissions, which is provided through National Union Fire Insurance Company of Pittsburgh, PA.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**9. RISK MANAGEMENT (Continued)**

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

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction in coverage from the prior year except for building and contents which decreased by 22 million dollars from prior year due to deconsolidation, when the related assets transferred to Manchester Local School District.

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.

**10. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

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

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$371,564, \$387,926, and \$256,087, respectively; 47.98 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**10. DEFINED BENEFIT PENSION PLANS (Continued)**

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

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

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

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

For the fiscal year ended June 30, 2004, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2003, the portion used to fund pension obligations was 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2004, 2003, and 2002 were \$2,299,657, \$2,284,056, and \$1,615,527, respectively; 83.04 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002. Contributions to the DC and Combined Plans for fiscal year 2004 were \$8,986 made by the District and \$21,573 made by the plan members.



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**10. DEFINED BENEFIT PENSION PLANS (Continued)**

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2004, three of the District's members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**11. POSTEMPLOYMENT BENEFITS**

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

All STRS retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2004, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$176,897 for fiscal year 2004.

STRS Ohio pays health care benefits from the Health Care Reserve Fund. At June 30, 2004, the balance in the Fund was \$3.1 billion. For the year-ended June 30, 2004, net health care costs paid by STRS Ohio were \$268,739,000 and STRS Ohio had 111,853 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay was established at \$25,400. For the District, the amount contributed to fund health care benefits, including the surcharge, during the 2004 fiscal year equaled \$573,720.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year-ended June 30, 2004, were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**12. EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

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

**B. Insurance Benefits**

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

**C. Perfect/Excellent Attendance Incentive**

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**13. LONG-TERM OBLIGATIONS**

The changes in the District's long-term obligations during fiscal year 2004 were as follows:

	Amount Outstanding 6/30/03	Additions	Deductions	Amounts Deducted Due to Deconsolidation *	Amount Outstanding 6/30/04	Amounts Due in One Year
<b><u>Governmental Activities:</u></b>						
EPA Asbestos Loan						
1987 0%	\$61,565	\$0	\$17,616	\$20,119	\$23,830	\$9,551
Energy Conservation Loan						
1999 4.33%	174,000	0	174,000	0	0	0
Energy Conservation Bonds						
2002 5.92%	1,173,047	0	60,000	509,553	603,494	59,642
School Improvement Bonds						
1995 4.55% - 5.25%	37,700,000	0	1,000,000	16,801,260	19,898,740	542,200
School Improvement Bonds						
1998 4.87%	150,000	0	30,000	54,936	65,064	16,266
Compensated Absences	2,576,815	247,314	302,409	756,910	1,764,810	99,372
Total Governmental Activities						
Long-Term Obligations	<u>\$41,835,427</u>	<u>\$247,314</u>	<u>\$1,584,025</u>	<u>\$18,142,778</u>	<u>\$22,355,938</u>	<u>\$727,031</u>
<b><u>Business-Type Activity:</u></b>						
Compensated Absences	<u>\$56,498</u>	<u>\$40,520</u>	<u>\$10,915</u>	<u>\$48,405</u>	<u>\$37,698</u>	<u>\$1,287</u>

\* The amounts deducted due to the deconsolidation are described in note 19. Upon deconsolidation, Manchester Local School District became solely responsible for \$17,385,868 of the loans and bonds outstanding at June 30, 2004, according to Ohio Revised Code section 3311.26. Prior to the payment due date, Manchester Local School District remits its share of the debt service payment to Adams County/Ohio Valley School District. Adams County/Ohio Valley School District receipts the payment in to an agency fund and pays Manchester Local School District's portion of the payment from that fund.

*EPA Asbestos Loan* - On March 25, 1987, Adams County/Ohio Valley School District obtained a loan in the amount of \$317,092 for the purpose of providing asbestos removal for the District, under the authority of Ohio Revised Code section 3317.22. The loan was issued for a twenty year period with final maturity during fiscal year 2007. On June 30, 2004, the newly created Manchester Local School District assumed \$20,119 of the outstanding loan amount. The loan will be retired from the Debt Service Fund.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**13. LONG-TERM OBLIGATIONS (Continued)**

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

*Energy Conservation Bonds* – On June 18, 2001, Adams County/Ohio Valley School District issued \$1,293,047 in unvoted general obligation bonds for the purpose of providing energy conservation measures. The bonds were issued for ten years with final maturity at July 2, 2011. On June 30, 2004, the newly created Manchester Local School District assumed \$509,553 of the outstanding bond amount. The bonds will be retired from the Debt Service Fund.

*School Improvement Bonds* - On May 15, 1995, Adams County/Ohio Valley School District issued \$44,000,000 in voted general obligation bonds for the purpose of building new high schools and improvements to existing buildings. The bonds were issued for a twenty-seven year period with final maturity at December 1, 2021. On June 30, 2004, the newly created Manchester Local School District assumed \$16,801,260 of the outstanding bond amount. The bonds will be retired from the Debt Service Fund.

*School Improvement Bonds* - On August 24, 1998, Adams County/Ohio Valley School District issued \$300,000 in unvoted general obligation bonds for the purpose of acquiring a bus garage. The bonds were issued for a nine year period with final maturity at December 1, 2007. On June 30, 2004, the newly created Manchester Local School District assumed \$54,936 of the outstanding bond amount. The bonds will be retired from the Debt Service Fund.

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

The District's overall legal debt margin was \$5,683,702 with an unvoted debt margin of \$252,826, and an Energy Conservation debt margin of \$1,671,941 at June 30, 2004.

Principal requirements to retire general obligation debt at June 30, 2004, are as follows:

EPA Asbestos Loan - 1987	
Fiscal year Ending June 30,	Principal
2005	\$9,552
2006	9,552
2007	4,726
Total	\$23,830

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**13. LONG-TERM OBLIGATIONS (Continued)**

Energy Conservation Bonds - 2002

Fiscal year Ending June 30,	Principal	Interest	Total
2005	\$59,642	\$31,866	\$91,508
2006	65,064	30,856	95,920
2007	78,619	26,816	105,435
2008	97,596	21,394	118,990
2009	97,596	15,481	113,077
2010-2012	204,977	13,382	218,359
Total	<u>\$603,494</u>	<u>\$139,795</u>	<u>\$743,289</u>

School Improvement Bonds - 1995

Fiscal year Ending June 30,	Principal	Interest	Total
2005	\$542,200	\$1,160,362	\$1,702,562
2006	542,200	1,124,306	1,666,506
2007	650,640	1,089,198	1,739,838
2008	704,860	1,053,264	1,758,124
2009	759,080	1,013,724	1,772,804
2010-2014	4,798,470	4,232,617	9,031,087
2015-2019	6,777,500	2,315,669	9,093,169
2020-2022	5,123,790	414,885	5,538,675
Total	<u>\$19,898,740</u>	<u>\$12,404,025</u>	<u>\$32,302,765</u>

School Improvement Bonds - 1998

Fiscal year Ending June 30,	Principal	Interest	Total
2005	\$16,266	\$2,774	\$19,040
2006	16,266	1,981	18,247
2007	16,266	1,189	17,455
2008	16,266	397	16,663
Total	<u>\$65,064</u>	<u>\$6,341</u>	<u>\$71,405</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**14. INTERFUND ACTIVITY**

**A. Interfund Transfers**

Transfers made during the year ended June 30, 2004, were as follows:

	Transfer From		Totals
	General	All Other Nonmajor Governmental Funds	
Transfer To			
Debt Service Fund	\$360,432	\$0	\$360,432
All Other Nonmajor Governmental Funds	23,285	159	23,444
Total	<u>\$383,717</u>	<u>\$159</u>	<u>\$383,876</u>

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

**B. Interfund Receivables/Payables**

As of June 30, 2004, receivables and payables that resulted from various interfund transactions were as follows:

	Receivable		Total
	General	Debt Service Fund	
Payable			
General Fund	\$0	\$474	\$474
All Other Nonmajor Governmental Funds	47,437	0	47,437
Total	<u>\$47,437</u>	<u>\$474</u>	<u>\$47,911</u>

The amounts due to the General Fund are the result of the District moving unrestricted balances to support programs and projects accounted for in other funds. The General Fund will be reimbursed when funds become available in the special revenue funds. The amount due to the Debt Service fund from the General Fund resulted from misposted tax receipts.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**15. 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 \$247,409 for services provided during the year. Financial information can be obtained from their fiscal agent, the Pike County Joint Vocational School District, P.O. Box 577, 175 Beaver Creek Road, Piketon, Ohio, 45661.

**B. Hopewell Special Education Regional Resource Center (Hopewell)**

The Hopewell Special Education Regional Resource Center (Hopewell) is a jointly governed organization created by the Ohio Department of Education at the request of the participating school districts to offer direct and related services to low incidence handicapped students of the region. Seventeen local, city, and exempted village school districts receive services from Hopewell. Hopewell is operated under regulations and policies established by the Ohio Department of Education, and its own governing board. The governing board is made up of superintendents from the seventeen school districts, plus a representative from the Clinton-Fayette-Highland Educational Service District, a representative from the board of mental retardation and developmental disabilities, two joint vocational school superintendents and five parents of handicapped children living in the region. The Clinton-Fayette-Highland Educational Service District acts as fiscal agent. Hopewell receives funding from the contracts with each of the member school districts and Federal and State grants. The District paid \$289,516 to Hopewell during the year. To obtain financial information write to Hopewell at the Clinton-Fayette-Highland Educational Service District, 62 Laurel Drive, Wilmington, Ohio, 45177.

**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 year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**16. SET-ASIDE CALCULATIONS AND FUND RESERVES (Continued)**

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

	Textbooks	Capital Acquisition	Budget Stabilization
Set-aside Reserve Balance as of June 30, 2003	(\$1,421,783)	\$0	\$367,868
Transfer from Budget Reserve to Capital Acquisition	0	367,868	(367,868)
Current Year Set-aside Requirement	723,139	723,139	0
Current Year Off-sets	0	0	0
Qualifying Disbursements	(925,948)	(1,461,287)	0
Totals	(\$1,624,592)	(\$370,280)	\$0
Set-aside Reserve Balance as of June 30, 2004	\$0	\$0	\$0
Set-aside Reserve Balance Carried Forward to FY 2004	(\$1,624,592)	\$0	\$0

Although the District had offsets and qualifying disbursements during the 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 years. The capital acquisition negative amount is therefore not presented as being carried forward to the next fiscal year.

**17. STATE SCHOOL FUNDING DECISION**

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

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

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

**18. CONTINGENCIES**

**A. Grants**

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2004.

**B. Litigation**

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



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**19. EXTRAORDINARY ITEM - DECONSOLIDATION**

On January 12, 2004, the South Central Ohio Educational Service Center Governing Board passed a resolution creating the Manchester Local School District. This new school district encompasses what was formerly the Manchester attendance area of the Adams County/Ohio Valley School District. The Adams County/Ohio Valley School District continued to operate Manchester High School, Woolard Elementary, Bentonville Preschool, and the South Bus Garage until June 30, 2004, at which time the operations were turned over to the Manchester Local School District. Ohio Revised Code Section 3311.26 governs the distribution of property, funds, and indebtedness when a new local school district is created. The distribution was performed as of June 30, 2004, and is recorded as an Extraordinary Item in the basic financial statements. An extraordinary gain of \$6,787,996 was realized in the Governmental Activities, and extraordinary losses of \$898,408 and \$7,593 were realized in Business Type Activities and Proprietary Funds along with Private Purpose Trust funds, respectively.

Ohio Revised Code Section 3311.26 provides that the legal title of all property of the board of education in the territory taken shall become vested in the board of education of the newly created school district. Therefore, on June 30, 2004 the capital assets located in the newly created Manchester Local School District became the property of such district. Net Capital Assets in Governmental Activities of \$9,886,775, and in Business-Type Activities of \$771,482, were transferred to Manchester Local School District and are a component of the Extraordinary Item in the Basic Financial Statements.

Ohio Revised Code Section 3311.26 provides for an equitable distribution of funds between the new district and the former district not included in the new district. The Ohio Department of Education, in conjunction with the Boards of Education of each district worked out the details of this distribution. These details included the following: balances owed Manchester Local School District from the General and Food Service Enterprise Fund after payables subtracted from fund balance and balances from scholarships, grant, and principal accounts solely for Manchester schools. As a result, cash distributions of \$1,468,007 in Governmental Activities, \$137,841 in Business-Type Activities, and \$7,593 in Private Purpose Trust, were paid by the District to the Manchester Local School District. This cash distribution occurred subsequent to the fiscal year-end and therefore, is recorded as an Intergovernmental Payable in the Basic Financial Statements.

Ohio Revised Code Section 3311.26 provides that employees of the former school district which are located within the newly created school district become the employees of the new school district. The accumulated leave balances of these employees are also transferred to the new school district. As a result of the transfer of these employees from Adams County/Ohio Valley School District to Manchester Local School District, the Compensated Absences Liability was decreased by \$756,910 and \$10,915, in Governmental and Business-Type Activities, respectively.

Ohio Revised Code Section 3311.26 also provides that upon the creation of a new district, the indebtedness of the former district is divided between the new districts based on the ratio of assessed valuation of each district. The newly created Manchester Local School District encompassed 45.78% of the former district's assessed tax valuation. Adams County/Ohio Valley School District retained 54.22% of the former district's assessed tax valuation. Therefore, the indebtedness was divided between the two districts based on these percentages. \$17,385,868 in Long-Term Bonds and Loans was therefore assumed by Manchester Local School District.

The extraordinary loss on the Statement of Revenues, Expenditures and Changes in Fund Balances is \$1,468,007 from cash distributions to Manchester Local School District. The cash distributions are from the equitable distribution of funds between the two districts.

The following table summarizes the components of the extraordinary items on Statement of Activities:

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**19. EXTRAORDINARY ITEM – DECONSOLIDATION (Continued)**

	Extraordinary Gain/Loss
Governmental Activities	
Capital Assets	(\$9,886,775)
Cash Distributions	(1,468,007)
Compensated Absences	756,910
Debt	17,385,868
Extraordinary Gain	\$6,787,996
Business Type Activities/Proprietary Fund	
Capital Assets	(\$771,482)
Cash Distributions	(137,841)
Compensated Absences	10,915
Extraordinary Loss	(\$898,408)
Private Purpose Trust	
Cash Distributions	(\$7,593)
Extraordinary Loss	(\$7,593)

**20. SUBSEQUENT EVENT**

On April 10, 2005, a group of citizens known as the Committee to Create Peebles Local School District (CCPLSD) presented a proposal to the Territory Transfer Process Subcommittee of the State Board of Education. The CCPLSD asked the State Board of Education to create a new local school district in the Peebles area out of the current boundaries of the Adams County/Ohio Valley School District. On April 12, 2005, the State Board of Education passed a resolution directing the Ohio Department of Education to conduct a study which shall include a fiscal and programmatic analysis of each district affected by the creation of the proposed Peebles Local School District, as well as an analysis of the impact on state funding.

On May 9, 2005, the Ohio Department of Education reported to the State Board the results of the study and recommended that the State Board not create the Peebles Local School District. On May 10, 2005, the State Board voted on a resolution to reject the Ohio Department of Education's recommendation against the formation of the Peebles Local School District from part of the territory of the Adams County/Ohio Valley Local School District, and to propose the creation of the Peebles Local School District. The vote on this resolution was nine to six in favor of the resolution, with three board members absent from the meeting and not voting. However, a majority vote of the full Board membership is required by Ohio Revised Code Section 3311.26. Therefore, the number of votes in favor fell short of a majority of the full Board membership and the resolution failed. As of the date of this report, it is unclear whether a resolution of this nature will be brought before the State Board of Education again, and the overall financial impact on the District should a new school district be created is not estimable.

ADAMS COUNTY/OHIO VALLEY SCHOOL DISTRICT  
ADAMS COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2004

<u>FEDERAL GRANTOR/ Pass Through Grantor Program Title</u>	<u>Pass Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Receipts</u>	<u>Non-Cash Receipts</u>	<u>Disbursements</u>	<u>Non-Cash Disbursements</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster:						
Food Distribution Program	N/A	10.550	\$0	\$217,881	\$0	\$217,881
School Breakfast Program	05-PU-03	10.553	79,633		55,818	
	05-PU-04	10.553	141,192		141,192	
Total School Breakfast Program			220,825		197,010	
National School Lunch Program	LL-P4-03	10.555	291,597		198,129	
	LL-P4-04	10.555	492,583		492,583	
Total National School Lunch Program			784,180		690,712	
Total U.S. Department of Agriculture, Child Nutrition Cluster			<b>1,005,005</b>	<b>217,881</b>	<b>887,722</b>	<b>217,881</b>
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education:</i>						
Title 1 Grants to Local Educational Agencies	C1-S1-02	84.010	26,098		0	
	C1-S1-03	84.010	0		10,515	
	C1-S1-04	84.010	1,601,761		1,568,967	
Total Title 1			<b>1,627,859</b>		<b>1,579,482</b>	
Special Education Cluster:						
Special Education - Grants to States	6B-PM-04P	84.027	25,000		18,057	
	6B-PM-03P	84.027	0		5,344	
	6B-PM-02P	84.027	0		2,630	
	6B-SA-03P	84.027	34,069		34,049	
	6B-SA-04P	84.027	26,408		28,762	
	6B-SF-03P	84.027	0		127,496	
	6B-SF-04P	84.027	567,163		534,322	
<i>Passed Through Hopewell Education Regional Resource Center</i>						
Baldrige Expansion Model	2003	84.027			10,212	
	2004	84.027	12,500		2,797	
		84.027			300	
		84.027	10,000			
Total Special Education			<b>675,140</b>		<b>763,969</b>	
Special Education Preschool Grants	PG-D7-03P	84.173	5,339		5,339	
	PG-S1-04	84.173	20,124		8,422	
			<b>25,463</b>		<b>13,761</b>	
Total Special Education Cluster			<b>700,603</b>		<b>777,730</b>	
Vocational Educational Basic Grants to States	20-C1-03	84.048	31,015		24,766	
	20-C1-04	84.048	125,172		103,109	
Total Vocational Education			<b>156,187</b>		<b>127,875</b>	

(Continued)

ADAMS COUNTY/OHIO VALLEY SCHOOL DISTRICT  
ADAMS COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2004  
(Continued)

FEDERAL GRANTOR/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
Safe and Drug -Free Schools and Communities-State Grants	DR-S1-03	84.186	0		1,081	
	DR-S1-04	84.186	48,334		54,544	
Total Drug-Free Schools			<u>48,334</u>		<u>55,625</u>	
Eisenhower Professional Development State Grants	MS-S1-02	84.281		0		6,063
Innovative Educational Program Strategies	C2-S1-02	84.298			4,254	
	C2-S1-00	84.298			11,733	
	C2-S1-04	84.298	25,156		25,729	
	C2-S1-03	84.298			4,735	
Total Innovative Educational Strategies			<u>25,156</u>		<u>46,451</u>	
Technology Literacy Challenge	TJ-SL-04	84.318	214,400		192,067	
	TJ-S1-03	84.318			3,328	
	TJ-S1-04	84.318	41,937		44,448	
Total Technology Literacy Challenge			<u>256,337</u>		<u>239,843</u>	
Special Education_ State Program Improve ment Grants for Children with Disabilities	ST-S1-02	84.323	17,500			15,702
Comprehensive School Reform Demon- stration	RF-CC-03	84.332	45,039		773	
Total Comprehensive School Reform Demon- stration	RF-CC-04	84.332	52,061		44,636	
			<u>97,100</u>		<u>45,409</u>	
Assistive Technology Infusion	AT-S3-02	84.352A	5,874			10,739
Rural Education	RU-S1-03	84.358			31,469	
	RU-S1-04	84.358	102,354		85,185	
Total Rural Education			<u>102,354</u>		<u>116,654</u>	
Improving Teacher Quality State Grants	TR-S1-03	84.367		0	106,531	
	TR-S1-04	84.367	301,776		322,168	
Total Improving Teacher Quality State Grants			<u>301,776</u>		<u>428,699</u>	
Total U.S.Department of Education			<u>3,339,080</u>		<u>3,450,272</u>	
<b><u>U.S. DEPARTMENT OF HOMELAND SECURITY</u></b>						
Public Assistance Grants		97.036	5,488			5,488
<b><u>NATIONAL SCIENCE FOUNDATION</u></b>						
<i>Passed Through Ky Science and Technology Council Inc.:</i>						
Appalachain Rural Systemic Initiative		47.076	349			0
<b><u>U. S. ENVIRONMENTAL PROTECTION AGENCY</u></b>						
Toxic Substances Compliance Monitoring Cooperative		66.701		0		17,616
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>						
Medical Assistance Program (Medicaid: Title XIX)		93.778	61,937			61,937
<b>Totals</b>			<u>\$4,411,859</u>	<u>\$217,881</u>	<u>\$4,423,035</u>	<u>\$217,881</u>

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

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

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

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

**NOTE C - MATCHING REQUIREMENTS**

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

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## Auditor of State Betty Montgomery

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Adams County/Ohio Valley School District, Adams County, Ohio (the District), as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated July 20, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

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

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated July 20, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the District's management dated July 20, 2005, we reported a matter related to noncompliance we deemed immaterial.

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

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

**Betty Montgomery**  
Auditor of State

July 20, 2005





## **Auditor of State Betty Montgomery**

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

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

To the Board of Education:

#### **Compliance**

We have audited the compliance of Adams County/Ohio Valley School District, Adams County, Ohio (the District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to each of its major federal programs for the year ended June 30, 2004. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program(s). The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the 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, 2004.

#### **Internal Control Over Compliance**

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated July 20, 2005.

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

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

**Betty Montgomery**  
Auditor of State

July 20, 2005

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

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2004**

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

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

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

None

**3. FINDINGS FOR FEDERAL AWARDS**

None

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

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2003-001	Ohio Rev. Code, Section 5705.41(B), expenditures exceeded appropriations at the legal level of control during the audit period.	Yes	





**Auditor of State  
Betty Montgomery**

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800-282-0370

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**ADAMS COUNTY/OHIO VALLEY SCHOOL DISTRICT**

**ADAMS COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
AUGUST 9, 2005**