



**Auditor of State  
Betty Montgomery**



**ADENA LOCAL SCHOOL DISTRICT  
ROSS COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Adena Local School District  
Ross County  
3367 County Road 550  
Frankfort, Ohio 45628

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Adena Local School District, Ross County, Ohio, (the District) as of and for the year ended June 30, 2003, 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 auditing standards generally accepted in the United States of America 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 Adena Local School District, Ross County, Ohio, as of June 30, 2003, and the results of its operations and the cash flows of its Internal Service Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2004, 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.

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Adena Local School District  
Ross County  
Independent Accountants' Report  
February 23, 2004

The accompanying schedule of federal awards receipts and expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements. In our opinion, it is fairly stated in all material respects in relation to the general-purpose financial statements taken as a whole.

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

**Betty Montgomery**  
Auditor of State

February 23, 2004

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**Adena Local School District**  
 Combined Balance Sheet  
 All Fund Types and Account Groups  
 June 30, 2003

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b><u>Assets and Other Debits:</u></b>				
<b><u>Assets:</u></b>				
Equity in Pooled Cash and Cash Equivalents	\$2,010,539	\$210,830	\$139,512	\$393,851
Cash and Cash Equivalents With Fiscal and Escrow Agents	0	0	0	0
Receivables:				
Taxes	1,531,126	32,676	212,484	0
Accounts	449	0	0	0
Intergovernmental	21,128	94,980	0	0
Interfund Receivable	10,451	0	0	0
Prepaid Items	26,366	526	0	2,035
Materials and Supplies Inventory	28,267	8,955	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	189,354	0	0	0
Fixed Assets (Net of Accumulated Depreciation)	0	0	0	0
<b><u>Other Debits:</u></b>				
Amount Available in Debt Service Fund for the Retirement of General Obligations	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
Total Assets and Other Debits	\$3,817,680	\$347,967	\$351,996	\$395,886



Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Internal Service	Trust and Agency			
\$124,735	\$23,916	\$0	\$0	\$2,903,383
33,634	0	0	0	33,634
0	0	0	0	1,776,286
0	0	0	0	449
36,479	0	0	0	152,587
0	0	0	0	10,451
0	0	0	0	28,927
0	0	0	0	37,222
0	0	0	0	189,354
0	0	25,301,557	0	25,301,557
0	0	0	161,405	161,405
0	0	0	3,142,850	3,142,850
<u>\$194,848</u>	<u>\$23,916</u>	<u>\$25,301,557</u>	<u>\$3,304,255</u>	<u>\$33,738,105</u>

(continued)

**Adena Local School District**  
 Combined Balance Sheet  
 All Fund Types and Account Groups  
 June 30, 2003  
 (continued)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b><u>Liabilities</u></b>				
<b><u>Fund Equity and Other Credits:</u></b>				
<b><u>Liabilities:</u></b>				
Accounts Payable	\$11,631	\$3,146	\$0	\$0
Contracts Payable	0	0	0	15,168
Accrued Wages and Benefits	601,418	79,664	0	0
Compensated Absences Payable	13,848	0	0	0
Interfund Payable	0	10,451	0	0
Intergovernmental Payable	161,626	13,501	0	0
Deferred Revenue	1,384,915	85,616	190,591	0
Undistributed Monies	0	0	0	0
Claims Payable	0	0	0	0
Capital Leases Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
	<u>2,173,438</u>	<u>192,378</u>	<u>190,591</u>	<u>15,168</u>
Total Liabilities				
	<u>2,173,438</u>	<u>192,378</u>	<u>190,591</u>	<u>15,168</u>
<b><u>Fund Equity and Other Credits:</u></b>				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	256,176	33,789	0	1,782
Reserved for Property Taxes	146,211	3,329	21,893	0
Reserved for Budget Stabilization	34,401	0	0	0
Reserved for Textbooks	112,460	0	0	0
Reserved for Capital Acquisition	42,493	0	0	0
Unreserved:				
Undesignated	1,052,501	118,471	139,512	378,936
	<u>1,052,501</u>	<u>118,471</u>	<u>139,512</u>	<u>378,936</u>
Total Fund Equity and Other Credits	<u>1,644,242</u>	<u>155,589</u>	<u>161,405</u>	<u>380,718</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$3,817,680</u>	<u>\$347,967</u>	<u>\$351,996</u>	<u>\$395,886</u>

See accompanying notes to the general purpose financial statements

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Internal Service	Trust and Agency			
\$0	\$0	\$0	\$0	\$14,777
0	0	0	0	15,168
0	0	0	0	681,082
0	0	0	554,354	568,202
0	0	0	0	10,451
0	0	0	91,363	266,490
0	0	0	0	1,661,122
0	22,862	0	0	22,862
92,336	0	0	0	92,336
0	0	0	128,538	128,538
0	0	0	2,530,000	2,530,000
<u>92,336</u>	<u>22,862</u>	<u>0</u>	<u>3,304,255</u>	<u>5,991,028</u>
0	0	25,301,557	0	25,301,557
102,512	0	0	0	102,512
0	0	0	0	291,747
0	0	0	0	171,433
0	0	0	0	34,401
0	0	0	0	112,460
0	0	0	0	42,493
0	1,054	0	0	1,690,474
<u>102,512</u>	<u>1,054</u>	<u>25,301,557</u>	<u>0</u>	<u>27,747,077</u>
<u>\$194,848</u>	<u>\$23,916</u>	<u>\$25,301,557</u>	<u>\$3,304,255</u>	<u>\$33,738,105</u>

**Adena Local School District**  
 Combined Statement of Revenues, Expenditures  
 and Changes in Fund Balances  
 All Governmental Fund Types and Expendable Trust Fund  
 For the Fiscal Year Ended June 30, 2003

	Governmental Fund Types				Fiduciary	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Fund Type Expendable Trust	
<b>Revenues:</b>						
Property Taxes	\$1,511,239	\$32,461	\$210,833	\$0	\$0	\$1,754,533
Intergovernmental	6,199,092	736,354	26,202	107,059	0	7,068,707
Interest	58,280	165	839	10,892	0	70,176
Tuition and Fees	28,307	0	0	0	0	28,307
Extracurricular Activities	25,774	147,677	0	0	0	173,451
Gifts and Donations	1,316	9,494	0	0	2,554	13,364
Customer Services	179	246,472	0	0	0	246,651
Miscellaneous	175,799	814	5,067	0	0	181,680
<b>Total Revenues</b>	<b>7,999,986</b>	<b>1,173,437</b>	<b>242,941</b>	<b>117,951</b>	<b>2,554</b>	<b>9,536,869</b>
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular	3,994,978	157,077	0	30,900	0	4,182,955
Special	403,444	383,858	0	0	0	787,302
Vocational	4,278	0	0	0	0	4,278
Support Services:						
Pupils	257,260	8,821	0	0	2,834	268,915
Instructional Staff	365,334	128,802	0	7,701	0	501,837
Board of Education	33,305	0	0	0	0	33,305
Administration	766,121	7,910	0	0	0	774,031
Fiscal	231,590	762	4,923	0	0	237,275
Operation and Maintenance of Plant	816,634	0	0	0	0	816,634
Pupil Transportation	629,055	0	0	0	0	629,055
Central	121,619	0	0	0	0	121,619
Non-Instructional Services	1,140	336,116	0	0	0	337,256
Extracurricular Activities	137,767	145,540	0	0	0	283,307
Capital Outlay	152,499	7,200	0	808,238	0	967,937
Debt Service:						
Principal Retirement	25,921	0	75,000	0	0	100,921
Interest and Fiscal Charges	5,103	0	141,755	0	0	146,858
<b>Total Expenditures</b>	<b>7,946,048</b>	<b>1,176,086</b>	<b>221,678</b>	<b>846,839</b>	<b>2,834</b>	<b>10,193,485</b>
Excess of Revenues Over (Under) Expenditures	53,938	(2,649)	21,263	(728,888)	(280)	(656,616)
<b>Other Financing Sources:</b>						
Proceeds from Sale of Fixed Assets	9,645	0	0	0	0	9,645
Inception of Capital Lease	102,300	0	0	0	0	102,300
<b>Total Other Financing Sources</b>	<b>111,945</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>111,945</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	165,883	(2,649)	21,263	(728,888)	(280)	(544,671)
Fund Balances at Beginning of Year	1,478,359	158,238	140,142	1,109,606	1,334	2,887,679
Fund Balances at End of Year	\$1,644,242	\$155,589	\$161,405	\$380,718	\$1,054	\$2,343,008

See accompanying notes to the general purpose financial statements

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**Adena Local School District**  
 Combined Statement of Revenues, Expenditures and  
 Changes in Fund Balances - Budget and Actual (Non-GAAP-Budget Basis)  
 All Governmental Fund Types and Expendable Trust Fund  
 For the Fiscal Year Ended June 30, 2003

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>						
Property Taxes	\$1,471,484	\$1,471,484	\$0	\$31,554	\$31,554	\$0
Intergovernmental	6,179,214	6,179,214	0	927,132	927,132	0
Interest	58,289	58,289	0	165	165	0
Tuition and Fees	27,883	27,883	0	0	0	0
Extracurricular Activities	25,774	25,774	0	147,677	147,677	0
Gifts and Donations	1,316	1,316	0	9,494	9,494	0
Customer Services	179	179	0	355	355	0
Miscellaneous	174,524	174,524	0	814	814	0
<b>Total Revenues</b>	<b>7,938,663</b>	<b>7,938,663</b>	<b>0</b>	<b>1,117,191</b>	<b>1,117,191</b>	<b>0</b>
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular	4,141,271	4,029,443	111,828	156,919	155,623	1,296
Special	428,911	403,912	24,999	384,835	384,835	0
Vocational	4,475	4,367	108	0	0	0
Support Services:						
Pupils	274,408	253,959	20,449	8,821	8,821	0
Instructional Staff	389,695	366,730	22,965	124,837	124,466	371
Board of Education	49,224	39,770	9,454	0	0	0
Administration	820,455	772,388	48,067	7,910	7,910	0
Fiscal	252,278	236,315	15,963	762	762	0
Operation and Maintenance of Plant	1,000,736	913,033	87,703	0	0	0
Pupil Transportation	836,857	737,509	99,348	0	0	0
Central	139,409	119,065	20,344	0	0	0
Non-Instructional Services	1,325	1,241	84	319,847	319,847	0
Extracurricular Activities	162,876	138,038	24,838	160,297	157,797	2,500
Capital Outlay	88,717	72,601	16,116	20,000	20,000	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
<b>Total Expenditures</b>	<b>8,590,637</b>	<b>8,088,371</b>	<b>502,266</b>	<b>1,184,228</b>	<b>1,180,061</b>	<b>4,167</b>
Excess of Revenues Over (Under) Expenditures	(651,974)	(149,708)	502,266	(67,037)	(62,870)	4,167
<b>Other Financing Sources (Uses):</b>						
Proceeds from Sale of Fixed Assets	9,645	9,645	0	0	0	0
Advances - In	6,365	6,365	0	10,451	10,451	0
Advances - Out	(10,451)	(10,451)	0	(6,365)	(6,365)	0
<b>Total Other Financing Sources (Uses)</b>	<b>5,559</b>	<b>5,559</b>	<b>0</b>	<b>4,086</b>	<b>4,086</b>	<b>0</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(646,415)	(144,149)	502,266	(62,951)	(58,784)	4,167
Fund Balances at Beginning of Year	1,840,493	1,840,493	0	224,620	224,620	0
Prior Year Encumbrances Appropriated	219,408	219,408	0	8,059	8,059	0
<b>Fund Balances at End of Year</b>	<b>\$1,413,486</b>	<b>\$1,915,752</b>	<b>\$502,266</b>	<b>\$169,728</b>	<b>\$173,895</b>	<b>\$4,167</b>

See Accompanying notes to the general purpose financial statements

Debt Service Fund			Capital Projects Funds			Expendable Trust Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$204,847	\$204,847	\$0	\$0	\$0	\$0	\$0	\$0	\$0
26,202	26,202	0	107,059	107,059	0	0	0	0
839	839	0	10,892	10,892	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	2,554	2,554	0
0	0	0	0	0	0	0	0	0
5,067	5,067	0	0	0	0	0	0	0
<u>236,955</u>	<u>236,955</u>	<u>0</u>	<u>117,951</u>	<u>117,951</u>	<u>0</u>	<u>2,554</u>	<u>2,554</u>	<u>0</u>
0	0	0	48,255	31,099	17,156	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	250	250	0	3,738	2,834	904
0	0	0	13,650	11,206	2,444	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
4,923	4,923	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	1,230,407	980,032	250,375	0	0	0
75,000	75,000	0	0	0	0	0	0	0
<u>141,755</u>	<u>141,755</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>221,678</u>	<u>221,678</u>	<u>0</u>	<u>1,292,562</u>	<u>1,022,587</u>	<u>269,975</u>	<u>3,738</u>	<u>2,834</u>	<u>904</u>
<u>15,277</u>	<u>15,277</u>	<u>0</u>	<u>(1,174,611)</u>	<u>(904,636)</u>	<u>269,975</u>	<u>(1,184)</u>	<u>(280)</u>	<u>904</u>
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
15,277	15,277	0	(1,174,611)	(904,636)	269,975	(1,184)	(280)	904
124,235	124,235	0	643,607	643,607	0	1,334	1,334	0
0	0	0	637,930	637,930	0	0	0	0
<u>\$139,512</u>	<u>\$139,512</u>	<u>\$0</u>	<u>\$106,926</u>	<u>\$376,901</u>	<u>\$269,975</u>	<u>\$150</u>	<u>\$1,054</u>	<u>\$904</u>

Totals Memorandum Only		
Revised Budget	Actual	Variance Favorable (Unfavorable)
\$1,707,885	\$1,707,885	\$0
7,239,607	7,239,607	0
70,185	70,185	0
27,883	27,883	0
173,451	173,451	0
13,364	13,364	0
534	534	0
180,405	180,405	0
<u>9,413,314</u>	<u>9,413,314</u>	<u>0</u>
4,346,445	4,216,165	130,280
813,746	788,747	24,999
4,475	4,367	108
287,217	265,864	21,353
528,182	502,402	25,780
49,224	39,770	9,454
828,365	780,298	48,067
257,963	242,000	15,963
1,000,736	913,033	87,703
836,857	737,509	99,348
139,409	119,065	20,344
321,172	321,088	84
323,173	295,835	27,338
1,339,124	1,072,633	266,491
75,000	75,000	0
141,755	141,755	0
<u>11,292,843</u>	<u>10,515,531</u>	<u>777,312</u>
<u>(1,879,529)</u>	<u>(1,102,217)</u>	<u>777,312</u>
9,645	9,645	0
16,816	16,816	0
(16,816)	(16,816)	0
<u>9,645</u>	<u>9,645</u>	<u>0</u>
(1,869,884)	(1,092,572)	777,312
2,834,289	2,834,289	0
865,397	865,397	0
<u>\$1,829,802</u>	<u>\$2,607,114</u>	<u>\$777,312</u>



**Adena Local School District**  
Statement of Revenues,  
Expenses and Changes in Retained Earnings  
Internal Service Fund  
For the Fiscal Year Ended June 30, 2003

	Self- Insurance
<b><u>Operating Revenues:</u></b>	
Charges for Services	\$986,742
<b><u>Operating Expenses:</u></b>	
Purchased Services	152,068
Claims	530,662
Total Operating Expenses	682,730
Net Income	304,012
Retained Earnings (Deficit) at Beginning of Year	(201,500)
Retained Earnings at End of Year	\$102,512

See accompanying notes to the general purpose financial statements

**Adena Local School District**  
Statement of Revenues, Expenses and  
Changes in Fund Equity - Budget and Actual (Non-GAAP-Budget Basis)  
Internal Service Fund  
For the Fiscal Year Ended June 30, 2003

	Self-Insurance		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b><i>Revenues:</i></b>			
Charges for Services	\$153,832	\$153,832	\$0
<b><i>Expenses:</i></b>			
Purchased Services	69,415	68,528	887
Excess of Revenues Over Expenses	84,417	85,304	887
Fund Equity at Beginning of Year	31,594	31,594	0
Prior Year Encumbrances Appropriated	665	665	0
Fund Equity at End of Year	\$116,676	\$117,563	\$887

See accompanying notes to the general purpose financial statements

**Adena Local School District**  
Statement of Cash Flows  
Internal Service Fund  
For the Fiscal Year Ended June 30, 2003

***Increase (Decrease) in Cash and Cash Equivalents:***

**Cash Flows from Operating Activities:**

**Self-Insurance**

Cash Received from Quasi-External Transactions with Other Funds	\$986,742
Cash Payments for Services	(152,068)
Cash Payments for Claims	<u>(557,219)</u>
 Net Cash Provided by Operating Activities	 <u>277,455</u>

**Cash Flows from Noncapital Financing Activities:**

Short-Term Loans to Other Governments	(36,479)
Payments Made to Other Governments	<u>(114,866)</u>
 Net Cash Used For Noncapital Financing Activities	 <u>(151,345)</u>

Net Increase in Cash and Cash Equivalents	126,110
 Cash and Cash Equivalents at Beginning of Year	 <u>32,259</u>
 Cash and Cash Equivalents at End of Year	 <u><u>\$158,369</u></u>

***Reconciliation of Operating Income to Net***

**Cash Provided by Operating Activities:**

Operating Income	\$304,012
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***Adjustments to Reconcile Operating Income to***

**Net Cash Provided by Operating Activities:**

Changes in Assets and Liabilities:	
Decrease in Claims Payable	<u>(26,557)</u>
 Net Cash Provided by Operating Activities	 <u><u>\$277,455</u></u>

See accompanying notes to the general purpose financial statements

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**ADENA LOCAL SCHOOL DISTRICT  
ROSS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

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

The School District was established in 1965 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 123 square miles. It is located in Ross County, and includes all of the Villages of Clarksburg and Frankfort, and portions of Concord, Deerfield and Union Townships. It is staffed by 52 non-certificated employees, 78 certificated full-time teaching personnel and 5 administrative employees who provide services to 1,248 students and other community members. The School District currently operates one instructional building.

*Reporting Entity:*

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

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

The School District participates in seven organizations, four of which are defined as jointly governed organizations, one as a claims servicing pool, and two as insurance purchasing pools. These organizations are the South Central Ohio Computer Association, the Pickaway-Ross County Career and Technology Center, the Great Seal Education Network of Tomorrow, the Pilasco-Ross Special Education Regional Research Center, the Ross County School Employees Insurance Consortium, the Ohio School Boards Association Workers' Compensation Group Rating Plan, and the Ohio School Plan. These organizations are presented in Notes 16 and 17 to the general purpose financial statements.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Adena Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

**ADENA LOCAL SCHOOL DISTRICT  
ROSS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Basis Of Presentation - Fund Accounting**

The School 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 School 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 School 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 School District are financed. The acquisition, use, and balances of the School 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 School District's governmental fund types:

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

*Special Revenue Funds* - The 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 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 School District's ongoing activities which are similar to those found in the private sector. The following is the School District's only proprietary fund type:

*Internal Service Fund* - The Internal Service Fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis.

**ADENA LOCAL SCHOOL DISTRICT  
ROSS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

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**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 School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds are agency funds and an expendable trust fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The expendable trust fund is accounted for in essentially the same manner as governmental funds.

*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 School 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 School 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 and the expendable trust fund 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.

The proprietary fund is 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. The School District has no contributed capital. Proprietary fund operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental, expendable trust and agency funds. The full accrual basis of accounting is followed for the proprietary fund.

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

**ADENA LOCAL SCHOOL DISTRICT  
ROSS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

(Continued)

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Measurement Focus and Basis of Accounting (Continued)**

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6.) Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, accounts, and grants.

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On a modified accrual basis, receivables that will not be collected within the available period have also been reported 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 governmental funds.

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

**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 fiscal year with the legal restriction that appropriations, by fund, cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The Self-Insurance Internal Service fund has only the dental insurance portion of the fund budgeted and shown as part of the School District's cash activity; the medical insurance activity is handled by a fiscal agent and is not budgeted within the Internal Service Fund. The legal level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education. The Treasurer is authorized to further allocate appropriations to the function and object level for all funds.

*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.



**ADENA LOCAL SCHOOL DISTRICT  
ROSS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Budgetary Process (Continued)**

By no later than January 20, the Board-adopted budget is filed with the Ross County Budget Commission for rate determination.

*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 School 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 School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the amended certificate in effect at the time the final appropriations were passed.

*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 is legally enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The total of expenditures and encumbrances may not exceed the appropriation totals at the legal level of control.

The Board of Education 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, three 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 passed during the year, including all supplemental appropriations. Formal budgetary integration is employed as a management control device by the Board of Education during the year for all funds other than agency funds and the dental portion of the self-insurance fund, at the function level.

*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. 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 the proprietary fund.

**ADENA LOCAL SCHOOL DISTRICT  
ROSS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

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**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 School District is pooled. Monies for all funds, including the proprietary fund, are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

The School District participates in a claims servicing pool that pays employee health insurance claims on the School District's behalf. The balance of the School District's funds held by the claims administrator and the fiscal agent at June 30, 2003, is presented as "Cash and Cash Equivalents with Fiscal Agents" on the balance sheet.

During fiscal year 2003, the School District's investments were limited to the State Treasury Assets Reserve of Ohio (STAR Ohio), a certificate of deposit, and a money market account. Investments are reported at fair value which is based on quoted market prices.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio 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 STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2003.

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 2003 amounted to \$58,280 which includes \$24,727 assigned from other School District funds.

For purposes of the 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 School District are considered to be cash equivalents.

**E. Inventory**

Inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

Inventory consists of expendable supplies held for consumption.

**F. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2003, 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 is reported in the year in which services are consumed.

**ADENA LOCAL SCHOOL DISTRICT  
ROSS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. 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. 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 School District maintains a capitalization threshold of five hundred dollars. The School District does not have any infrastructure or proprietary fund fixed assets.

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.

Assets in the general fixed assets account group are depreciated and computed using the straight-line method over the estimated useful lives of the assets as follows:

Buildings	50 years
Improvements other than buildings	7 - 30 years
Furniture, fixtures and equipment	5 - 20 years
Vehicles	7 - 8 years

**H. Interfund Assets/Liabilities**

Short-term interfund loans are classified as "Interfund Receivables" and "Interfund Payables."

**I. Compensated Absences**

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School 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 School District's termination policy. The School District records a liability for accumulated unused sick leave for classified and certified employees and administrators after fifteen years of service.

For governmental funds, 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.

**ADENA LOCAL SCHOOL DISTRICT  
ROSS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**J. 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, compensated absences and contractually required pension contributions 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 fiscal year-end are considered not to have used current available financial resources. Bonds and capital leases are reported as a liability of the General Long-Term Obligations Account Group until due.

Obligations financed by the proprietary fund are reported as liabilities within that fund.

**K. 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.

**L. Restricted Assets**

Restricted assets in the General Fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets represent unexpended amounts required by statute to be set aside by the School District for the creation of a reserve for budget stabilization, the purchase of textbooks, and for the acquisition or construction of capital assets. The reserve for budget stabilization consists of Bureau of Workers' Compensation refunds. See Note 15 for additional information regarding set-asides.

**M. Fund Balance Reserves**

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The reserve for budget stabilization is money required to be set aside by State statute to protect against cyclical changes in revenues and expenditures.

**N. Estimates**

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

**ADENA LOCAL SCHOOL DISTRICT  
ROSS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

(Continued)

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**O. Total Columns on General Purpose Financial Statements**

Total columns on the general purpose financial statements are captioned "Totals - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations 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 - ACCOUNTABILITY**

At June 30, 2003, the Food Service, Disadvantage Pupil Impact Aid, Summer Intervention, Title VI-B, Chapter I, and Title VI-R Special Revenue Funds have deficit fund balances of \$9,611, \$71, \$2,911, \$5,279, \$16,699, and \$4,087, respectively, which were created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balances/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 and Actual (Non GAAP-Budget Basis) - All Governmental Fund Types and Expendable Trust Fund and the Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Non GAAP- Budget Basis) - Internal Service Fund are 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/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).
4. The School District does not budget for the activities of the fiscal agent who collects and holds assets used for the payment of medical claims. However, the activities of the fiscal agent are included in the internal service fund for GAAP reporting purposes.
5. Advances In and Advances Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
6. Unrecorded cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statements.

**ADENA LOCAL SCHOOL DISTRICT  
ROSS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(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  
All Governmental Fund Types and Expendable Trust Fund

	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
GAAP Basis	\$165,883	(\$2,649)	\$21,263	(\$728,888)	(\$280)
Revenue Accruals	(163,632)	(56,246)	(5,986)	(124,609)	0
Expenditure Accruals	141,757	32,960	0	(158,798)	0
Unrecorded Cash-FY03	(61)	0	0	0	0
Unrecorded Cash-FY02	70	0	0	124,609	0
Advances	(4,086)	4,086	0	0	0
Encumbrances	(284,080)	(36,935)	0	(16,950)	0
Budget Basis	<u>(\$144,149)</u>	<u>(\$58,784)</u>	<u>\$15,277</u>	<u>(\$904,636)</u>	<u>(\$280)</u>

Net Income/Excess of Revenues  
Over Expenses  
Internal Service Fund

GAAP Basis	\$304,012
Revenue Accruals	(832,910)
Expenditure Accruals	621,374
Encumbrances	(7,172)
Budget Basis	<u>\$85,304</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 withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

**ADENA LOCAL SCHOOL DISTRICT  
ROSS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

(Continued)

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**NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)**

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

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

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

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of tax exempt 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.

**ADENA LOCAL SCHOOL DISTRICT  
ROSS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)**

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

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

*Deposits:* At fiscal year-end, the carrying amount of the School District's deposits was \$2,031,567 and the bank balance was \$2,093,990. Of the bank balance, \$200,000 was covered by federal depository insurance and \$1,893,990 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 could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

*Investments:* The School District's investments in STAROhio, an investment pool operated by the Ohio State Treasurer, are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Carrying/ Fair Value
STAROhio	<u>\$1,094,804</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, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that use Proprietary Fund Accounting."

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classification of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$3,126,371	\$0
Investments		
STAROhio	(1,094,804)	1,094,804
GASB Statement No. 3	<u>\$2,031,567</u>	<u>\$1,094,804</u>



**ADENA LOCAL SCHOOL DISTRICT  
ROSS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

(Continued)

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**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2003 represents collections of calendar year 2002 taxes. Real property taxes received in calendar year 2003 were levied after April 1, 2002, on the assessed value listed as of January 1, 2002, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2003 represents collections of calendar year 2002 taxes. Public utility real and tangible personal property taxes received in calendar year 2003 became a lien December 31, 2001, were levied after April 1, 2002 and are collected in 2003 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2003 (other than public utility property) represents the collection of 2003 taxes. Tangible personal property taxes received in calendar year 2003 were levied after April 1, 2002, on the value as of December 31, 2002. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Ross County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2003, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2003 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2003, was \$146,211 in the General Fund, \$3,329 in the Classroom Facilities Maintenance Special Revenue Fund, and \$21,893 in the Debt Service Fund. The amount available as an advance at June 30, 2002, was \$106,456 in the General Fund, \$2,422 in the Classroom Facilities Maintenance Special Revenue Fund, and \$15,907 in the Debt Service fund.

**ADENA LOCAL SCHOOL DISTRICT  
ROSS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**NOTE 6 - PROPERTY TAXES (Continued)**

The assessed values upon which the fiscal year 2003 taxes were collected are:

	2002 Second- Half Collections		2003 First- Half Collections	
	Amount	Percent	Amount	Percent
Agicultural/Residential and Other Real Estate	\$66,739,880	91.52%	\$68,945,180	90.21%
Public Utility	4,555,000	6.25%	5,100,920	6.68%
Tangible Personal Property	1,628,470	2.23%	2,378,840	3.11%
Total Assessed Value	\$72,923,350	100.00%	\$76,424,940	100.00%
 Tax rate per \$1000 of assessed valuation	 \$37.30		 \$37.30	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2003, consisted of property taxes, accounts, intergovernmental grants, and interfund. 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.

A summary of intergovernmental receivables follows:

	Amounts
General Fund:	
Overfunding of SERS and STRS	\$19,878
American Council on Education	1,250
Total General Fund	21,128
 Special Revenue:	
Title VI-B	10,373
Chapter I	48,101
Title VI-R	36,506
Total Special Revenue	94,980
 Internal Service Fund:	
Short-Term Loans to Other Governments	36,479
Total All Funds	\$152,587

**ADENA LOCAL SCHOOL DISTRICT  
ROSS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**NOTE 8 - FIXED ASSETS**

A summary of the changes in general fixed assets during fiscal year 2003 follows:

<u>Asset Category</u>	<u>Balance at 6/30/02</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 6/30/03</u>
Land and Land Improvements	\$3,327,445	\$60,699	\$0	\$3,388,144
Building and Building Improvements	21,090,468	0	0	21,090,468
Furniture, Fixtures and Equipment	2,505,699	294,430	132,067	2,668,062
Vehicles	741,550	67,080	0	808,630
Total	<u>\$27,665,162</u>	<u>\$422,209</u>	<u>\$132,067</u>	<u>27,955,304</u>
Less: Accumulated Depreciation				<u>(2,653,747)</u>
Net General Fixed Assets				<u>\$25,301,557</u>

**NOTE 9 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2003 the School District contracted with Indiana Insurance for fleet insurance, liability insurance, and inland marine coverage, and property insurance. Insurance coverage provided is as follows:

Building and Contents - replacement cost (\$250 deductible)	\$23,551,752
Inland Marine Coverage	
Athletics (\$50 deductible)	18,500
Video Equipment (\$100 deductible)	4,250
Band Equipment (\$100 deductible)	128,810
EDP Equipment (\$250 deductible)	583,830
Crime Insurance	
Frankfort Schools	5,000
Automobile Liability-Comprehensive	2,000,000
Uninsured Motorists (\$500 deductible)	
Each Person	1,000,000
Each Accident	1,000,000
General Liability	
Per occurrence	1,000,000
Total per year	3,000,000

During fiscal year 2003, the School District participated in the Ohio School Plan (OSP), an insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The District pays this annual premium to the OSP. (See Note 17)

**ADENA LOCAL SCHOOL DISTRICT  
ROSS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

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**NOTE 9 - RISK MANAGEMENT (Continued)**

The types and amounts of coverage provided by the Ohio School Plan are as follows:

General Liability:

Bodily Injury and Property Damage - Each Occurrence Limit and Sexual Abuse Injury - Each Sexual Abuse Offense Limit	\$1,000,000
Personal and Advertising Injury - Each Offense Limit	1,000,000
Fire Damage - Any One Event Limit	500,000
Medical Expense - Any One Person Limit	10,000
Medical Expense - Each Accident Limit	10,000
General Aggregate Limit	3,000,000
Products - Completed Operations Limit	1,000,000
Employee Benefits Liability Endorsement:	
Employee Benefits Injury - Each Offense Limit	1,000,000
Employee Benefits Injury - Aggregate Limit	3,000,000
Employer's Liability and Stop Gap Endorsement:	
Bodily Injury by Accident - Each Accident Limit	1,000,000
Bodily Injury by Disease - Endorsement Limit	1,000,000
Bodily Injury by Disease - Each Employee Limit	1,000,000
Educational Legal Liability Coverage (\$2,500 deductible):	
Errors and Omissions Injury Limit	1,000,000
Errors and Omissions Injury Aggregate Limit	2,000,000
Employment Practices Injury Limit	1,000,000
Employment Practices Injury Aggregate Limit	2,000,000
Defense Costs Cap	1,000,000
Defense Costs Aggregate Cap	1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been a significant change in insurance coverage due to a change in insurance provider.

For fiscal year 2003 the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. 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 GRP. 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 performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

**ADENA LOCAL SCHOOL DISTRICT  
ROSS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**NOTE 9 - RISK MANAGEMENT (Continued)**

Medical/surgical and dental insurance is offered to employees through a self-insurance internal service fund. The School District is a member the Ross County School Employees Insurance Consortium, a claims servicing pool (see Note 17), consisting of sixteen school districts within Ross County and its surrounding area, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. The claims liability of \$92,336 reported in the internal service fund at June 30, 2003, is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 30, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported.

The estimate was not affected by incremental claims adjustment expenses and does not include other allocated or unallocated claims adjustment expenses. Changes in claims activity for the past two fiscal years are as follows:

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2002	\$110,017	\$626,178	\$617,302	\$118,893
2003	118,893	530,662	557,219	92,336

**NOTE 10 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$126,151, \$49,558, and \$37,730, respectively; 53.46 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. \$58,717, representing the unpaid contribution for fiscal year 2003, is recorded as a liability within the respective funds and the general long-term obligations account group.

**ADENA LOCAL SCHOOL DISTRICT  
ROSS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

(Continued)

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**NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)**

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

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

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

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

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2002, the portion used to fund pension obligations was 9.5 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2003, 2002, and 2001 were \$521,476, \$308,601, and \$373,229, respectively; 83.56 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. Contributions to the DC and Combined Plans for fiscal year 2003 were \$386 made by the School District and \$439 made by the plan members.

**ADENA LOCAL SCHOOL DISTRICT  
ROSS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

(Continued)

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**NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)**

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2003, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**NOTE 11 - POSTEMPLOYMENT BENEFITS**

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

All STRS Ohio benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2003, the STRS Ohio Board allocated employer contributions equal to 1.0 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$40,114 for fiscal year 2003.

STRS Ohio pays health care benefits from the Health Care Reserve Fund. At June 30, 2002, (the latest information available) the balance in the Fund was \$3.011 billion. For the year ended June 30, 2002, net health care costs paid by STRS Ohio were \$354,697,000 and STRS Ohio had 105,300 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2003, employer contributions to fund health care benefits were 5.83 percent of covered payroll, a decrease of 2.71 percent from fiscal year 2002. 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 2003, the minimum pay was established at \$14,500. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2003 fiscal year equaled \$123,617.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2002 (the latest information available), were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**ADENA LOCAL SCHOOL DISTRICT  
ROSS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

(Continued)

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**NOTE 12 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits 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 up to a maximum of two years' accumulated vacation days. 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 250 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 47 days for classified and certified employees.

**B. Life Insurance**

The School District provides life insurance to most employees through United States Life Insurance Company.

**C. Deferred Compensation**

School District employees may participate in the Ohio Public Employees Deferred Compensation Plan. This plan was created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death, or an unforeseeable emergency.

**NOTE 13 - CAPITAL LEASES - LESSEE DISCLOSURE**

During fiscal year 2003 and in prior years, the School District has entered into capitalized leases for the acquisition of reproduction equipment. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

General fixed assets consisting of reproduction equipment have been capitalized in the general fixed assets account group in the amount of \$156,328. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the General Long-Term Obligations Account Group. The School District entered into a new lease prior to the full retirement of an existing lease. Therefore, the balance of \$18,195 remaining on the old leases was eliminated on the financial statements upon entering into the new leases. Principal payments in fiscal year 2003 totaled \$25,921 in the General Fund.



**ADENA LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**NOTE 13 - CAPITAL LEASES - LESSEE DISCLOSURE (Continued)**

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2003.

Fiscal Year Ending June 30	GLTDAG
2004	\$36,240
2005	36,239
2006	36,239
2007	23,306
2008	19,422
Total	151,446
Less: Amount Representing Interest	(22,908)
Present Value of Minimum Lease Payments	\$128,538

**NOTE 14 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2003 were as follows:

	Outstanding 6/30/2002	Additions	Deduction	Outstanding 6/30/2003
1999 School Improvement Bonds				
5.36%	\$2,605,000	\$0	\$75,000	\$2,530,000
Compensated Absences Payable	532,319	22,035	0	554,354
Pension Obligation	57,229	91,363	57,229	91,363
Capital Leases Payable	70,354	102,300	44,116	128,538
Total General Long-Term Obligations	\$3,264,902	\$215,698	\$176,345	\$3,304,255

*1999 School Improvement Bonds* - In fiscal year 2000, the School District issued \$2,878,000 in voted general obligation bonds for the purpose of the construction of a new education complex. The bonds were issued for a twenty-three year period with final maturity at December 1, 2021. The bonds will be retired from the Debt Service Fund.

The serial bonds, issued at \$1,768,000 with bonds maturing on December 1, 2010, December 1, 2011, December 1, 2019 and December 1, 2021 are subject to optional redemption, in whole or in part on any date and by lot within a maturity, at the option of the School District on or after December 1, 2009 as follows:

Redemption Dates	Redemption Price
December 1, 2009 through November 30, 2010	101%
December 1, 2010 and thereafter	100

**ADENA LOCAL SCHOOL DISTRICT  
ROSS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**NOTE 14 - LONG-TERM OBLIGATIONS (Continued)**

The term bonds, issued at \$1,110,000, maturing on December 1, 2018 to December 1, 2021 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed plus accrued interest to the date of redemption, on December 1, in the years and in the respective principal amounts as follows:

Fiscal Year Ending June 30,	Amount
2017	\$160,000
2018	170,000
2019	180,000
2020	190,000
2021	200,000
2022	230,000
Total	<u><u>\$1,130,000</u></u>

Compensated absences and the pension obligation will be paid from the funds from which the employees' salaries are paid. Capital leases will be paid from the General Fund.

The School District's overall legal debt margin was \$4,509,650 with an unvoted debt margin of \$76,425 at June 30, 2003.

Principal and interest requirements to retire the School Improvement Bonds outstanding at June 30, 2003, are as follows:

Fiscal Year Ending June 30,	Serial Bond Principal	Serial Bond Interest	Term Bond Principal	Term Bond Interest	Total
2004	\$80,000	\$78,663	\$0	\$61,460	\$220,123
2005	85,000	75,122	0	61,460	221,582
2006	90,000	71,255	0	61,460	222,715
2007	90,000	67,070	0	61,460	218,530
2008	95,000	62,795	0	61,460	219,255
2009-2013	560,000	237,600	0	307,300	1,104,900
2014-2018	420,000	56,760	330,000	298,500	1,105,260
2019-2022	0	0	780,000	111,440	891,440
Total	<u><u>\$1,420,000</u></u>	<u><u>\$649,265</u></u>	<u><u>\$1,110,000</u></u>	<u><u>\$1,024,540</u></u>	<u><u>\$4,203,805</u></u>

**ADENA LOCAL SCHOOL DISTRICT  
ROSS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**NOTE 15 - SET-ASIDE CALCULATIONS**

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

For the fiscal year ended June 30, 2003, the School District was no longer required to set aside funds in the budget reserve set-aside, with the exception of monies received from the Bureau of Workers' Compensation, which must be retained for budget stabilization or spent for specified purposes. This amount is shown as Reserved for Budget Stabilization on the balance sheet in the amount of \$34,401.

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

	Budget Stabilization	Textbooks	Capital Acquisition
Set-aside Cash Reserve as of June 30, 2003	\$34,401	\$81,857	\$27,177
Current Year Set-aside Requirement	0	155,092	155,092
Current Year Offsets	0	0	(32,706)
Qualifying Disbursements	0	(124,489)	(107,070)
Set-aside Balance Carried Forward to Future Fiscal Years	\$34,401	\$112,460	\$42,493

The total reserve balance for the three set-asides at the end of the fiscal year was \$189,354.

**NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS**

*South Central Ohio Computer Association* - The School District is a participant in the South Central Ohio Computer Association (SCOCA) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Highland, Adams, Pike, Scioto, Brown, Jackson Vinton, Ross and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each county in the SCOCA service region designated by the Ohio Department of Education, two representatives of the school treasurers, plus a representative of the fiscal agent. The School District paid SCOCA \$50,085 for services provided during the year. Financial information can be obtained from their fiscal agent, the Pike County Joint Vocational School District, Tonya Cooper, who serves as Treasurer, at P. O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

*Pickaway-Ross County Career and Technology Center* - The Pickaway-Ross County Career and Technology Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of eleven representatives from the various City and County Boards within Pickaway and Ross Counties, each of which possesses its own budgeting and taxing authority. The School District paid \$4,611 for services provided during the year. To obtain financial information write to the Pickaway-Ross County Career and Technology Center, Ben Van Horn who serves as Treasurer, at 895 Crouse Chapel Road, Chillicothe, Ohio 45601.

**ADENA LOCAL SCHOOL DISTRICT  
ROSS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

(Continued)

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**NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS** (Continued)

*Great Seal Education Network of Tomorrow* - The Great Seal Education Network of Tomorrow is a regional council of governments (the "Council") consisting of twelve city, local, and joint vocational school districts, two educational service centers and the Ohio University-Chillicothe Campus for the purpose of promoting the use of advanced telecommunications and technology to provide enhanced educational opportunities to the communities of Ross and Pickaway Counties. The Council is operated under the direction of a Board of Directors consisting of one representative (the superintendent or another person appointed by the board of education) of each of the members, each of which possess its own budgeting and taxing authority. To obtain financial information, write to the Ohio University-Chillicothe Campus, who acts as fiscal agent, at 571 West Fifth Street, Chillicothe, Ohio 45601.

*Pilasco-Ross Special Education Regional Resource Center* - The Pilasco-Ross Special Education Regional Resource Center (SERRC) is a special education service center which represents Lawrence, Pike, Ross and Scioto Counties. The SERRC selects its own governing 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 composed of superintendents of participating schools, parents of children with disabilities, representatives of county boards of MR/DD, Joint Vocational Schools, Pickaway-Ross County Career and Technology Center, Shawnee State University, and Pike-Ross, Lawrence and South Central Ohio Educational Service Centers, whose terms rotate every year. The degree of control exercised by any participating school district is limited to its representation on the Board. The Portsmouth City School District's superintendent is on the SERRC Board. The fiscal agent for the SERRC is Dawson-Bryant Local School District. Financial information can be obtained by contacting Jim Tordiff, Director of Pilasco-Ross, at the South Central Ohio Educational Service Center, 411 Court Street, Portsmouth, Ohio 45662.

**NOTE 17 - CLAIMS SERVICING AND INSURANCE PURCHASING POOLS**

*Ross County School Employees Insurance Consortium* - The School District is a member of the Ross County School Employees Insurance Consortium (the "Consortium"), a claims servicing pool consisting of sixteen school districts within Ross County and its surrounding area. The Consortium provides medical/surgical through a third party administrator, Klais and Company, depending on which coverages the individual member district chooses. The Consortium's business and affairs are managed by a Council consisting of one representative for each participating school. The participating school districts pay an administrative fee to the fiscal agent to cover the costs of administering the Consortium. To obtain financial information, write to the Westfall Local School District, Scott Glandon, who serves as Treasurer, at 19463 Pherson Pike, Williamsport, Ohio 43164.

*Ohio School Boards Association Workers' Compensation Group Rating Plan* - The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, 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.

**ADENA LOCAL SCHOOL DISTRICT  
ROSS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**NOTE 17 - CLAIMS SERVICING AND INSURANCE PURCHASING POOLS (Continued)**

*Ohio School Plan* – The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The Ohio School Plan (OSP) is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a fifteen member Board of Directors consisting of school district superintendents and treasurers, as well as the president of Harcum-Hyre Insurance Agency, Inc., and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims. Harcum-Hyre Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools.

**NOTE 18 - INTERFUND ACTIVITY**

As of June 30, 2003, receivables and payables that resulted from various interfund transactions were as follows:

<u>Fund Type/Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General	\$10,451	\$0
Special Revenue:		
District Managed Activities	0	2,590
Summer Intervention	0	2,911
Title VI-B	0	880
Title II-A	0	2,446
Title VI	0	1,284
Miscellaneous Federal Grants	0	340
Total Special Revenue	<u>0</u>	<u>10,451</u>
Total All Funds	<u><u>\$10,451</u></u>	<u><u>\$10,451</u></u>

**NOTE 19 - CONTRACTUAL COMMITMENTS**

As of June 30, 2003, the School District had contractual purchase commitments remaining for the construction of a new K-12 facility as follows:

<u>Contractor</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Balance at June 30, 2003</u>
Fanning/Howey Associates, Inc.	<u><u>\$1,485,159</u></u>	<u><u>\$1,469,991</u></u>	<u><u>\$15,168</u></u>

**ADENA LOCAL SCHOOL DISTRICT  
ROSS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

(Continued)

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**NOTE 20 – STATE SCHOOL FUNDING DECISION**

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

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

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

**NOTE 21 - CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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 School District at June 30, 2003.

**B. Litigation**

The School District is currently not party to any legal proceedings.

ADENA LOCAL SCHOOL DISTRICT  
ROSS COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Number	Federal C.F.D.A. Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed through Ohio Department of Education:</i>						
<i>Child Nutrition Cluster</i>						
Food Donation (See Note "B")	N/A	10.550	\$0	\$13,667	\$0	\$13,667
National School Lunch Program	LL-P1 2002 & LL-P1-2003	10.555	71,360	0	71,360	0
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE-CHILD NUTRITION CLUSTER</b>			<u>71,360</u>	<u>13,667</u>	<u>71,360</u>	<u>13,667</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed through the Ohio Department of Education:</i>						
Title I Grants to Local Education Agencies	C1-S1 2002	84.010	9,876	0	55,559	0
Total Title I Grants to Local Education Agencies	C1-S1 2003	84.010	<u>275,379</u>	<u>0</u>	<u>277,781</u>	<u>0</u>
			285,255	0	333,340	0
Special Education Grants to States	6B-SF 02	84.027	1,122	0	20,497	0
Total Special Education Grants to States	6B-SF 03	84.027	<u>108,987</u>	<u>0</u>	<u>109,861</u>	<u>0</u>
			110,109	0	130,358	0
Safe and Drug Free Schools and Communities	DR-S1-2003	84.186	8,821	0	8,821	0
Continuous Improvement	G2-S9 2001	84.276	(1,453)	0	0	0
Eisenhower Professional Development State Grants	MS-S1-2001	84.281	748	0	748	0
Total Eisenhower Professional Development State Grants	MS-S1-2002	84.281	<u>(3,076)</u>	<u>0</u>	<u>4,132</u>	<u>0</u>
			(2,328)	0	4,880	0
Innovative Educational Program Strategies	C2-S1 2002	84.298	2,599	0	2,599	0
Total Innovative Educational Program Strategies	C2-S1 2003	84.298	<u>7,482</u>	<u>0</u>	<u>7,358</u>	<u>0</u>
			10,081	0	9,957	0
Education Technology State Grant	TJ-S1 2003	84.318	3,546	0	3,552	0
Class Size Reduction	CR-S1 2002	84.340	(3,764)	0	12,713	0
Assistive Technology Infusion Program	AT-S2-2002	84.352	15,674	0	15,843	0
Total Assistive Technology Infusion Programs	AT-S3-2002	84.352	<u>6,819</u>	<u>0</u>	<u>0</u>	<u>0</u>
			22,493	0	15,843	0
Rural Education Grant	RU S1 2003	84.358	14,524	0	14,853	0
Improving Teacher Quality State Grants	TR-S1 2003	84.367	73,581	0	74,807	0
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<u>520,865</u>	<u>0</u>	<u>609,124</u>	<u>0</u>
<b>Total Federal Financial Assistance Awards</b>			<u>\$592,225</u>	<u>\$13,667</u>	<u>\$680,484</u>	<u>\$13,667</u>

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

**ADENA LOCAL SCHOOL DISTRICT  
ROSS COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FISCAL YEAR ENDED JUNE 30, 2003**

**NOTE A--SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B—CHILD NUTRITION CLUSTER**

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

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

**NOTE C- TRANSFERS DUE TO ELIMINATION OF CFDA #**

At the beginning of fiscal year 2003, Ohio Department of Education, (ODE) began to eliminate CFDA #84.340 and #84.281 and created CFDA #84.367. The District actually transferred \$3,076 from CFDA #84.281 and \$3,764 from CFDA #84.340 as approved by the ODE into CFDA #84.367; however the \$3,076 from CFDA#84.281 was offset by a \$748 receipt received during fiscal year 2003, which resulted in the negative receipt on the federal schedule for CFDA #84.281 (\$2,328).

**NOTE D- TRANSFERS DUE TO ODE ADMINISTRATIVE ACTION**

The District transferred funds of \$15,975 between special cost centers during fiscal year 2003 for CFDA #84.186. This was due to the revised Comprehensive Continuous Improvement Plan Strategy (CCIP) as of July, 2002 which is an attempt to promote consistency between fiscal periods, allows the local agencies to manage one ODE project at a time, and eliminates refunds to ODE.

**NOTE E- REFUND OF PRIOR YEAR GRANT TO THE PASS THROUGH**

The District refunded money to the Ohio Department of Education for the Continuous Improvement grant, CFDA #84.276. The period of availability to expend these funds had expired during the school year.





## **Auditor of State Betty Montgomery**

### **INDEPENDENT ACCOUNTANTS' ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Adena Local School District  
Ross County  
3367 County Road 550  
Frankfort, Ohio 45628

To the Board of Education:

We have audited the financial statements of the Adena Local School District, Ross County, Ohio, the District) as of and for the year ended June 30, 2003, and have issued our report thereon dated February 23, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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*.

#### **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.

35 N. Fourth St. / Second Floor / Columbus, OH 43215  
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199  
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This report is intended for the information and use of the audit committee, management, the Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

**Betty Montgomery**  
**Auditor of State**

February 23, 2004



## Auditor of State Betty Montgomery

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

Adena Local School District  
Ross County  
3367 County Road 550  
Frankfort, Ohio 45628

To the Board of Education:

#### Compliance

We have audited the compliance of the Adena Local School District, Ross County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

#### Internal Control Over Compliance

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

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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program 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 compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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

**Betty Montgomery**  
**Auditor of State**

February 23, 2004

**ADENA LOCAL SCHOOL DISTRICT  
ROSS COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 §.505  
JUNE 30, 2003**

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

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Child Nutrition Cluster :CFDA #s 10.550 and 10.555 Special Education Grants to States: CFDA # 84.027
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

**3. FINDINGS FOR FEDERAL AWARDS**

None





**Auditor of State  
Betty Montgomery**

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**ADENA LOCAL SCHOOL DISTRICT**

**ROSS 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  
APRIL 8, 2004**