



**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Ada Exempted Village School District
Hardin County
435 Grand Avenue
Ada, Ohio 45810

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Ada Exempted Village School District, Hardin County, (the District) as of and for the year ended June 30, 2000, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Ada Exempted Village School District, Hardin County, as of and for the year ended June 30, 2000, and the results of its operations and the cash flows of its proprietary fund type and nonexpendable trust fund for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2000 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Jim Petro
Auditor of State

November 13, 2000

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**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2000**

	<u>Governmental Fund Types</u>			
	<u>General Fund</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
ASSETS AND OTHER DEBITS				
ASSETS:				
Equity in pooled cash and cash equivalents	\$1,403,984	\$50,614	\$0	\$497,933
Equity in pooled cash and cash equivalents - non-expendable trust fund	0	0	0	0
Receivables (net of allowances of uncollectibles):				
Taxes - current	1,542,459	0	0	132,377
Taxes - delinquent	8,731	0	0	956
Accounts	0	658	0	0
Intergovernmental - State	0	650	0	0
Intergovernmental - Federal	0	33,678	0	0
Prepayments	12,442	0	0	0
Materials and supplies inventory	6,759	0	0	0
Restricted Assets				
Equity in pooled cash and cash equivalents	108,714	0	0	0
Property, plant and equipment (net of accumulated depreciation where applicable)	0	0	0	0
OTHER DEBITS:				
Amount to be provided for retirement of General Long-Term Obligations	0	0	0	0
Total assets and other debits	<u>\$3,083,089</u>	<u>\$85,600</u>	<u>\$0</u>	<u>\$631,266</u>

<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Account Groups</u>		<u>Total (Memorandum Only)</u>
		<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
<u>Enterprise</u>	<u>Trust and Agency</u>			
\$40,517	\$61,574	\$0	\$0	\$2,054,622
0	63,348	0	0	63,348
0	0	0	0	1,674,836
0	0	0	0	9,687
6,360	0	0	0	7,018
0	0	0	0	650
0	0	0	0	33,678
0	0	0	0	12,442
6,399	0	0	0	13,158
0	0	0	0	108,714
63,035	0	4,145,350	0	4,208,385
0	0	0	527,865	527,865
<u>\$116,311</u>	<u>\$124,922</u>	<u>\$4,145,350</u>	<u>\$527,865</u>	<u>\$8,714,403</u>

(Continued)

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2000
(Continued)**

	Governmental Fund Types			
	General Fund	Special Revenue	Debt Service	Capital Projects
LIABILITIES, EQUITY AND OTHER CREDITS				
LIABILITIES:				
Accounts payable	\$13,302	\$0	\$0	\$0
Accrued wages and benefits	413,006	28,520	0	1,000
Compensated absences payable	4,979	0	0	0
Pension obligation payable	72,764	3,597	0	140
Deferred revenue	1,256,105	0	0	123,380
Due to students	0	0	0	0
General obligation bonds payable	0	0	0	0
EPA Asbestos loan payable	0	0	0	0
Total liabilities	1,760,156	32,117	0	124,520
EQUITY AND OTHER CREDITS:				
Investment in general fixed assets	0	0	0	0
Contributed capital	0	0	0	0
Retained earnings: unreserved	0	0	0	0
Fund balances:				
Reserved for:				
Encumbrances	34,484	829	0	147,185
Materials and Supplies inventory	6,759	0	0	0
Prepayments	12,442	0	0	0
Budget Stabilization	102,134	0	0	0
Debt service	0	0	0	0
Tax revenue unavailable for appropriation	100,024	0	0	9,953
Principal endowment	0	0	0	0
Unreserved for:				
Designated for budget stabilization	6,580	0	0	0
Designated for Capital Projects or Improvemer	400,000	0	0	0
Undesignated	660,510	52,654	0	349,608
Total equity and other credits	1,322,933	53,483	0	506,746
Total liabilities, equity and other credits	\$3,083,089	\$85,600	\$0	\$631,266

The notes to the general purpose financial statements are an integral part of this statement

<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Account Groups</u>		<u>Total (Memorandum Only)</u>
		<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
<u>Enterprise</u>	<u>Trust and Agency</u>			
\$550	\$0	\$0	\$0	\$13,852
16,028	0	0	0	458,554
7,950	0	0	340,577	353,506
5,160	0	0	34,885	116,546
2,456	0	0	0	1,381,941
0	16,065	0	0	16,065
0	0	0	100,000	100,000
0	0	0	52,403	52,403
<u>32,144</u>	<u>16,065</u>	<u>0</u>	<u>527,865</u>	<u>2,492,867</u>
0	0	4,145,350	0	4,145,350
50,325	0	0	0	50,325
33,842	0	0	0	33,842
0	0	0	0	182,498
0	0	0	0	6,759
0	0	0	0	12,442
0	0	0	0	102,134
0	0	0	0	0
0	0	0	0	109,977
0	47,644	0	0	47,644
0	0	0	0	6,580
0	0	0	0	400,000
0	61,213	0	0	1,123,985
<u>84,167</u>	<u>108,857</u>	<u>4,145,350</u>	<u>0</u>	<u>6,221,536</u>
<u>\$116,311</u>	<u>\$124,922</u>	<u>\$4,145,350</u>	<u>\$527,865</u>	<u>\$8,714,403</u>

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2000**

	Governmental Fund Types				Fiduciary Fund Type	Total
	General Fund	Special Revenue	Debt Service	Capital Projects	Expendable Trust	(Memorandum Only)
Revenues:						
From local sources:						
Taxes	\$1,918,879	\$0	\$0	\$137,866	\$0	\$2,056,745
Tuition	400	0	0	0	0	400
Earnings on investments	79,805	1,549	0	12,685	2,668	96,707
Other local revenues	9,696	57,167	0	0	21,899	88,762
Intergovernmental - State	3,102,993	8,777	0	267,496	0	3,379,266
Intergovernmental - Federal	0	237,576	0	0	0	237,576
Total revenue	5,111,773	305,069	0	418,047	24,567	5,859,456
Expenditures:						
Current:						
Instruction:						
Regular	2,477,919	19,799	0	11,067	0	2,508,785
Special	237,483	168,336	0	0	400	406,219
Vocational	105,547	0	0	430	0	105,977
Other	45,539	0	0	0	0	45,539
Support services:						
Pupil	233,080	3,977	0	0	0	237,057
Instructional staff	188,858	28,957	0	0	1,452	219,267
Board of Education	18,877	0	0	0	0	18,877
Administration	505,697	16,163	0	0	0	521,860
Fiscal	167,213	0	0	3,786	0	170,999
Operations and maintenance	408,192	0	0	74,837	0	483,029
Pupil transportation	182,843	0	0	0	0	182,843
Central	0	1,900	0	0	0	1,900
Extracurricular activities	150,348	70,397	0	0	18,631	239,376
Facilities services	9,828	0	0	137,369	0	147,197
Debt service:						
Principal retirement	0	0	104,529	0	0	104,529
Interest and fiscal charges	0	0	10,530	0	0	10,530
Total expenditures	4,731,424	309,529	115,059	227,489	20,483	5,403,984
Excess (deficiency) of revenues over (under) expenditure:	380,349	(4,460)	(115,059)	190,558	4,084	455,472
Other financing sources (uses):						
Operating transfers in	53,319	6,000	115,059	16,495	0	190,873
Operating transfers out	(201,077)	(9,796)	0	0	0	(210,873)
Proceeds from sale of assets	2,913	0	0	0	0	2,913
Total other financing sources (uses)	(144,845)	(3,796)	115,059	16,495	0	(17,087)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other uses	235,504	(8,256)	0	207,053	4,084	438,385
Fund balance, July 1	1,089,656	61,739	0	299,693	41,425	1,492,513
Increase in reserve for inventory	(2,227)	0	0	0	0	(2,227)
Fund balance, June 30	\$1,322,933	\$53,483	\$0	\$506,746	\$45,509	\$1,928,671

The notes to the general purpose financial statements are an integral part of this statement

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**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30,2000**

	General Fund			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
From local sources:						
Taxes	\$1,894,563	\$1,927,112	\$32,549	\$0	\$0	\$0
Tuition	1,000	400	(600)	0	0	0
Earnings on investments	60,000	79,805	19,805	2,040	1,549	(491)
Other local revenues	7,800	9,696	1,896	64,600	56,941	(7,659)
Intergovernmental - State	3,046,720	3,104,243	57,523	7,277	8,127	850
Intergovernmental - Federal	0	0	0	271,092	220,245	(50,847)
Total revenues	5,010,083	5,121,256	111,173	345,009	286,862	(58,147)
Expenditures:						
Current:						
Instruction:						
Regular	2,517,541	2,472,869	44,672	24,182	19,799	4,383
Special	326,615	234,667	91,948	210,669	166,073	44,596
Vocational	109,531	106,664	2,867	0	0	0
Other	52,000	50,148	1,852	0	0	0
Support services:						
Pupil	249,221	232,907	16,314	4,349	3,979	370
Instructional staff	207,959	189,357	18,602	37,876	32,090	5,786
General administration	58,550	20,366	38,184	0	0	0
School administration	573,656	509,472	64,184	18,006	16,554	1,452
Fiscal	206,274	169,241	37,033	0	0	0
Operations and maintenance	460,634	414,723	45,911	0	0	0
Pupil transportation	214,322	182,105	32,217	(1,680)	(1,680)	0
Central	0	0	0	0	0	0
Extracurricular activities	156,692	146,424	10,268	93,470	71,707	21,763
Facilities acquisition and construction	10,000	9,828	172	0	0	0
Debt service:						
Principal retirement	0	0	0	0	0	0
Interest and fiscal charges	0	0	0	0	0	0
Total expenditures	5,142,995	4,738,771	404,224	386,872	308,522	78,350
Excess (deficiency) of revenues over (under) expenditures	(132,912)	382,485	515,397	(41,863)	(21,660)	20,203
Other financing sources (uses):						
Operating transfers in	44,000	53,319	9,319	6,000	6,000	0
Operating transfers (out)	(206,000)	(205,576)	424	(9,796)	(9,796)	0
Other financing uses	(44,000)	0	44,000	0	0	0
Other financing sources	0	2,913	2,913	0	0	0
Total other financing sources (uses)	(206,000)	(149,344)	56,656	(3,796)	(3,796)	0
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other uses	(338,912)	233,141	572,053	(45,659)	(25,456)	20,203
Fund balance, July 1	1,239,024	1,239,024	0	75,241	75,241	0
Prior year encumbrances appropriated			0			0
Fund balance, June 30	\$900,112	\$1,472,165	\$572,053	\$29,582	\$49,785	\$20,203

The notes to the general purpose financial statements are an integral part of this statement.

Debt Service			Capital Projects		
Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
\$0	\$0	\$0	\$132,983	\$139,368	\$6,385
0	0	0	0	0	0
0	0	0	15,000	12,685	(2,315)
0	0	0	0	0	0
0	0	0	553,585	267,496	(286,089)
0	0	0	0	0	0
0	0	0	701,568	419,549	(282,019)
0	0	0	37,200	9,927	27,273
0	0	0	0	0	0
0	0	0	700	430	270
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	4,400	3,786	614
0	0	0	80,000	76,433	3,567
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	367,153	288,958	78,195
104,529	104,529	0	0	0	0
10,530	10,530	0	0	0	0
115,059	115,059	0	489,453	379,534	109,919
(115,059)	(115,059)	0	212,115	40,015	(172,100)
115,059	115,059	0	16,000	16,495	495
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
115,059	115,059	0	16,000	16,495	495
0	0	0	228,115	56,510	(171,605)
0	0	0	294,237	294,237	0
0	0	0	0	0	0
\$0	\$0	\$0	\$522,352	\$350,747	(\$171,605)

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS/FUND BALANCE
PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2000**

	Proprietary Fund Type	Fiduciary Fund Type	Total
	Enterprise Funds	Nonexpendable Trust	(Memorandum Only)
Operating revenues:			
Tuition and fees	\$21,320	\$0	\$21,320
Sales/charges for services	182,258	0	182,258
Investment earnings	0	3,393	3,393
Other operating revenues	4,798	433	5,231
 Total operating revenues	208,376	3,826	212,202
 Operating expenses:			
Personal services	129,530	0	129,530
Contract services	50	0	50
Materials and supplies	147,304	0	147,304
Depreciation	3,325	0	3,325
Other operating expenses	0	3,250	3,250
 Total operating expenses	280,209	3,250	283,459
 Operating income (loss)	(71,833)	576	(71,257)
 Nonoperating revenues (expenses):			
Operating grants	38,830	0	38,830
Interest revenue	525	0	525
Federal commodities	16,349	0	16,349
 Total nonoperating revenues(expenses)	55,704	0	55,704
 Net income before operating transfers	(16,129)	576	(15,553)
 Operating transfers in	20,000	0	20,000
 Net income	3,871	576	4,447
 Depreciation on Fixed Assets Acquired by Contributed Capital	2,183	0	2,183
 Retained earnings/fund balance at July 1.(restated)	27,788	62,772	90,560
 Retained earnings/fund balance at June 30	\$33,842	\$63,348	\$97,190
 Contributed Capital at Beginning of Year (restated)	7,986	0	7,986
 Capital Contributions During the Year	44,522	0	44,522
 Depreciation on Fixed Assets Acquired by Contributed Capital	(2,183)	0	(2,183)
 Contributed Capital at End of Year	50,325	0	50,325
 Total Fund Equity at Year End	84,167	63,348	\$147,515

The notes to the general purpose financial statements are an integral part of this statement

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2000**

	Proprietary Fund Type	Fiduciary Fund Type	Total
	Enterprise Funds	Nonexpendable Trust	(Memorandum Only)
Cash flows from operating activities:			
Cash received from tuition and fees	\$21,291	\$0	\$21,291
Cash received from sales/service charges	180,863	0	180,863
Cash received from contributions and donations	0	433	433
Cash payments for personal services	(131,399)	0	(131,399)
Cash payments for contract services	(50)	0	(50)
Cash payments for scholarships	0	(3,250)	(3,250)
Cash payments supplies and materials	(131,099)	0	(131,099)
Net cash provided by (used in) operating activities	(60,394)	(2,817)	(63,211)
 Cash flows from noncapital financing activities:			
Cash received from operating grants	38,830	0	38,830
Transfers in from other funds	20,000	0	20,000
Net cash provided by noncapital financing activities	58,830	0	58,830
 Cash flows from investing activities:			
financing activities:			
Interest received	525	3,393	3,918
Net cash provided by investing activities	525	3,393	3,918
Net increase (decrease) in cash and cash equivalents	(1,039)	576	(463)
Cash at beginning of year	41,556	62,772	104,328
Cash at end of year	<u>\$40,517</u>	<u>\$63,348</u>	<u>\$103,865</u>
 Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	(\$71,833)	\$576	(\$71,257)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	3,325	0	3,325
Federal donated commodities	16,349	0	16,349
Changes in assets and liabilities:			
Increase in supplies inventory	(1,084)	0	(1,084)
Increase in accounts receivable	(6,222)	0	(6,222)
Interest reported as operating income	0	(3,393)	(3,393)
Increase in accounts payable	550	0	550
Decrease in accrued wages and benefits	(2,772)	0	(2,772)
Increase in compensated absences payable	2,314	0	2,314
Decrease in pension obligation payable	(1,411)	0	(1,411)
Increase in deferred revenue	390	0	390
Net cash provided by (used in) operating activities	<u>(\$60,394)</u>	<u>(\$2,817)</u>	<u>(\$63,211)</u>

Noncash capital activity from governmental funds

The Permanent Improvement Fund purchased Enterprise fixed assets during the year in the amount of \$44,522.

The notes to the general purpose financial statements are an integral part of this statement

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**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District was established in 1862 through the consolidation of existing land areas and districts. The District serves an area of approximately 42 square miles. It is located in Hardin and Hancock Counties, including all of the Village of Ada, Ohio, and portions of Liberty and Orange Townships. The District is the 527th largest in the State of Ohio (among 611 school districts) in terms of enrollment. It is staffed by 28 non-certified employees, 64 certificated full time teaching personnel and 5 administrative employees to provide services to 853 students and other community members. The District currently operates three instructional buildings, one administrative building, and one garage.

Reporting Entity:

The reporting entity is composed of the primary government, component units and other organizations that are included to insure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For Ada Exempted Village School District, this includes general operations, food service, 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 School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support, to the organization; or the 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.

There are no component units of the Ada Exempted Village School District.

The District is associated with six organizations of which three are defined as jointly governed organizations, one a related organization, and two insurance purchasing pools. These organizations include the West Central Ohio Special Education Regional Resource Center (SERRC), North West Ohio Area Computer Services Cooperative, Apollo Joint Vocational School, the Ada Public Library, the Hardin County School Employees' Health and Welfare Benefit Plan and Trust, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 17, 18, and 19 to the general purpose financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Ada Exempted Village School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to the proprietary activities provided they do not conflict with or contradict GASB pronouncements. The significant portions of the District's accounting policies are described below.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis Of Presentation - Fund Accounting

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources. For financial statement presentation purposes, the various funds of the District are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

Governmental Fund Types:

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use, and balances of the District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds and trust funds) are accounted for through governmental funds. The following are the District's governmental fund types:

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.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

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

Capital Projects Funds - The capital projects funds are used to account for financial resources to be used for the acquisition of equipment and for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds).

Proprietary Fund Type:

Proprietary funds are used to account for the District's ongoing activities which are similar to those found in the private sector. The following is the District's proprietary fund type:

Enterprise Funds - Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis Of Presentation - Fund Accounting (Continued)

Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The District's fiduciary funds include nonexpendable trust and agency funds. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups:

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the District, other than those accounted for in the proprietary or trust funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the District except those accounted for in the proprietary or trust funds.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary and nonexpendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary and nonexpendable trust fund operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The modified accrual basis of accounting is followed for Governmental Funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year-end. Revenues accrued at the end of the year include grants and entitlements (to the extent such grants and entitlements relate to the current fiscal year), and accounts. Current property taxes measurable as of June 30, 2000, and which are intended to finance 2001 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year-end.

Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2000, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting (Continued)

The District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2000 and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2001 operations, have been recorded as deferred revenue.

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.

The accrual basis of accounting is utilized for reporting purposes by the enterprise and nonexpendable trust funds. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Hardin County Budget Commission for rate determination.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process (Continued)

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered cash balances from the preceding year. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2000.

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District.

The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

Encumbrances:

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process (Continued)

Lapsing of Appropriations:

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

D. Cash and Cash Equivalents

To improve cash management, all cash received by the District is pooled in a central bank account. Monies for all funds, including enterprise funds, are maintained in this account or temporarily used to purchase short term investments. Individual fund integrity is maintained through District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet. During fiscal year 2000, investments were limited to certificates of deposit and STAR Ohio. All investments of the District had a maturity of two years or less. Investments are stated at cost or amortized cost.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2000. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments with the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2000.

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 2000 amounted to \$79,805 which includes \$10,916 earned from balances in other School District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are considered to be cash equivalents.

E. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State Department of Education. During fiscal year 2000, the District set aside \$36,943 to meet this requirement and an additional \$6,580 is designated by the Board.

F. Estimates

The preparation of the 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 could differ from those estimates.

G. Inventory

Inventories of governmental funds are stated at cost while inventories of enterprise funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Inventory (Continued)

Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of enterprise funds consist of donated food and purchased food and supplies held for resale and are expensed when used.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30,2000 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

I. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the enterprise funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year.

Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of three hundred dollars. The District does not have any infrastructure. 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. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds are computed using the straight-line method over an estimated useful life of five to twenty years.

J. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable. The District currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund

State Foundation Program

Non-Reimbursable Grants

Special Revenue Funds

State Property Tax Relief

School Bus Allocation

Education Management Information Systems

Title VI-B

Drug-Free Schools

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Intergovernmental Revenues (Continued)

**Non-Reimbursable Grants (Continued)
Special Revenue Funds (Continued)**

- Title I
- Title VI
- Local Professional Development Block Grant
- Library Automation Grant
- Ohio School Net Training
- Textbooks/Instructional Materials
- Eisenhower Grant
- School to Work Grant

Capital Projects Funds

- School Net Technology Equity
- Vocational Educational Equipment
- Emergency Repair Grant

Reimbursable Grants

Enterprise Funds

- National School Lunch Program
- Government Donated Commodities

Grants and entitlements amounted to approximately fifty-nine percent of the District's governmental revenue during the 2000 fiscal year.

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the District's termination policy.

For governmental funds, the District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The District records a liability for accumulated unused sick leave for classified employees after eight years of current service with the District and for certified employees and administrators after five years of service. The current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In enterprise funds, the entire amount of compensated absences is reported as a fund liability.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgements, compensated absences, contractually required pension contributions, and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year-end are generally considered not to have been repaid using currently available financial resources. Bonds and long-term loans are reported as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by Enterprise Funds are reported as liabilities in the appropriate enterprise funds.

M. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

N. Fund Balance Reserves and Designations

The District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation for expenditures. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, inventories of supplies and materials, prepayments, budget stabilization, and contributions to the nonexpendable trust funds which must be kept intact. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

Designations reflect management's intended use of resources and should reflect actual plans approved by either government's legislative body or chief executive officer. Also, designations are reported on the face of the balance sheet only in connection with governmental funds. An amount was designated by the board of education in the general fund for capital projects or improvements and for budget stabilization.

O. Contributed Capital

Contributed capital represents resources from other funds, other governments, and private sources provided to enterprise funds that is not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end. Because the District did not prepare financial statements in accordance with generally accepted accounting principles prior to fiscal year 1995, the exact amount of contributed capital cannot be determined. Consequently, only those amounts that have been specifically identified have been classified as contributed capital in the accompanying combined financial statements. All other fund equity amounts pertaining to enterprise funds have been classified as retained earnings.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Total - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3 - RESTATEMENT OF PRIOR YEAR RETAINED EARNINGS AND CONTRIBUTED CAPITAL

The Enterprise retained earnings was overstated by \$5,217 in the prior year. This misstatement was the result of assets contributed from other funds in fiscal year 1997 which were not identified as contributed capital and the related depreciation expense.

The effect of these changes on retained earnings for the Enterprise Fund type as previously reported for the year ended June 30, 1999, are as follows:

Retained earnings as previously reported	\$33,005
Restatement	<u>(5,217)</u>
Restated amount for the year ended June 30, 1999	\$27,788

The Enterprise Fund's contributed capital was understated by \$5,217. This misstatement was the result of the incorrect recording of contributions from other funds.

The effect of these changes on contributed capital for the retained earnings for the Enterprise Fund type as previously reported for the year ended June 30, 1999, are as follows:

Contributed Capital as previously reported	\$2,769
Restatement	<u>5,217</u>
Restated amount for the year ended June 30, 1999	\$7,986

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations and changes in fund balance/retained earnings 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 Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual-All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (Continued)

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses Governmental Fund Types				
	General	Special Revenue	Debt Service	Capital Projects
Budget Basis	\$233,141	\$(25,456)	\$0	\$ 56,510
Net adjustment for Revenue Accruals	(9,483)	18,207	0	(1,502)
Net adjustment for Expenditure Accruals	(28,683)	(1,836)	0	4,860
Net Adjustment for Other Sources/(Uses)	0	0	0	0
Encumbrances (Budget Basis)	<u>40,529</u>	<u>829</u>	<u>0</u>	<u>147,185</u>
GAAP Basis	<u>\$235,504</u>	<u>\$ (8,256)</u>	<u>\$0</u>	<u>\$ (207,053)</u>

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

- a. United States Treasury Notes, Bills, Bonds, or other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

- b. Bonds, notes, debentures, or 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 the federal government agencies or instrumentalities;
- c. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- d. Bonds and other obligations of the State of Ohio;
- e. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
- f. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse purchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

Deposits: At fiscal year end, the carrying amount of the District's deposits was \$1,405,955 (including \$1,000 petty cash) and the bank balance was \$1,636,214. Of the bank balance, \$254,126 was covered by federal depository insurance and \$1,382,088 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

Investments: The District's investments are categorized to give an indication of the level of risk assumed by the District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name. The District's investment in STAR Ohio, an investment pool operated by the Ohio State Treasurer, is unclassified because it is not evidenced by securities that exist in physical or book entry form.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

	Carrying Value	Market Value
State Treasurer's Investment Pool	<u>\$ 820,729</u>	<u>\$ 820,729</u>

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	<u>Pooled Cash and Cash Equivalents</u>	<u>Investments</u>
Combined Balance Sheet	\$2,226,684	\$ 0
Reclassifications:		
Investments:		
State Treasurer's Investment Pool	<u>(820,729)</u>	<u>820,729</u>
Per GASB Statement No. 3	<u>\$ 1,405,955</u>	<u>\$ 820,729</u>

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of pledging specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure the repayment of all public monies deposited in the financial institution, provided that at all times the total value of the securities so pledged is at least equal to 110% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance deposits covered by any federal deposit insurance.

NOTE 6 - 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, public utility and tangible personal (used in business) property located in the District. Real property taxes are levied 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 fiscal year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 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 earlier or later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. The District receives property taxes from Hardin and Hancock Counties. The Counties' Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2000 are available to finance fiscal year 2000 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

NOTE 6 - PROPERTY TAXES (Continued)

Accrued property taxes receivable represent delinquent taxes outstanding and real property, tangible personal property and public utility taxes which became measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations.

The amount available as an advance at June 30, 2000 was \$100,024 in the General Fund and \$9,953 in the Permanent Improvement Capital Projects Fund. The amount available as an advance at June 30, 1999 was \$109,660 in the General Fund and \$11,455 in the Permanent Improvement Capital Projects Fund.

The assessed values upon which fiscal year 2000 taxes were collected are:

	1999 Second- Half Collections		2000 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$46,209,260	84.71%	\$54,136,680	87.50%
Public Utility	4,409,450	8.08	3,920,860	6.34
Tangible Personal Property	3,933,130	7.21	3,809,445	6.16
Total Assessed Value	\$54,551,840	100.00%	\$61,866,685	100.00%
Tax rate per \$1,000 of assessed valuation	\$39.70		\$39.70	

NOTE 7 - INCOME TAX

The District levies a voted tax of 3/4 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1998, and will continue for five years. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

NOTE 8 - RECEIVABLES

Receivables at June 30, 2000, consisted of both property and income taxes, accounts (rent and student fees), and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. Student fees are also considered collectible in full due to the withholding of diplomas and grade cards. A summary of the principal items of receivables follows:

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

NOTE 8 - RECEIVABLES (Continued)

	Amounts
General Fund	
Real Taxes - Current and Delinquent	\$1,356,129
Income Taxes	195,061
Capital Projects Funds	
Taxes - Current and Delinquent	133,333
Special Revenue Funds	
Intergovernmental revenue - federal	33,678

NOTE 9 - FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2000 follows:

Furniture and Equipment	\$80,072
Less: Accumulated Depreciation	<u>(17,037)</u>
Net Fixed Assets	<u><u>\$63,035</u></u>

A summary of the changes in general fixed assets during fiscal year 2000 is as follows:

Asset Category	Balance at 6/30/99	Additions	Deletions	Balance at 6/30/00
Land and Improvements	\$ 75,369	\$ 8,548	\$ 0	\$ 83,917
Buildings and Improvements	2,110,342	73,946	0	2,184,288
Furniture, Fixtures & Equipment	1,471,658	73,072	43,561	1,501,169
Vehicles	<u>375,976</u>	<u>0</u>	<u>0</u>	<u>375,976</u>
Total General Fixed Assets	<u><u>\$4,033,345</u></u>	<u><u>\$155,566</u></u>	<u><u>\$43,561</u></u>	<u><u>\$4,145,350</u></u>

NOTE 10 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2000, the District contracted with Nationwide Insurance for property and fleet insurance, liability insurance and inland marine coverage. Coverages provided by Nationwide Insurance are as follows:

Building and Contents - replacement cost (\$500 deductible)	\$13,068,100
Inland Marine Coverage (\$100 deductible)	154,720
Boiler and Machinery (\$1,000 deductible)	13,068,100
Automobile Liability	2,000,000
Uninsured Motorists	1,000,000
General Liability	
Per occurrence	1,000,000
Total per year	5,000,000
Umbrella	1,000,000
Electronic Data Processing (\$100 deductible)	615,907
Musical Instruments Coverage (\$100 deductible)	293,974

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

NOTE 10 - RISK MANAGEMENT (Continued)

Settled claims have not exceeded this commercial coverage in any of the past three years.

For fiscal year 2000, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (the Plan), an insurance purchasing pool (Note 19). The Plan is intended to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan.

Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performances is compared to the overall savings percent of the Plan.

A participant will then either receive money from or be required to contribute to the "equity pooling fund". This "equity pooling fund" arrangement insures that each participant shares equally in the overall performance of the Plan. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria. The school districts apply for participation each year. The firm of Gates McDonald and Co. provides administrative, cost control, and actuarial services to the Plan. Each year, the District pays an enrollment fee to the Plan to cover the costs of administering the program.

The District participates in the Hardin County Schools Health Benefit Fund and Trust (the Plan), a public entity shared risk pool consisting of six local school districts and the Hardin County Educational Service Center. The District pays monthly premiums to the Plan for employee medical, dental, life insurance and vision benefits. The Plan is responsible for the management and operations of the program. Upon withdrawal from the Plan, a participant is responsible for the payment of all Plan liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The Ada Exempted Village School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, cost of living adjustments and death benefits to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the Ada Exempted Village School District is required to contribute 14 percent: 7.7 percent was the portion to fund pension obligations for fiscal years 2000 and 1999. The contribution rates are determined actuarially, but are established by SERS's Retirement Board within the rates allowed by State statute. The District's required contribution for pension obligations to SERS for the fiscal years ending June 30, 2000, 1999, and 1998 were \$51,564, \$52,617, and \$65,575, respectively; 64.1 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$25,912, representing the unpaid contribution for fiscal year 2000 is recorded as a liability within the respective funds and the general long-term obligations account group.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

NOTE 11 - DEFINED BENEFIT PENSION PLANS (continued)

B. State Teachers Retirement System

The Ada Exempted Village School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, cost of living adjustments and death benefits based to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the Ada Exempted Village School District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations for fiscal years 2000 and 1999. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contribution for pension obligations to STRS for the fiscal years ending June 30, 2000, 1999, and 1998 were \$142,486, \$144,036, and \$272,736, respectively; 83 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$25,948 representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2000, three members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

NOTE 12 - POSTEMPLOYMENT BENEFITS

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

For STRS, all benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The Board currently allocates employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid, an increase from 3.5 percent in 1998. The balance in the Fund was \$2,783 million as of June 30, 1999 (the latest information available). For the District, this amount equaled \$203,314 during the 2000 fiscal year. As of July 1, 1999, eligible benefit recipients totaled 95,796. For the fiscal year ended June 30, 1999, net health care costs paid by STRS were \$297,748,000.

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

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

NOTE 12 - POSTEMPLOYMENT BENEFITS (Continued)

For this fiscal year, employer contributions to fund health care benefits were 6.3 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay has been established at \$12,400. For the District, the amount to fund health care benefits, including the surcharge, was \$45,667, during the 2000 fiscal year.

The surcharge added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. The number of participants currently receiving health care benefits is approximately 50,000. For the fiscal year ended June 30, 1999, net assets available for payment of health care benefits was \$188 million. Health care costs paid by SERS were \$126,380,984 and the target level was \$189.6 million.

NOTE 13 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 230 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 50 days for certified and classified employees.

B. Health Care Benefits

The District provides life insurance, dental, medical and vision insurance to most employees through Hardin County Schools Health Benefit Fund and Trust. Employees share the cost of the monthly premium with the Board. The premium varies with employee depending on the terms of the union contract.

C. Early Retirement Incentive

The School District Board of Education approved an Early Retirement Incentive program. Participation is open to employees who qualify for retirement including the year purchased by the Board. The credit is for one year of service. The Board limits the number of employees participating to 8% of classified or certified staff in the plan in any one year. During fiscal year 2000, two classified and three certified District employees retired and elected to participate in the early retirement program.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

NOTE 14 - LONG-TERM OBLIGATIONS

The changes in the District's long-term obligations during fiscal year 2000 were as follows:

	Interest Rate	Principal Outstanding 6/30/99	Additions	Deductions	Principal Outstanding 6/30/00
Long-Term Obligations:					
1988 EPA Asbestos Loan	0.00%	\$61,932	\$0	\$9,529	\$52,403
1996 School Energy Conservation Bond	5.40%	<u>195,000</u>	<u>0</u>	<u>95,000</u>	<u>100,000</u>
Total Long-Term Debt		256,932	0	104,529	152,403
Pension Benefit Obligation		31,362	3,523	0	34,885
Compensated Absences		<u>323,994</u>	<u>16,583</u>	<u>0</u>	<u>340,577</u>
Total General Long-Term Obligations		<u>\$612,288</u>	<u>\$20,106</u>	<u>\$104,529</u>	<u>\$527,865</u>

EPA Asbestos Loan On July 28, 1986, Ada Exempted Village School District obtained a loan in the amount of \$171,513 for the purpose of providing asbestos removal for the Ada Exempted Village School District, under the authority of Ohio Revised Code section 3317.22. The loan was issued for a twenty fiscal year period with final maturity during fiscal year 2006. The loan is retired through the debt service fund.

School Energy Conservation Bonds On September 1, 1995, the District issued \$515,169 in unvoted general obligation bonds to finance energy conservation measures. The bonds provided resources to retire the District's Energy Conservation Note. The bonds are retired through the debt service fund.

Pension benefit obligation and compensated absences will be paid from the fund from which the employees' salaries are paid.

The District's voted legal debt margin was \$5,568,002 with an unvoted debt margin of \$61,867 at June 30, 2000.

Principal and interest requirements to retire general obligation debt, including the loan, outstanding at June 30, 2000 are as follows:

Fiscal Year	Principal	Interest	Total
2001	109,529	5,400	114,929
2002	9,529	0	9,529
2003	9,529	0	9,529
2004	9,529	0	9,529
2005	9,529	0	9,529
2006	4,758	0	4,758
Total	<u>\$152,403</u>	<u>\$5,400</u>	<u>\$157,803</u>

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

NOTE 15 - SIGNIFICANT CONTRACTUAL OBLIGATIONS

At June 30, 2000, the District had entered into one significant contract with Trisco Systems for \$136,253. The commitment has been encumbered by the District, and as such, are reflected within the financial statements in the capital project fund type as a reserve for encumbrance.

NOTE 16 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects the more significant financial data relating to the enterprise funds of the Ada Exempted Village School District as of and for the fiscal year ended June 30, 2000.

	Food Service	Uniform School Supplies	Total Enterprise Funds
Operating Revenues	\$187,056	\$21,320	\$208,376
Operating Expenses	257,640	22,569	276,884
Less Depreciation	3,325	0	3,325
Operating Loss	(70,584)	(1,249)	(71,833)
Nonoperating Revenues:			
Donated Commodities	16,349	0	16,349
Operating Grants	38,830	0	38,830
Interest	525	0	525
Operating transfers In	20,000	0	20,000
Net Loss	5,120	(1,249)	3,871
Current Capital Contributions	44,522	0	44,522
Fixed Asset Additions	44,522	0	44,522
Fixed Asset Deletions	14,998	0	14,998
Net Working Capital	(18,079)	39,210	21,681
Total Assets	76,551	39,760	116,311
Total Equity	44,957	39,210	84,167
Encumbrances Outstanding (Budget Basis) at 6/30/00	0	0	0

NOTE 17- JOINTLY GOVERNED ORGANIZATIONS

West Central Ohio Special Education Regional Resource Center - The West Central Ohio Special Education Regional Resource Center (SERRC) is a special education service center which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly-governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents. The SERRC is governed by a board of 52 members made up of the 50 superintendents of the participating districts, one non-public school, and Wright State University whose terms rotate every year. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting Krista Hart, Treasurer, at the Hardin County Educational Service Center, 1 Court House Square, Suite 50, Kenton, Ohio 43326-2385.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

Northwest Ohio Area Computer Services Cooperative - The District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC). NOACSC is an association of public school districts within the boundaries of Allen, Hancock, Mercer, Paulding, Putnam, and Van Wert Counties, and Wapakoneta City, and to any area established in future law, by the Ohio Department of Education. The cooperative was formed for the purpose of developing and implementing a computer system to improve administrative and instructional functions for the member school districts. The governing board of NOACSC consist of two representatives from each county elected by majority vote of all charter member school districts within each county plus one representative from the fiscal agent. Financial information can be obtained from Mr. Michael Wildermuth, who serves as director, at 645 South Main Street, Lima, Ohio 45804.

Apollo Joint Vocational School - The Apollo Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the eleven participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Apollo Joint Vocational School, Greg Bukowski, who serves as Treasurer, at 3325 Shawnee Road, Lima, Ohio 45806.

NOTE 18 - RELATED ORGANIZATION

Ada Public Library - The Ada Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Ada School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the District for operational subsidies. Although the District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Ada Library, Janet E. Klingler, Clerk/Treasurer, at 320 North Main, Ada, Ohio 45810.

NOTE 19 - INSURANCE PURCHASING POOLS

Hardin County School Employees' Health and Welfare Benefit and Trust - The Hardin County Schools Health Benefit Fund and Trust (the Trust) is a public entity shared risk pool consisting of six school districts and the Hardin County Educational Service Center. The Trust is organized as a Voluntary Employee Benefit

Association under Section 501(c)(9) of the Internal Revenue Code and provides sick, accident and other benefits to the employees of the participating school districts. Each participating school district's superintendent is appointed to an Administrative Committee which advises the Trustee, Ohio Bank, concerning aspects of the administration of the Trust.

Each school district decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information can be obtained from Rick Combs, who serves as director, at 220 East Columbus Street, P.O. Box 735, Kenton, Ohio 44326.

Ohio School Boards Association Workers' Compensation Group Rating Plan - The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member board of directors consisting of the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

NOTE 20 - STATE SCHOOL FUNDING DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program" which provides significant amounts of monetary support to the District. For the fiscal year ended June 30, 2000, the District received \$2,949,903 in school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "...the mandate of the [Ohio] Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant further attention, study, and development by the General Assembly...", including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program (these programs) and on its financial operations.

NOTE 21 - CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2000.

B. Litigation

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

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

NOTE 22 - SET ASIDE DISCLOSURE

As stated in H.B. 412, school districts are required to maintain three reserves; one for capital acquisition and maintenance, one for textbooks and other instructional materials, and one for budget stabilization. A reserve represents resources whose use is limited because of contractual or statutory restrictions.

The following demonstrates the District's compliance with set-aside requirement in H.B. 412:

	Textbooks	Capital Acquisition	Budget Stabilization	Totals
Set-aside cash balance as of June 30, 1999	\$0	\$0	\$65,191	\$65,191
Current year set-aside requirement	110,826	110,826	36,943	258,595
Additional Board optional set-aside	0	0	6,580	6,580
Current year Offsets	0	(139,368)	0	(139,368)
Qualifying Disbursements	<u>(169,715)</u>	<u>(49,894)</u>	<u>0</u>	<u>(219,609)</u>
Set Aside Balance Carried Forward to Future Fiscal Years	<u>(58,889)</u>	<u>(78,436)</u>	<u>108,714</u>	<u>(28,612)</u>
Set Aside Reserve Balance as of June 30, 2000	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$108,714</u>	<u>\$108,714</u>

The amount set-aside to satisfy statutory requirements for budget stabilization is represented by cash and is presented as "reserve for budget stabilization" on the balance sheet. During fiscal year 2000, the District set aside \$36,943 to meet this requirement and an additional \$6,580 was designated by the Board.

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OFFICE OF THE AUDITOR

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Ada Exempted Village School District
Hardin County
435 Grand Avenue
Ada, Ohio 45810

To the Board of Education:

We have audited the financial statements of the Ada Exempted Village School District, Hardin County, (the District) as of and for the year ended June 30, 2000, and have issued our report thereon dated November 13, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated November 13, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated November 13, 2000.

Ada Exempted Village School District
Hardin County
Report of Independent Accountants on Compliance and on Internal Control
Required by *Government Auditing Standards*
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This report is intended for the information and use of the audit committee, management, and Board of Education, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

November 13, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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ADA EXEMPTED VILLAGE SCHOOL DISTRICT

HARDIN 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
DECEMBER 5, 2000**