



bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

ADAMS COUNTY/OHIO VALLEY LOCAL SCHOOL DISTRICT
ADAMS COUNTY

SINGLE AUDIT

For the Year Ended June 30, 2017
Fiscal Year Audited Under GAGAS: 2017

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Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Adams County/ Ohio Valley Local School District, Adams County, prepared by BHM CPA Group, Inc., for the audit period July 1, 2016 through June 30, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

January 18, 2018

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Adams County/Ohio Valley Local School District
Adams County

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Independent Auditor's Report

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Adams County/Ohio Valley Local School District, Adams County, Ohio (the School District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the School District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Basis for Qualified Opinion for Scope Limitation

We were unable to obtain sufficient evidential matter supporting the amounts reported as capital assets and net investment in capital assets. Capital assets are reported at \$70,860,563, which are 61 percent of governmental activities assets for the year ended June 30, 2017. Net investment in capital assets is reported at \$46,506,567 which is 168 percent of governmental activities net position for the year ended June 30, 2017. We were unable to determine the completeness and accuracy of capital assets and net investment in capital assets through alternative procedures.

Qualified Opinion

In our opinion, except for the effects adjustments, if any, that might have been required had we been able to examine sufficient appropriate evidence regarding capital assets and net investment in capital assets as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Adams County/Ohio Valley Local School District, Adams County, Ohio, as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted to opine on the School District's basic financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The Schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected the Schedule to the auditing procedures we applied to the basic financial statements.

We also applied certain additional procedures, including comparing and reconciling the Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 26, 2017, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

Handwritten signature in black ink that reads "BHM CPA Group". The letters are cursive and somewhat stylized.

BHM CPA Group Inc.
Piketon, Ohio
December 26, 2017

Adams County/Ohio Valley School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)

As management of the Adams County/Ohio Valley School District, we offer the readers of the District's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with the additional information that we have provided in the basic financial statements and the notes to the financial statements to enhance their understanding of the District's performance.

This discussion and analysis of Adams County/Ohio Valley School District's financial performance is intended to serve as an introduction to the District's basic financial statements, and provides an overall review of the District's financial activities for the fiscal year ended June 30, 2017. The Adams County/Ohio Valley School District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

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

Financial Highlights

- The assets and deferred outflows of resources of the Adams County/Ohio Valley School District exceeded its liabilities and deferred inflows of resources at June 30, 2017 by \$27,674,871. Net investment in capital assets and net position restricted for specific purposes totaled \$46,506,567, leaving a balance in unrestricted net position of (\$26,839,730).
- Net position of governmental activities decreased by \$5,568,998 which represents a 17% decrease from 2016.
- General revenues accounted for \$38,694,898 or 76% of all revenues. Program specific revenues in the form of charges for services and sales and operating grants and contributions accounted for \$12,052,624 or 24% of total revenues of \$50,747,522.
- The District had \$56,316,520 in expenses related to governmental activities; only \$12,052,624 of these expenses were offset by program specific charges for services and sales, operating grants, contributions and interest, and capital grants and contributions.

Using the Basic Financial Statements

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

The Statement of Net Position 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

Adams County/Ohio Valley School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)

also look at the District's major funds, with all other nonmajor funds presented in total in one column. The major funds for the Adams County/Ohio Valley School District are the General Fund, the Debt Service Fund, and the Permanent Improvement Fund.

Reporting the District as a Whole

One of the most important questions asked about the District is "How did we do financially during fiscal year 2017?" The *Statement of Net Position* 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 deferred outflows*, and *liabilities and deferred inflows* 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 a position and changes in net position. The change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. However, the District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the District's property tax base, current property tax laws in Ohio restricting revenue growth, required educational programs and other factors.

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

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

Adams County/Ohio Valley School District, Ohio
Management's Discussion and Analysis
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(Unaudited)

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

The District as a Whole

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

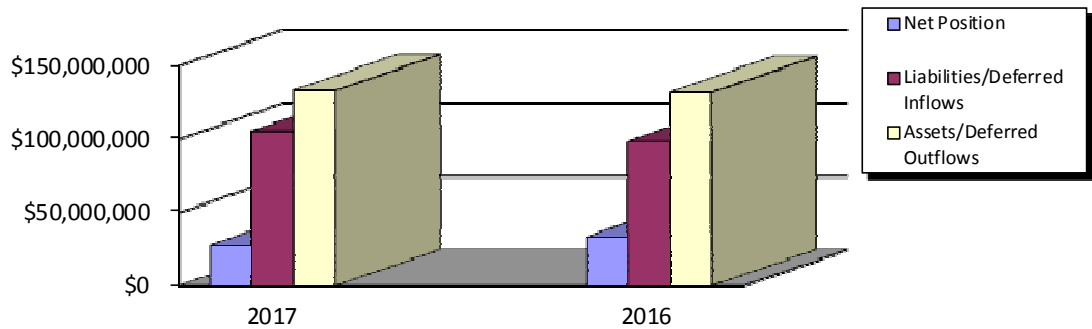
Table 1 provides a summary of the District's net position for fiscal years 2017 and 2016:

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Adams County/Ohio Valley School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)

Table 1
Net Position

	Governmental Activities	
	2017	2016 Restated
Assets:		
Current and Other Assets	\$46,215,770	\$46,509,154
Capital Assets	70,860,563	75,240,738
Total Assets	117,076,333	121,749,892
Deferred Outflows of Resources:		
Deferred Charge on Refunding Pension	1,879,231	2,004,151
	14,048,049	7,895,543
Total Deferred Outflows of Resources	15,927,280	9,899,694
Liabilities:		
Other Liabilities	4,475,603	4,326,761
Long-Term Liabilities	93,257,231	81,715,867
Total Liabilities	97,732,834	86,042,628
Deferred Inflows of Resources:		
Property Taxes	7,595,908	7,677,579
Pension	0	4,685,510
Total Deferred Inflows of Resources	7,595,908	12,363,089
Net Position:		
Net Investment in Capital Assets	46,506,567	49,139,350
Restricted	8,008,034	9,482,091
Unrestricted	(26,839,730)	(25,377,572)
Total Net Position	\$27,674,871	\$33,243,869



Adams County/Ohio Valley School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2017, the District's assets and deferred outflows exceeded liabilities and deferred inflows by \$27,674,871.

Capital assets decreased mainly due to a prior period adjustment caused by an asset appraisal. Long-term liabilities increased mainly due to an increase in net pension liability.

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

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

Table 2
Changes in Net Position

	Governmental Activities	
	2017	2016
Revenues:		
Program Revenues		
Charges for Services and Sales	\$2,345,481	\$2,275,703
Operating Grants and Contributions	9,707,143	10,122,067
General Revenues		
Property Taxes	9,769,155	9,716,233
Grants and Entitlements not Restricted to Specific Programs	28,371,182	28,305,864
Other	554,561	493,368
Total Revenues	<u>50,747,522</u>	<u>50,913,235</u>
Program Expenses		
Instruction	35,463,419	30,033,036
Support Services:		
Pupil and Instructional Staff	2,838,925	2,287,004
School Administrative, General		
Administration, Fiscal and Business	5,092,583	4,327,472
Operations and Maintenance	4,222,619	2,931,190
Pupil Transportation	4,213,089	2,982,115
Central	223,760	170,533
Operation of Non-Instructional Services	2,327,042	2,026,414
Extracurricular Activities	628,490	548,628
Interest and Fiscal Charges	1,306,593	1,116,674
Total Program Expenses	<u>56,316,520</u>	<u>46,423,066</u>
Change in Net Position	(5,568,998)	4,490,169
Net Position - Beginning of Year Restated	<u>33,243,869</u>	<u>28,753,700</u>
Net Position - End of Year	<u>\$27,674,871</u>	<u>\$33,243,869</u>

Adams County/Ohio Valley School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)

Grants and entitlements not restricted to specific programs made up 56% of total revenues of the District for fiscal year 2017 while Property Taxes made up 19%.

Instruction comprises 63% of governmental program expenses. Support services expenses comprise of 29% of governmental expenses. All other expenses make up 8% of governmental expenses. The District had an increase in instructional expenses when compared to 2017.

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

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2017	2016	2017	2016
Instruction	\$35,463,419	\$30,033,036	(\$26,048,933)	(\$20,317,221)
Support Services:				
Pupil and Instructional Staff	2,838,925	2,287,004	(2,788,959)	(2,258,470)
School Administrative, General				
Administration, Fiscal and Business	5,092,583	4,327,472	(4,967,785)	(4,203,571)
Operations and Maintenance	4,222,619	2,931,190	(4,063,029)	(2,714,003)
Pupil Transportation	4,213,089	2,982,115	(4,087,899)	(2,804,670)
Central	223,760	170,533	(223,760)	(170,533)
Operation of Non-Instructional Services	2,327,042	2,026,414	(338,221)	(62,414)
Extracurricular Activities	628,490	548,628	(438,717)	(377,740)
Interest and Fiscal Charges	1,306,593	1,116,674	(1,306,593)	(1,116,674)
Total Expenses	<u>\$56,316,520</u>	<u>\$46,423,066</u>	<u>(\$44,263,896)</u>	<u>(\$34,025,296)</u>

The District's Funds

The District has three major governmental funds: the General Fund, the Debt Service Fund, and the Permanent Improvement Fund. Assets of these funds comprised \$42,317,679 (91%) of the total \$46,698,997 governmental funds' assets.

General Fund: Fund balance at June 30, 2017 was \$20,179,918, an increase in fund balance of \$256,157 from 2016. The primary reason for the increase in fund balance was due to the increase in other revenues.

Debt Service Fund: Fund balance at June 30, 2017 was \$4,523,176, a decrease in fund balance of \$129,442 from 2016. The primary reason for the decrease in fund balance was due to a decrease in intergovernmental revenue.

Adams County/Ohio Valley School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)

Permanent Improvement Fund: Fund balance at June 30, 2017 was \$5,192,722, an increase in fund balance of \$872,471 from 2016. The primary reason for the increase in fund balance was due to an increase in monies transferred into the the fund.

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 2017, the District revised its budget as it attempted to deal with unexpected changes in revenues and expenditures.

For the General Fund, final budget basis revenue was \$41,889,048 with original budget estimates of \$41,455,310; the difference was mainly due to underestimating tax revenue and intergovernmental revenue. The original budget estimates for expenditures for the District increased when compared to the actual expenditures due to underestimates made by the District. The final budget estimated expenditures were \$40,653,727 while the actual expenditures for the District were \$40,101,979.

The District's ending unobligated cash balance of \$18,696,257 was \$640,473 above the final budgeted amount in the General Fund.

Capital Assets and Debt Administration

Capital Assets

The Adams County/Ohio Valley School District's investment in capital assets as of June 30, 2017 was \$70,860,563. This investment in capital assets includes land, land improvements, buildings and improvements, equipment, and vehicles. Table 4 shows fiscal year 2017 balances compared to fiscal year 2016:

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

	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016 - Restated</u>
Land	\$936,258	\$936,258
Land Improvements	4,873,079	5,387,705
Buildings and Improvements	58,479,774	60,733,311
Furniture, Fixtures, and Equipment	5,269,369	7,122,173
Vehicles	1,302,083	1,061,291
Totals	<u>\$70,860,563</u>	<u>\$75,240,738</u>

Capital Assets decreased as a result of additions being less than depreciation expense. For more information on capital assets, refer to Note 6 of the basic financial statements.

Adams County/Ohio Valley School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)

Debt

At June 30, 2017, the District had \$26,863,581 in outstanding debt, \$1,676,120 due within one year. Table 5 summarizes the District's outstanding debt:

Table 5
Outstanding Debt at Year End

	Governmental Activities	
	2017	2016
2012 Refunding of 1995 School Improvement Bonds	\$7,910,000	\$7,910,000
2012 Capital Appreciation Bonds - Principal Only	0	980,058
2012 Capital Appreciation Bonds - Accreted Interest	0	337,141
Premium on 2012 Refunding	150,181	183,548
School Improvement Bonds, 2007	0	555,000
2013 Refunding of 2007 School Improvement Bonds	7,585,000	7,585,000
2013 Capital Appreciation Bonds - Principal Only	16,812	24,984
2013 Capital Appreciation Bonds - Accreted Interest	602,504	361,584
Premium on 2013 Refunding	1,378,696	1,462,254
HB264 Bonds, Series 2014	2,320,008	2,478,193
2015 Refunding of 2007 School Improvement Bonds	6,205,000	6,220,000
2015 Capital Appreciations Bonds - Principal Only	5,000	5,000
2015 Capital Appreciation Bonds - Accreted Interest	27,850	8,130
Premium on 2015 Refunding of School Improvement Bonds	662,530	701,502
Totals	<u>\$26,863,581</u>	<u>\$28,812,394</u>

For more information on outstanding debt, refer to Note 11 of the basic financial statements.

For the Future

The two major power plants/employers in the County has announced their closure within the next 18 months. This will impact real estate taxes and tangible personal property taxes immediately. The filter down effect from several citizens losing their jobs and not being able to pay their personal taxes is not measurable. Adams County as a whole is facing a possible financial crisis.

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 the Treasurer, Adams County/Ohio Valley School District, 141 Lloyd Road, West Union, OH 45693.

Adams County/Ohio Valley School District, Ohio
Statement of Net Position
June 30, 2017

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Investments	\$34,560,815
Restricted Cash and Investments	1,877
Receivables (Net):	
Taxes	10,482,230
Accounts	86,693
Interest	15,132
Intergovernmental	952,056
Prepaid	66,880
Inventory	50,087
Nondepreciable Capital Assets	936,258
Depreciable Capital Assets, Net	<u>69,924,305</u>
 Total Assets	 <u>117,076,333</u>
Deferred Outflows of Resources:	
Deferred Charge on Refunding Pension	1,879,231
	<u>14,048,049</u>
 Total Deferred Outflows of Resources	 <u>15,927,280</u>
Liabilities:	
Accounts Payable	224,525
Accrued Wages and Benefits	4,186,657
Accrued Interest Payable	64,421
Long-Term Liabilities:	
Due Within One Year	1,857,525
Due In More Than One Year:	
Net Pension Liability	65,276,788
Other Amounts	<u>26,122,918</u>
 Total Liabilities	 <u>97,732,834</u>
Deferred Inflows of Resources:	
Property Taxes	<u>7,595,908</u>
 Total Deferred Inflows of Resources	 <u>7,595,908</u>
Net Position:	
Net Investment in Capital Assets	46,506,567
Restricted for:	
Local Grants	20,521
Auxiliary Services	9,361
Debt Service	4,717,368
Capital Projects	950,000
Food Service	753,974
Classroom Facilities Maintenance	1,413,669
Federal Grants	31,384
Other Purposes	111,757
Unrestricted	<u>(26,839,730)</u>
 Total Net Position	 <u><u>\$27,674,871</u></u>

See accompanying notes to the basic financial statements.

Adams County/Ohio Valley School District, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2017

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$22,114,519	\$969,619	\$1,738,908	(\$19,405,992)
Special	9,629,847	226,153	5,218,867	(4,184,827)
Vocational	2,320,737	538,351	697,885	(1,084,501)
Adult/Continuing	753,228	0	0	(753,228)
Other	645,088	24,703	0	(620,385)
Support Services:				
Pupil	1,870,931	2,108	0	(1,868,823)
Instructional Staff	967,994	0	47,858	(920,136)
General Administration	131,573	0	0	(131,573)
School Administration	4,116,529	0	121,624	(3,994,905)
Fiscal	760,500	0	3,174	(757,326)
Business	83,981	0	0	(83,981)
Operations and Maintenance	4,222,619	5,576	154,014	(4,063,029)
Pupil Transportation	4,213,089	78	125,112	(4,087,899)
Central	223,760	0	0	(223,760)
Operation of Non-Instructional Services	2,327,042	389,120	1,599,701	(338,221)
Extracurricular Activities	628,490	189,773	0	(438,717)
Interest and Fiscal Charges	1,306,593	0	0	(1,306,593)
Totals	\$56,316,520	\$2,345,481	\$9,707,143	(44,263,896)

General Revenues:

Property Taxes Levied for:	
General Purposes	7,025,751
Special Revenue Purposes	140,313
Debt Service Purposes	2,404,489
Capital Projects Purposes	198,602
Grants and Entitlements, Not Restricted	28,371,182
Unrestricted Contributions	34,061
Investment Earnings	60,791
Other Revenues	459,709

Total General Revenues 38,694,898

Change in Net Position (5,568,998)

Net Position - Beginning of Year, Restated 33,243,869

Net Position - End of Year \$27,674,871

See accompanying notes to the basic financial statements.

Adams County/Ohio Valley School District, Ohio
Balance Sheet
Governmental Funds
June 30, 2017

	General	Debt Service	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Assets:					
Equity in Pooled Cash and Investments	\$21,863,848	\$4,037,923	\$5,312,863	\$3,346,181	\$34,560,815
Restricted Cash and Investments	1,877	0	0	0	1,877
Receivables (Net):					
Taxes	7,895,229	2,411,779	161,450	13,772	10,482,230
Accounts	75,895	0	0	10,798	86,693
Interest	15,132	0	0	0	15,132
Intergovernmental	0	0	0	952,056	952,056
Interfund	483,227	0	0	0	483,227
Prepaid	58,456	0	0	8,424	66,880
Inventory	0	0	0	50,087	50,087
Total Assets	30,393,664	6,449,702	5,474,313	4,381,318	46,698,997
Liabilities:					
Accounts Payable	57,071	0	152,929	14,525	224,525
Accrued Wages and Benefits	3,637,947	0	0	548,710	4,186,657
Compensated Absences	3,085	0	0	142	3,227
Interfund Payable	0	0	0	483,227	483,227
Total Liabilities	3,698,103	0	152,929	1,046,604	4,897,636
Deferred Inflows of Resources:					
Property Taxes	6,508,113	1,926,526	128,662	13,772	8,577,073
Grants and Other Taxes	0	0	0	952,056	952,056
Investment Earnings	7,530	0	0	0	7,530
Total Deferred Inflows of Resources	6,515,643	1,926,526	128,662	965,828	9,536,659
Fund Balances:					
Nonspendable	60,333	0	0	8,424	68,757
Restricted	0	4,523,176	0	3,244,444	7,767,620
Committed	1,133,633	0	5,192,722	0	6,326,355
Assigned	731,795	0	0	0	731,795
Unassigned	18,254,157	0	0	(883,982)	17,370,175
Total Fund Balances	20,179,918	4,523,176	5,192,722	2,368,886	32,264,702
Total Liabilities, Deferred Inflows and Fund Balances	\$30,393,664	\$6,449,702	\$5,474,313	\$4,381,318	\$46,698,997

See accompanying notes to the basic financial statements.

Adams County/Ohio Valley School District, Ohio
 Reconciliation of Total Governmental Fund Balance to
 Net Position of Governmental Activities
 June 30, 2017

Total Governmental Fund Balance		\$32,264,702
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets used in the operation of Governmental Funds		70,860,563
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Delinquent Property Taxes	981,165	
Interest	7,530	
Intergovernmental	<u>952,056</u>	
		1,940,751
In the statement of net position interest payable is accrued when incurred; whereas, in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.		
		(64,421)
Some liabilities reported in the statement of net position do not require the use of current financial resources and, therefore, are not reported as liabilities in governmental funds.		
Compensated Absences		(1,113,635)
Deferred outflows of resources associated with long-term liabilities are not reported in the funds.		
		1,879,231
Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions		14,048,049
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Net Pension Liability	(65,276,788)	
Other Amounts	<u>(26,863,581)</u>	
		<u>(92,140,369)</u>
Net Position of Governmental Activities		<u>\$27,674,871</u>

See accompanying notes to the basic financial statements.

Adams County/Ohio Valley School District, Ohio
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2017

	General	Debt Service	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property and Other Taxes	\$7,033,112	\$2,404,844	\$198,627	\$140,440	\$9,777,023
Tuition and Fees	1,591,952	0	0	0	1,591,952
Investment Earnings	54,804	0	0	6,522	61,326
Intergovernmental	32,669,399	646,338	10,767	5,011,843	38,338,347
Extracurricular Activities	66,724	0	0	208,705	275,429
Charges for Services	83,403	0	0	389,120	472,523
Other Revenues	414,001	33,549	29,095	22,702	499,347
Total Revenues	41,913,395	3,084,731	238,489	5,779,332	51,015,947
Expenditures:					
Current:					
Instruction:					
Regular	16,925,108	0	0	123,326	17,048,434
Special	6,034,359	0	0	2,954,633	8,988,992
Vocational	2,102,571	0	0	99,255	2,201,826
Adult/Continuing	753,228	0	0	0	753,228
Other	645,088	0	0	0	645,088
Support Services:					
Pupil	1,713,315	0	0	2,666	1,715,981
Instructional Staff	842,548	0	0	37,320	879,868
General Administration	130,123	0	0	0	130,123
School Administration	3,453,979	0	0	138,182	3,592,161
Fiscal	634,312	79,443	5,987	4,618	724,360
Business	83,145	0	0	0	83,145
Operations and Maintenance	2,781,571	0	1,036,702	227,611	4,045,884
Pupil Transportation	2,857,798	0	838,890	100	3,696,788
Central	179,074	0	0	0	179,074
Operation of Non-Instructional Services	1,241	0	0	2,225,092	2,226,333
Extracurricular Activities	454,778	0	0	152,543	607,321
Capital Outlay	0	0	392,436	69,776	462,212
Debt Service:					
Principal Retirement	0	1,716,415	0	0	1,716,415
Interest and Fiscal Charges	0	1,418,315	0	0	1,418,315
Total Expenditures	39,592,238	3,214,173	2,274,015	6,035,122	51,115,548
Excess of Revenues Over (Under) Expenditures	2,321,157	(129,442)	(2,035,526)	(255,790)	(99,601)
Other Financing Sources (Uses):					
Transfers In	0	0	2,907,997	1,028,023	3,936,020
Transfers (Out)	(2,065,000)	0	0	(1,871,020)	(3,936,020)
Total Other Financing Sources (Uses)	(2,065,000)	0	2,907,997	(842,997)	0
Net Change in Fund Balance	256,157	(129,442)	872,471	(1,098,787)	(99,601)
Fund Balance - Beginning of Year	19,923,761	4,652,618	4,320,251	3,467,673	32,364,303
Fund Balance - End of Year	\$20,179,918	\$4,523,176	\$5,192,722	\$2,368,886	\$32,264,702

See accompanying notes to the basic financial statements.

Adams County/Ohio Valley School District, Ohio
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balance of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended June 30, 2017

Net Change in Fund Balance - Total Governmental Funds (\$99,601)

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

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

Capital assets used in governmental activities	612,018	
Depreciation Expense	<u>(4,992,193)</u>	(4,380,175)

Governmental funds report district pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

District pension contributions	3,178,612	
Cost of benefits earned net of employee contributions	<u>(6,042,065)</u>	(2,863,453)

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

Delinquent Property Taxes	(7,868)	
Interest	(535)	
Intergovernmental	<u>(260,022)</u>	(268,425)

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

2,348,185

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

4,244

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

Compensated Absences	214,519	
Amortization of Bond Premium	155,897	
Amortization of Deferred Charge on Refunding	(124,920)	
Bond Accretion	<u>(555,269)</u>	(309,773)

Change in Net Position of Governmental Activities (\$5,568,998)

See accompanying notes to the basic financial statements.

Adams County/Ohio Valley School District, Ohio
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2017

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Investments	\$63,131	\$159,207
Total Assets	<u>63,131</u>	<u>159,207</u>
Liabilities:		
Accounts Payable	0	50
Intergovernmental Payable	<u>0</u>	<u>159,157</u>
Total Liabilities	<u>0</u>	<u>\$159,207</u>
Net Position:		
Held in Trust	<u>63,131</u>	
Total Net Position	<u>\$63,131</u>	

See accompanying notes to the basic financial statements.

Adams County/Ohio Valley School District, Ohio
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2017

	Private Purpose Trust
Additions:	
Investment Earnings	\$428
Other	6,500
Total Additions	<u>6,928</u>
Deductions:	
Other	<u>7,022</u>
Total Deductions	<u>7,022</u>
Change in Net Position	(94)
Net Position - Beginning of Year	<u>63,225</u>
Net Position - End of Year	<u><u>\$63,131</u></u>

See accompanying notes to the basic financial statements.

Adams County/Ohio Valley School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

Note 1 - Description of the School District and Reporting Entity

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

The Adams County/Ohio Valley School District serves an area of approximately 489 square miles, with 99 percent of its territory located in Adams County and the remaining one percent in Highland County. Political subdivisions included in the District are the Villages of West Union, Peebles, Winchester, Sinking Spring, Cherry Fork, and Seaman, the thirteen townships of Adams County and the southern half of Brush Creek Township in Highland County. The District is staffed by 191 non-certified employees and 283 certified employees as well as 36 administrative employees who provide services to 3,918 students and other community members. The District operates seven instructional buildings, one administrative building, one bus garage and a supply warehouse.

Reporting Entity

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

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

The following activities are included within the reporting entity:

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

The District participates in three jointly governed organizations and one insurance purchasing pool. These organizations are:

Jointly Governed Organization:

South Central Ohio Computer Association Council of Governments
Hopewell Special Education Regional Resource Center
Southwestern Ohio Educational Purchasing Council

Insurance Purchasing Pool:

Ohio School Plan

Adams County/Ohio Valley School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Information about these organizations is presented in Notes 7 and 13 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

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

Measurement Focus

Government-wide Financial Statements

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

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

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

Fund Financial Statements

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

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

Adams County/Ohio Valley School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Fund Accounting

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

Governmental Funds

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

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

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

Permanent Improvement – A fund provided to account for all transactions related to the acquiring, constructing, or improving of such permanent improvements as are authorized by Chapter 5705, Revised Code.

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

Fiduciary Funds

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

Adams County/Ohio Valley School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Basis of Accounting

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

Revenues – Exchange and Non-exchange Transactions

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

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The deferred outflows relating to a deferred charge on refunding and pension are reported on the governmental-wide statement of new position. For more pension related information, see Note 9.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, grants and other taxes, and investment earnings. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2017, but which were levied to finance year

Adams County/Ohio Valley School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

2018 operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Grants and other taxes and investment earnings have been recorded as deferred inflows on the governmental fund financial statements.

Expenses/Expenditures

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

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

Equity in Pooled Cash and Investments

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

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2017 amounted to \$54,804 and \$6,522 in Other Governmental Funds.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2017, 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 expenditure/expense is reported in the year in which the services are consumed.

Inventory

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

Capital Assets

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

Adams County/Ohio Valley School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

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

Description	Estimated Lives
Land Improvements	50 years
Buildings and Improvements	25 - 50 years
Furniture, Fixtures and Equipment	10 - 15 years
Vehicles	20 years

Interfund Activity

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

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

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

Compensated Absences

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

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, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

Accrued Liabilities and Long-Term Obligations

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

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

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

Restricted Assets

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

Fund Balance

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

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

Restricted – resources that have external purpose restraints imposed on them by providers, such as creditors, grantors, or other regulators.

Adams County/Ohio Valley School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

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

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

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

The District considers committed, assigned, and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be uses.

Bond Premiums

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

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

Estimates

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

Net Position

Net position represents the difference between assets and deferred inflows of resources, and liabilities and deferred outflows of resources. Net investment in capital assets 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 position are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for music and athletic programs and student activities, and federal and State grants restricted to expenditures for specified purposes.

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

The government-wide Statement of Net Position reports \$8,008,034 of restricted net position, none of which are restricted by enabling legislation.

Adams County/Ohio Valley School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 3 - Deposits and Investments

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

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

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

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

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

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

Adams County/Ohio Valley School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year-end, \$21,994,887 of the District’s bank balance of \$23,004,445 was exposed to custodial credit risk because it was uninsured. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

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

Investments

As of June 30, 2017, the District had the following investments, which are in an internal investment pool:

	<u>Fair Value</u>	<u>Fair Value Hierarchy</u>	<u>Weighted Average Maturity (Years)</u>
Federal Home Loan Bank	\$702,876	Level 2	5.18
Federal Home Loan Mortgage Corporation	978,465	Level 2	5.14
Negotiable CDs	10,136,422	Level 2	3.00
Money Market Funds	155,357	N/A	0.00
Total Fair Value	<u>\$11,973,120</u>		
Portfolio Weighted Average Maturity			3.27

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the District’s recurring fair value measurements as of June 30, 2017. All investments of the District are valued using quoted market prices.

Interest Rate Risk

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

Credit Risk

The District’s investments in Federal Home Loan Bank and Federal Home Loan Mortgage Corporation were rated AAA by Standard and Poor’s and Aaa by Moody’s Investors Service. Negotiable CDs and Money Market Funds were not rated.

Adams County/Ohio Valley School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Custodial Credit Risk

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

Concentration of Credit Risk

The District places no limit on the amount it may invest in any one issuer. Of the District's total investments, 6% in Federal Home Loan Bank, 8% in Federal Home Loan Mortgage Corporation, 1% is invested in Money Market Funds, and 85% in Negotiable CDs.

Note 4 - Property Taxes

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real and public utility property located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on real property at 35 percent of true 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. The District receives property taxes from Hamilton County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2017, are available to finance fiscal year 2018 operations. The amount available for advance can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property and public utility taxes that became measurable as of June 30, 2017. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations.

The assessed values upon which the fiscal year 2017 taxes were collected are:

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Adams County/Ohio Valley School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

	2017 First Half Collections		2016 Second Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$321,223,680	87.14%	\$334,148,852	91.15%
Public Utility	47,409,570	12.86%	32,445,628	8.85%
Total Assessed Value	<u>\$368,633,250</u>	<u>100.00%</u>	<u>\$366,594,480</u>	<u>100.00%</u>

Note 5 – Receivables

Receivables at June 30, 2017, consisted of property taxes, accounts, interest, intergovernmental grants and interfund. All receivables are considered collectible in full and will be received within one year with the exception of the property taxes. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year.

Intergovernmental Receivables at June 30, 2017 were as follows:

Other Governmental Funds:

Public Preschool	\$80,241
Alternative Schools	11,777
IDEA-B	245,799
Carl Perkins	15,408
Title I	511,671
IDEA Preschool	5,374
Improving Teacher Quality	68,005
Miscellaneous Federal Grants	2,975
Career Development	10,806
Total Other Governmental Funds	<u>952,056</u>
Total	<u>\$952,056</u>

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Adams County/Ohio Valley School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 6 - Capital Assets

Capital assets activity for the fiscal year ended June 30, 2017, was as follows:

	Restated Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital Assets, not being depreciated:				
Land	\$936,258	\$0	\$0	\$936,258
Total Capital Assets, not being depreciated	936,258	0	0	936,258
Capital Assets, being depreciated:				
Land Improvements	9,843,903	43,920	0	9,887,823
Buildings and Improvements	93,651,065	50,249	0	93,701,314
Furniture, Fixtures and Equipment	17,154,423	129,767	0	17,284,190
Vehicles	5,063,860	388,082	0	5,451,942
Total Capital Assets, being depreciated:	125,713,251	612,018	0	126,325,269
Totals at Historical Cost	126,649,509	612,018	0	127,261,527
Less Accumulated Depreciation:				
Land Improvements	4,456,198	558,546	0	5,014,744
Buildings and Improvements	32,917,754	2,303,786	0	35,221,540
Furniture's, Fixtures and Equipment	10,032,250	1,982,571	0	12,014,821
Vehicles	4,002,569	147,290	0	4,149,859
Total Accumulated Depreciation	51,408,771	4,992,193	0	56,400,964
Governmental Activities Capital Assets, Net	<u>\$75,240,738</u>	<u>(\$4,380,175)</u>	<u>\$0</u>	<u>\$70,860,563</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$4,511,457
Special	892
Vocational	32,469
Support Services:	
Pupil	1,148
School Administration	9,837
Business	836
Operations and Maintenance	31,655
Pupil Transportation	376,647
Operation of Non-Instructional Services	19,229
Extracurricular Activities	8,023
Total Depreciation Expense	<u>\$4,992,193</u>

Adams County/Ohio Valley School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 7 - Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. As of July 1, 2017, the District obtained coverage through Ohio School Plan with the Hylant Group of Cincinnati, Ohio, serving as the agent. General liability coverage, educator’s legal liability coverage, and auto liability and physical damage coverage are provided by Ohio School Plan and AIG Insurance. Property coverage is provided by Ohio School Plan. Boiler and machinery coverage is provided by Ohio School Plan as well as umbrella coverage which includes the following:

Property Coverage	(\$1,000 deductible)	\$300,000,000
Boiler and Machinery	(\$1,000 deductible)	50,000,000
Auto Liability/Physical Damage	(\$1,000 deductible)	6,000,000
General Liability	(\$0 deductible)	
Aggregate		\$3,000,000
Per Occurrence		1,000,000
Educator’s Legal Liability	(\$2,500 deductible)	
Aggregate		\$8,000,000
Per Occurrence		6,000,000
Umbrella Coverage	(\$0 deductible)	
Aggregate		\$5,000,000
Per Occurrence		5,000,000

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

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

Note 8 - Defined Benefit Pension Plans

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the employer’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Adams County/Ohio Valley School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Ohio Revised Code limits the obligation for this liability to annually required payments. The employer cannot control benefit terms or the manner in which pensions are financed; however, the employer does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in accrued wages and benefits on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

Plan Description – Non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit Age 65 with 5 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30 or \$86.00 multiplied by the years of service credit. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Adams County/Ohio Valley School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the employer is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the allocation to pension, death benefits, and Medicare B was 14.00 percent. None of the 14 percent contribution rate was allocated to the Health Care Fund.

The contractually required contribution to SERS was \$787,348 for fiscal year 2017. Of this amount \$156,351 is reported as accrued wages and benefits.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – Licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement increased effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

Adams County/Ohio Valley School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member’s defined contribution account or the defined contribution portion of a member’s Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2017, plan members were required to contribute 14 percent of their annual covered salary. The employer was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The contractually required contribution to STRS was \$2,391,264 for fiscal year 2017. Of this amount \$411,228 is reported as accrued wages and benefits.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The proportion of the net pension liability was based on the share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$12,229,110	\$53,047,678	\$65,276,788
Proportion of the Net Pension Prior Measurement Date	0.16128860%	0.15331592%	
Proportion of the Net Pension Current Measurement Date	<u>0.16708540%</u>	<u>0.15847894%</u>	
Change in Proportion	0.00579680%	0.00516302%	
Pension Expense	1,565,571	4,476,494	6,042,065

At June 30, 2017, reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Adams County/Ohio Valley School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$164,943	\$2,143,381	\$2,308,324
Changes of assumptions	816,360	0	816,360
Net difference between projected and actual earnings on pension plan investments	1,008,724	4,404,382	5,413,106
Changes in employer proportionate share of net pension liability	408,825	1,922,822	2,331,647
Contributions subsequent to the measurement date	<u>787,348</u>	<u>2,391,264</u>	<u>3,178,612</u>
Total Deferred Outflows of Resources	<u>\$3,186,200</u>	<u>\$10,861,849</u>	<u>\$14,048,049</u>

\$3,178,612 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year			
Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2018	\$664,864	\$1,580,017	\$2,244,881
2019	664,138	1,580,017	2,244,155
2020	779,883	3,270,102	4,049,985
2021	<u>289,967</u>	<u>2,040,449</u>	<u>2,330,416</u>
Total	<u>\$2,398,852</u>	<u>\$8,470,585</u>	<u>\$10,869,437</u>

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Adams County/Ohio Valley School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50-18.20 percent
COLA or Ad Hoc COLA	3.00 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement. The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	

Discount Rate

The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Adams County/Ohio Valley School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	\$16,190,579	\$12,229,110	\$8,913,915

Actuarial Assumptions - STRS

The total pension liability in the July 1, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses, including inflation
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males’ ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS’ investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

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Adams County/Ohio Valley School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	

Discount Rate

The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Proportionate share of the net pension liability	\$70,496,054	\$53,047,678	\$38,328,945

Changes Between Measurement Date and Report Date

In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to the net pension liability is expected to be significant.

Note 9 - Post Employment Benefits

School Employees Retirement System

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

The Ohio Revised Code provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plan.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer 14% contribution to the Health Care Fund in accordance with the funding policy. For the year ended June 30, 2017, the health care allocation is 0.00%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. By statute no employer shall pay a health care surcharge greater than 2.0% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the minimum compensation level was established at \$23,500. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contributions assigned to health care for the years ended June 30, 2017, 2016, and 2015 were \$0, \$0, and \$116,741, respectively.

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

The financial reports of SERS' Health Care plan are included in its Comprehensive Annual Financial Report. That report can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

State Teachers Retirement System

Plan Description – The District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Adams County/Ohio Valley School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2017, STRS did not allocate any employer contributions to post-employment health care. The District’s contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were \$0, \$0, and \$0, respectively.

Note 10 - Employee Benefits

Compensated Absences

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

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

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

Insurance Benefits

The District provides life insurance and accidental death and dismemberment insurance to all employees through MetLife. The District has elected to provide medical/surgical, dental and vision benefits through Anthem Blue Cross and Blue Shield. Effective with the 2013-2014 fiscal year, teachers and administrators agreed to contribute ten percent of the monthly premium on all plans with the Board of Education assuming the remaining expense. Effective with the 2013-2014 school year, all classified staff agreed to contribute seven percent of the monthly premium and the Board of Education will assume the remaining expense. In addition to these percentages, all employees of the district have agreed to share in any premium increases over five percent; the additional increase above the five percent will be equally split or shared between the Board of Education and the employees.

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).

Adams County/Ohio Valley School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

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

Note 11 - Long-Term Obligations

The changes in the District's long-term obligations during fiscal year 2017 were as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due In One Year
Governmental Activities:					
2012 Refunding of 1995 School Improvement Bonds 1.15% - 4.00%	\$7,910,000	\$0	\$0	\$7,910,000	\$1,450,000
Principal	980,058	0	980,058	0	0
Accreted Interest	337,141	107,801	444,942	0	0
Premium on 2012 Refunding of School Improvement Bonds	183,548	0	33,367	150,181	0
2007 4.00% - 5.00%	555,000	0	555,000	0	0
2013 Refunding of 2007 School Improvement Bonds	7,585,000	0	0	7,585,000	0
Principal	24,984	0	8,172	16,812	13,112
Accreted Interest	361,584	427,748	186,828	602,504	0
Premium on 2013 Refunding of School Improvement Bonds	1,462,254	0	83,558	1,378,696	0
HB264 Bonds, Series 2014	2,478,193	0	158,185	2,320,008	163,008
2015 Refunding of 2007 School Improvements Bonds	6,220,000	0	15,000	6,205,000	50,000
Principal	5,000	0	0	5,000	0
Accreted Interest	8,130	19,720	0	27,850	0
Premium on 2015 Refunding of School Improvement Bonds	701,502	0	38,972	662,530	0
Subtotal Bonds	28,812,394	555,269	2,504,082	26,863,581	1,676,120
Compensated Absences	1,328,154	45,980	257,272	1,116,862	181,405
Subtotal Bonds and Other Amounts	30,140,548	601,249	2,761,354	27,980,443	1,857,525
Net Pension Liability:					
STRS	42,372,036	10,675,642	0	53,047,678	0
SERS	9,203,284	3,025,826	0	12,229,110	0
Total Net Pension Liability	51,575,320	13,701,468	0	65,276,788	0
Total Long-Term Obligations	\$81,715,868	\$14,302,717	\$2,761,354	\$93,257,231	\$1,857,525

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

School Improvement Bonds 2007 - On February 15, 2007, the District issued \$18,670,000 in voted general obligation bonds for the purpose of retiring \$14,800,000 in bond anticipation notes that were issued on November 16, 2007, and for constructing new buildings and improving existing buildings. Of these bonds, \$6,570,000 are serial bonds and \$12,100,000 are term bonds. The bonds were issued for a twenty-seven year period with final maturity at December 1, 2033. On February 27, 2013 the District partially refunded these bonds, see Note 13. The bonds will be retired from the Debt Service Fund. The bonds due December 1, 2033 are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2029, at 100 percent of the principal amount, plus accrued interest, according to the following schedule:

Adams County/Ohio Valley School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

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

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

Principal requirements to retire general obligation debt at June 30, 2017, are as follows:

<u>2012 Refunding of 1995 School Improvement Bonds</u>			
<u>Fiscal year</u>			
<u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$1,450,000	\$262,930	\$1,712,930
2019	1,500,000	211,243	1,711,243
2020	1,575,000	157,524	1,732,524
2021	1,650,000	98,930	1,748,930
2022	1,735,000	32,965	1,767,965
Total	<u><u>\$7,910,000</u></u>	<u><u>\$763,592</u></u>	<u><u>\$8,673,592</u></u>

<u>Capital Appreciation Bonds</u>			
<u>Fiscal year</u>			
<u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$13,112	\$731,888	\$745,000
2019	6,219	293,781	300,000
2020	2,480	797,520	800,000
Total	<u><u>\$21,811</u></u>	<u><u>\$1,823,189</u></u>	<u><u>\$1,845,000</u></u>

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Adams County/Ohio Valley School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

2013 Refunding of 2007 School Improvement Bonds

Fiscal year Ending June 30,	Principal	Interest	Total
2018	\$0	\$178,604	\$178,604
2019	0	178,604	178,604
2020	0	178,604	178,604
2021	780,000	170,804	950,804
2022	780,000	155,204	935,204
2023-2027	4,210,000	515,601	4,725,601
2028-2029	1,815,000	54,675	1,869,675
Total	<u>\$7,585,000</u>	<u>\$1,432,096</u>	<u>\$9,017,096</u>

HB264 Bonds, Series 2014

Fiscal year Ending June 30,	Principal	Interest	Total
2018	\$163,008	\$68,274	\$231,282
2019	167,981	63,227	231,208
2020	173,104	58,026	231,130
2021	178,384	52,665	231,049
2022	183,824	47,141	230,965
2023-2027	1,006,721	146,772	1,153,493
2028-2029	446,986	13,735	460,721
Total	<u>\$2,320,008</u>	<u>\$449,840</u>	<u>\$2,769,848</u>

2015 Refunding of 2007 School Improvement Bonds

Fiscal year Ending June 30,	Principal	Interest	Total
2018	\$50,000	\$236,700	\$286,700
2019	500,000	113,100	613,100
2020	0	226,200	226,200
2021	0	226,200	226,200
2022	0	226,200	226,200
2023-2027	0	1,131,000	1,131,000
2028-2032	3,175,000	947,700	4,122,700
2033-2034	2,480,000	100,400	2,580,400
Total	<u>\$6,205,000</u>	<u>\$3,207,500</u>	<u>\$9,412,500</u>

Adams County/Ohio Valley School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 12 - Interfund Activity

Interfund transactions at June 30, 2017, consisted of the following individual interfund receivables, interfund payables, transfers in and transfers out:

	Interfund		Transfers	
	Receivable	Payable	In	Out
General Fund	\$483,227	\$0	\$0	\$2,065,000
Debt Service	0	0	0	0
Permanent Improvement	0	0	2,907,997	0
Other Governmental Funds	0	483,227	1,028,023	1,871,020
Total All Funds	<u>\$483,227</u>	<u>\$483,227</u>	<u>\$3,936,020</u>	<u>\$3,936,020</u>

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

Note 13 - Jointly Governed Organizations

South Central Ohio Computer Association Council of Governments

The District is a participant in the South Central Ohio Computer Association Council of Governments (SCOCA COG) which is an information technology center. SCOCA COG is a council of governments providing information technology services to public education entities, non-public entities, and public libraries from Ohio 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 COG consists of two representatives from each county elected by majority vote of all charter member school districts within each county, two representatives of the school treasurers, plus a representative of the fiscal agent. Financial information can be obtained from their fiscal office located at Pike County Career Technology Center, P.O. Box 577, 175 Beaver Creek Road, Piketon, Ohio, 45661.

Hopewell Special Education Regional Resource Center

The Hopewell Special Education Regional Resource Center (Hopewell) is a jointly governed organization created by the Ohio Department of Education at the request of the participating school districts to offer direct and related services to low incidence handicapped students of the region. Local, city, and exempted village school districts receive services from Hopewell. Hopewell is operated under regulations and policies established by the Ohio Department of Education, and its own advisory board. The advisory board is made up of superintendents from the school districts or their designee, plus a representative from the Southern Ohio Educational Service Center, a representative from the board of mental retardation and developmental disabilities, two joint vocational school superintendents and five parents of handicapped children living in the region. The Southern Ohio Educational Service Center acts

Adams County/Ohio Valley School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

as fiscal agent. Hopewell receives funding from the contracts with each of the member school districts and federal and State grants. To obtain financial information, write to Hopewell at the Southern Ohio Educational Service Center, 3321 Airborne Drive, Wilmington, Ohio, 45177.

Southwestern Ohio Educational Purchasing Council

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

Note 14 - 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 acquisition and construction of capital improvements. Amounts not spent by fiscal year-end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end and carried forward to be used for the same purposes in future fiscal years.

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

	<u>Capital Acquisition</u>
Set Aside Reserve Balance as of June 30, 2016	\$0
Current Year Set Aside Requirements	678,087
Qualified Disbursements	(2,532,481)
Prior Year Offset from Bond Proceeds	<u>0</u>
Set Aside Reserve Balance as of June 30, 2017	<u><u>(\$1,854,394)</u></u>
Restricted Cash as of June 30, 2017	<u><u>\$0</u></u>

Carried Forward to FY 2018

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

The capital acquisition negative amount is therefore not presented as being carried forward to the next fiscal year. The amount presented for Prior Year Offset from Bond Proceeds is limited to an amount needed to reduce the reserve for capital improvements to \$0. The District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods.

Adams County/Ohio Valley School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 15 – Contingencies

Foundation Funding

District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2017 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2017 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the District.

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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2017, if applicable, cannot be determined at this time.

Litigation

The District is not involved in any litigation as of June 30, 2017.

Note 16 – Accountability

The following funds had deficit fund balances at June 30, 2017:

<u>Fund</u>	<u>Deficit</u>
Other Governmental Funds:	
EMIS	\$8,106
Public Preschool	64,302
Alternative School	4,537
Title I	467,312
IDEA B	218,603
Carl Perkins	6,189
IDEA Preschool	6,437
Miscellaneous Federal Grants	2,973
Improving Teacher Quality	88,199
Career Development	10,807

These deficits were created by the recognition of accrued liabilities.

Adams County/Ohio Valley School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 17 – Fund Balances

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

Fund Balances	General	Debt Service	Permanent Improvement	Other Governmental Funds	Total
Nonspendable:					
Unclaimed Monies	\$1,877	\$0	\$0	\$0	\$1,877
Prepays	58,456	0	0	8,424	66,880
Total Nonspendable	60,333	0	0	8,424	68,757
Restricted for:					
Other Grants	0	0	0	36,695	36,695
Classroom Facilities Maintenance	0	0	0	1,399,897	1,399,897
Athletic	0	0	0	73,381	73,381
Auxiliary Services	0	0	0	10,259	10,259
Food Service	0	0	0	772,531	772,531
Neediest Kids of All	0	0	0	1,681	1,681
Debt Service	0	4,523,176	0	0	4,523,176
Capital Projects Replacement	0	0	0	950,000	950,000
Total Restricted	0	4,523,176	0	3,244,444	7,767,620
Committed to:					
Termination Benefits	1,133,633	0	0	0	1,133,633
Permanent Improvements	0	0	5,192,722	0	5,192,722
Total Committed	1,133,633	0	5,192,722	0	6,326,355
Assigned to:					
Encumbrances	613,142	0	0	0	613,142
Public Schools	118,653	0	0	0	118,653
Total Assigned	731,795	0	0	0	731,795
Unassigned (Deficit)	18,254,157	0	0	(883,982)	17,370,175
Total Fund Balance	\$20,179,918	4,523,176	\$5,192,722	\$2,368,886	\$32,264,702

Note 18 – Implementation of New Accounting Principles

For the fiscal year ended June 30, 2017, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*, and GASB Statement No. 80, *Blending Requirements For Certain Component Units – An Amendment of GASB No. 14*.

GASB Statement No. 77 establishes improved financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these

Adams County/Ohio Valley School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition. The implementation of GASB Statement No 77 did not have an effect on the financial statements of the District.

GASB Statement No. 80 amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the District.

Note 19 – Subsequent Event

As of July 1, 2017 the District switched to Wright Insurance from of Highland Insurance for Ohio School Plan. Additionally, the District switched to the Metropolitan Educational Technology Association from the South Central Ohio Computer Association Council of Governments.

Note 20 – Restatement of Net Position

During fiscal year 2017, the District had a capital asset appraisal performed. As a result of the appraisal, the capital assets needed to be restated.

The restatement of capital assets had the following effect on net position as reported June 30, 2016:

Net position June 30, 2016	\$46,532,075
Adjustments:	
Restatement of Net Capital Assets	<u>(13,288,206)</u>
Restated Net Position June 30, 2016	<u><u>\$33,243,869</u></u>

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REQUIRED SUPPLEMENTARY INFORMATION

Adams County-Ohio Valley Local School District
 Required Supplementary Information
 Schedule of the District's Proportionate Share
 of the Net Pension Liability
 State Teachers Retirement System of Ohio
 Last Four Fiscal Years (1)

	2017	2016	2015	2014
District's Proportion of the Net Pension Liability	0.15847894%	0.15331592%	0.14893643%	0.14893643%
District's Proportionate Share of the Net Pension Liability	\$53,047,678	\$42,372,036	\$36,226,494	\$43,036,549
District's Covered-Employee Payroll	\$16,090,886	\$15,738,007	\$16,387,738	\$15,086,293
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	329.68%	252.40%	226.80%	285.27%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.80%	72.10%	74.70%	69.30%

(1) - Information prior to 2014 is not available

Note-Amounts presented as of the District's measurement date which is the prior fiscal year end.

Adams County-Ohio Valley Local School District
 Required Supplementary Information
 Schedule of the District's Proportionate Share
 of the Net Pension Liability
 School Employees Retirement System of Ohio
 Last Four Fiscal Years (1)

	2017	2016	2015	2014
District's Proportion of the Net Pension Liability	0.16708540%	0.16128860%	0.15588100%	0.15588100%
District's Proportionate Share of the Net Pension Liability	\$12,229,110	\$9,203,284	\$7,889,049	\$9,272,523
District's Covered-Employee Payroll	\$5,189,050	\$5,719,385	\$4,575,354	\$4,235,694
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	235.67%	200.53%	173.18%	218.91%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.98%	69.16%	71.70%	65.52%

(1) - Information prior to 2014 is not available

Note- Amounts presented as of the District's measurement date which is the prior fiscal year end.

Adams County-Ohio Valley Local School District
 Required Supplementary Information
 Schedule of District Contributions
 State Teachers Retirement System of Ohio
 Last Ten Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually Required Contribution	\$2,391,264	\$2,252,724	\$2,203,320	\$2,130,406	\$2,223,864	\$2,024,364	\$2,393,280	\$2,810,916	\$2,541,264	\$2,362,800
Contributions in Relation to the Contractually Required Contribution	(2,391,264)	(2,252,724)	(2,203,320)	(2,130,406)	(2,223,864)	(2,024,364)	(2,393,280)	(2,810,916)	(2,541,264)	(2,362,800)
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
District Covered-Employee Payroll	\$17,080,457	\$16,090,886	\$15,738,007	\$16,387,738	\$15,086,293	\$14,472,888	\$16,365,096	\$16,992,555	\$16,559,305	\$13,639,714
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	14.00%	13.00%	14.74%	13.99%	14.62%	16.54%	15.35%	17.32%

Adams County-Ohio Valley Local School District
 Required Supplementary Information
 Schedule of District Contributions
 School Employees Retirement System of Ohio
 Last Ten Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually Required Contribution	\$787,348	\$726,467	\$753,816	\$634,144	\$704,832	\$832,320	\$851,496	\$780,876	\$735,984	\$689,184
Contributions in Relation to the Contractually Required Contribution	(787,348)	(726,467)	(753,816)	(634,144)	(704,832)	(832,320)	(851,496)	(780,876)	(735,984)	(689,184)
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
District Covered-Employee Payroll	\$5,623,914	\$5,189,050	\$5,719,385	\$4,575,354	\$4,235,694	\$3,754,727	\$3,975,854	\$4,235,207	\$4,195,386	\$3,766,522
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	13.18%	13.86%	16.64%	22.17%	21.42%	18.44%	17.54%	18.30%

Adams County/Ohio Valley School District, Ohio
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2017

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$7,084,315	\$7,158,436	\$7,159,204	\$768
Tuition and Fees	1,551,183	1,567,413	1,567,581	168
Investment Earnings	160,118	161,794	161,811	17
Intergovernmental	32,327,659	32,665,896	32,669,399	3,503
Other Revenues	332,035	335,509	335,545	36
Total Revenues	41,455,310	41,889,048	41,893,540	4,492
Expenditures:				
Current:				
Instruction:				
Regular	14,536,538	17,271,847	17,045,542	226,305
Special	5,187,624	6,163,768	6,083,007	80,761
Vocational	1,736,958	2,063,798	2,036,757	27,041
Adult/Continuing	669,357	814,642	784,888	29,754
Other	544,694	647,188	638,708	8,480
Support Services:				
Pupil	1,446,942	1,719,210	1,696,684	22,526
Instructional Staff	713,688	847,982	836,871	11,111
General Administration	122,363	145,388	143,483	1,905
School Administration	2,949,283	3,504,244	3,458,329	45,915
Fiscal	550,507	654,095	645,525	8,570
Business	77,066	91,567	90,367	1,200
Operations and Maintenance	2,608,973	3,099,898	3,059,281	40,617
Pupil Transportation	2,528,442	3,004,214	2,964,851	39,363
Central	214,238	254,550	251,215	3,335
Operation of Non-Instructional Services	216	256	253	3
Extracurricular Activities	294,285	349,659	345,078	4,581
Capital Outlay	18,028	21,421	21,140	281
Total Expenditures	34,199,202	40,653,727	40,101,979	551,748
Excess of Revenues Over (Under) Expenditures	7,256,108	1,235,321	1,791,561	556,240
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	2,646	2,674	2,674	0
Advances In	620,037	626,524	626,591	67
Advances (Out)	(405,187)	(481,430)	(475,122)	6,308
Transfers In	2,477,891	2,503,816	2,504,085	269
Transfers (Out)	(4,983,870)	(5,921,674)	(5,844,085)	77,589
Total Other Financing Sources (Uses)	(2,288,483)	(3,270,090)	(3,185,857)	84,233
Net Change in Fund Balance	4,967,625	(2,034,769)	(1,394,296)	640,473
Fund Balance - Beginning of Year (includes prior year encumbrances appropriated)	20,090,553	20,090,553	20,090,553	0
Fund Balance - End of Year	\$25,058,178	\$18,055,784	\$18,696,257	\$640,473

See accompanying notes to the required supplementary information.

Adams County/Ohio Valley School District, Ohio
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2017

Note 1 – Budgetary Process

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year 2017.

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

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 Combined Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Non-GAAP Basis) 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 as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as an assignment of fund balance for governmental fund types and expendable trust funds (GAAP basis).
4. Some funds are reported as part of the general fund (GAAP basis) as opposed to the general fund being reported alone (budget basis).

Adams County/Ohio Valley School District, Ohio
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2017

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

	<u>General</u>
GAAP Basis	\$256,157
Revenue Accruals	(19,855)
Expenditure Accruals	241,486
Proceeds of Capital Assets	2,674
Transfers In	2,504,085
Transfers (Out)	(3,779,085)
Advances In	626,591
Advances (Out)	(475,122)
Encumbrances	(753,910)
Funds Budgeted Elsewhere	2,683
Budget Basis	<u><u>(\$1,394,296)</u></u>

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Adams County/Ohio Valley Local School District
Adams County
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended June 30, 2017

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Passed Through to Subrecipients	Disbursements
United States Department of Agriculture				
<i>Passed through the Ohio Department of Education</i>				
<i>Nutrition Cluster:</i>				
School Breakfast Program, 16-17	3L70	10.553	-	377,344
National School Lunch Program, 16-17	3L60	10.555	-	1,078,647
Total Nutrition Cluster			-	1,455,991
CH Equipment Grant	3GF0	10.579	-	39,526
Total United States Department of Agriculture			-	1,495,517
United States Department of Education				
<i>Passed through the Ohio Department of Education</i>				
<i>Title I, Part A Cluster:</i>				
Title I Grants to Local Educational Agencies, 15-16	3M00	84.010	-	305,040
Title I Grants to Local Educational Agencies, 16-17	3M00	84.010	-	1,473,934
Total Title I, Part A Cluster			-	1,778,974
<i>Special Education Cluster:</i>				
Special Education- Grants to States, 15-16	3M20	84.027	-	139,166
Special Education- Grants to States, 16-17	3M20	84.027	-	682,468
Special Education - Preschool, 15-16	3C50	84.173	-	656
Special Education - Preschool, 16-17	3C50	84.173	-	13,391
Total Special Education Cluster			-	835,681
Career and Technical Education, Basic Grants to States 15-16	3L90	84.048	-	12,442
Career and Technical Education, Basic Grants to States 16-17	3L90	84.048	-	95,551
Rural Education, 16-17	3Y80	84.358	-	87,105
Improving Teacher Quality State Grants, 15-16	3Y60	84.367	-	39,602
Improving Teacher Quality State Grants, 16-17	3Y60	84.367	-	232,808
Total United States Department of Education			-	3,082,163
Total Federal Financial Assistance			-	4,577,680

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

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

Notes to the Schedule of Expenditures of Federal Awards
2 CFR 200.510(b)(6)
For the Fiscal Year Ended June 30, 2017

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Adams County/Ohio Valley Local School District (the School District's) under programs of the federal government for the year ended June 30, 2017. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The School District has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C – FOOD DONATION

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

NOTE D – NATIONAL SCHOOL LUNCH AND BREAKFAST PROGRAMS

Federal funds received from the National School Lunch and Breakfast Programs were commingled with state subsidy and local revenue from the sale of meals. It was assumed that federal dollars were expended first.



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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Adams County/Ohio Valley Local School District, Adams County, Ohio (the School District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 26, 2017. We qualified our opinion due to the lack of sufficient, appropriate evidential matter for the amounts reported as capital assets and net investment in capital assets for governmental activities.

Internal Control over Financial Reporting

As part of our financial statement audit, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the School District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2017-001 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining 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*.

School District's Response to Finding

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



BHM CPA Group Inc.
Piketon, Ohio
December 26, 2017



**Independent Auditor's Report on Compliance with Requirements Applicable to
Each Major Federal Program and on Internal Control over Compliance
Required by the Uniform Guidance**

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

Members of the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Adams County/Ohio Valley Local School District's (the School District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of the Adams County/Ohio Valley Local School District's major federal programs for the year ended June 30, 2017. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the School District's major federal programs.

Management's Responsibility

The School District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the School District's compliance for each of the School District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements to Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the School District's major program. However, our audit does not provide a legal determination of the School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Adams County/Ohio Valley Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal program for the year ended June 30, 2017.

Report on Internal Control over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the School District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.

BHM CPA Group

BHM CPA Group Inc.
Piketon, Ohio
December 26, 2017

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

Schedule of Findings
2 CFR § 200.515
June 30, 2017

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Modified
(d)(1)(ii)	Were there any material weaknesses in internal controls reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Program's Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR §200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	Special Education Cluster Improving Teacher Quality
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR §200.520?	Yes

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

Schedule of Findings
2 CFR § 200.515
June 30, 2017

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

Finding 2017-001

Material Weakness – Financial Statement Presentation

The District contracted with an appraisal company during the audit period. The results of that appraisal balances were materially different from the balances that the District had been carrying in the financial statements. The District elected to restate the beginning balances for capital assets to agree to the appraisal. However, the District was not able to determine what assets were removed/adjusted within a reasonable amount. We were unable to satisfy ourselves with appropriate evidential matter as to which assets were affected by the prior period adjustment. Further, the appraisal balances do not agree to the District's EIS Capital Asset accounting system and the District was not able to provide reports from the EIS system for prior years. Capital Assets reported in the District's financial report should agree to underlying accounting system records. Further, adjustments made to any prior audited balances should be fully supported with sufficient detail as to amounts, and specific assets being removed, added, or adjusted in the capital assets system. The District relied on the appraisal report balances and adjusted its fixed asset system in total as opposed to determining which assets were added, removed, or adjusted by comparing the appraisal report details to the EIS capital asset accounting system.

The presentation of materially correct financial statements and related footnotes is the responsibility of management. Lack of a properly presented financial statements review process could inhibit its financial accountability to both the public and the Board, which may be used to facilitate District decisions. The District should review the details of the appraisal report and compare it to the EIS Capital Assets system and ensure that the capital asset balances are properly stated.

Client Response: The District did not receive the Fixed Asset Reports from the third-party vendor until November 21, 2017 after the Auditor's had completed their on-site field work. We immediately sent the Auditor's all Fixed Asset records upon receipt before we had time to make the yearly up-date to the EIS system. We will now go in and adjust the EIS records to match the professionally prepared Fixed Asset Appraisal reports as received from the third-party contractor. We want to emphasize that no Tax-payer property or assets are at risk and none are missing. This is simply a delay in updating accounting records due to the lateness of delivery of reports from the third-party vendor. The District will identify variances either with internal staff, or an external CPA firm, and will continue to post all new Fixed Assets activity from the balances determined from the Professional Fixed Asset third party vendor.

2. FINDINGS FOR FEDERAL AWARDS AND QUESTIONED COSTS

None

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

Corrective Action Plan
2 CFR § 200.515
June 30, 2017

Corrective Action Plan for Finding 2017-001:

Finding Control Number: 2017-001

Summary of Finding: The District contracted with an appraisal company during the audit period. The results of that appraisal balances were materially different from the balances that the District had been carrying in the financial statements. The District elected to restate the beginning balances for capital assets to agree to the appraisal. However, the District was not able to determine what assets were removed/adjusted within a reasonable amount. We were unable to satisfy ourselves with appropriate evidential matter as to which assets were affected by the prior period adjustment. Further, the appraisal balances do not agree to the District's EIS Capital Asset accounting system and the District was not able to provide reports from the EIS system for prior years. Capital Assets reported in the District's financial report should agree to underlying accounting system records.

Statement of Concurrence: Due to the time of receiving the Fixed Assets report from the third-party contractor the District didn't have the necessary time to update the EIS system.

Corrective Action: The District will identify variances either with internal staff, or an external CPA firm, and will continue to post all new Fixed Assets activity from the balances determined from the Professional Fixed Asset third party vendor.

Contact Person: The official responsible for completing the corrective action is listed below:

Brian Switzer
Adams County/Ohio Valley Local School District Treasurer
Phone: (937) 544-5586
Email: brian.switzer@ovsd.us

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Dave Yost • Auditor of State

ADAMS COUNTY – OHIO VALLEY LOCAL SCHOOL DISTRICT

ADAMS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 30, 2018**