



Mary Taylor, CPA  
Auditor of State



**ADA EXEMPTED VILLAGE SCHOOL DISTRICT  
HARDIN COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Ada Exempted Village School District  
Hardin County  
725 West North Avenue  
Ada, Ohio 45810

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ada Exempted Village School District, Hardin County, (the District), as of and for the fiscal year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

Ohio Administrative Code § 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Ada Exempted Village School District, Hardin County, as of June 30, 2008, and the respective changes in modified cash financial position and the budgetary comparison for the General Fund thereof for the fiscal year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2008, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

**Mary Taylor, CPA**  
Auditor of State

December 1, 2008

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT  
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED**

The discussion and analysis of the Ada Exempted Village School District's (the District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the District's performance as a whole; readers should also review the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2008 are as follows:

- General Receipts accounted for \$6,739,278, or 46.1% of all revenues.
- Total program expenses were \$17,422,426.
- In total, the District's net assets decreased \$2,794,445 for fiscal year 2008. This decrease was primarily the result of a reduction in capital grants related to the building project and slight increase in overall expenditures.

**Using this Annual Report**

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the District as a whole operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets* and the *Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other non-major funds presented in total in one column. For fiscal year 2008, the General Fund, Auditorium and K-12 Building Fund, the Classroom Facilities Assistance Program (CFAP) New K-12 Building Fund and the Permanent Improvement Fund are the most significant funds.

**Basis of Accounting**

The District has elected to present its financial statements on a modified cash basis of accounting. This modified cash basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The modified cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipt and disbursement transactions.

Essentially, the assets reported on this modified cash receipt and disbursement basis presentation in a statement of net assets will be cash and cash equivalents and investments. The statement of activities reports cash receipts and disbursements, or in other words, the sources and uses of cash and cash equivalents and investments. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the modified cash basis of accounting.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT  
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED  
(Continued)**

**Reporting the District as a Whole**

**Statement of Net Assets and the Statement of Activities**

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2008?" The Statement of Net Assets and the Statement of Activities answer this question.

These two statements report the District's *net assets* and *changes in those assets*. This change in net assets is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio which restrict revenue growth, facility conditions, required educational programs, and other factors.

In the Statement of Net Assets and the Statement of Activities, all of the District activities are presented as governmental activities. All of the District's programs and services are reported here including instruction, support, food services, extracurricular activities, and capital outlay and debt disbursements.

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

**Fund Financial Statements**

The analysis of the District's major funds begins on page 13. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds include the General Fund, the Auditorium and K-12 Building Fund, the CFAP New K-12 Building Fund and the Permanent Improvement Fund.

**Governmental Funds** - The District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using a modified cash basis of accounting. Receipts are recognized when received in cash and disbursements are recognized when paid. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs.

**Reporting the District's Fiduciary Responsibilities**

The District is the trustee, or fiduciary, for some of its scholarship and trust programs. This activity is presented as private purpose trust funds. The District also acts in a trustee capacity as an agent for other funds. These activities are reported in agency funds. The District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 16 and 17, respectively. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT  
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED  
(Continued)**

**The District as a Whole**

The financial statements were prepared on the modified cash basis utilizing the GASB Statement No. 34 format.

Table 1 provides a summary of the District's net assets for fiscal year 2008, as compared to fiscal year 2007:

**(Table 1)**  
**Net Assets – Modified Cash Basis**

	<b>Governmental Activities 2008</b>	<b>Governmental Activities 2007</b>
<b>Assets</b>		
Cash & Cash Equivalents	\$6,064,091	\$8,066,926
Cash & Cash Equivalents with Escrow Agent	333,838	
Investments	509,712	1,635,160
<b>Total Assets</b>	<b>6,907,641</b>	<b>9,702,086</b>
<b>Net Assets</b>		
<b>Restricted:</b>		
Capital Projects	4,826,158	7,815,404
Debt Service	277,517	260,413
<b>Permanent Fund</b>		
Nonexpendable	3,433	3,433
Expendable	3,864	3,683
Other Purposes	406,167	263,465
Unrestricted	1,390,502	1,355,688
<b>Total Net Assets</b>	<b>\$6,907,641</b>	<b>\$9,702,086</b>

Table 2 shows the changes in net assets for fiscal year 2008, as compared to fiscal year 2007.

**(Table 2)**  
**Change in Net Assets – Modified Cash Basis**

	<b>Governmental Activities 2008</b>	<b>Governmental Activities 2007</b>
<b>Receipts</b>		
<b>Program Receipts</b>		
Charges for Services	\$657,574	\$595,666
Operating Grants, Contributions and Interest	826,208	716,151
Capital Grants, Contributions and Interest	6,404,921	9,206,746
<b>General Receipts</b>		
Property Taxes	2,195,735	2,276,770
Income Taxes	713,454	666,142
Grants and Entitlements not Restricted to Specific Programs	3,751,213	3,521,494
Gain on Sale of Capital Asset	-	5,172
Interest	56,719	73,978
Miscellaneous	22,157	17,220
<b>Total Receipts</b>	<b>14,627,981</b>	<b>17,079,339</b>

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT  
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED  
(Continued)**

**(Table 2)  
Change in Net Assets – Modified Cash Basis  
(Continued)**

	<b>Governmental Activities 2008</b>	<b>Governmental Activities 2007</b>
<b>Disbursements</b>		
<b>Program Disbursements</b>		
<b>Instruction:</b>		
Regular	3,631,495	3,375,612
Special	592,125	626,146
Vocational Education	84,325	82,898
Other	21,644	26,358
<b>Support Services:</b>		
Pupil	348,270	317,690
Instructional Staff	298,996	252,009
Board of Education	20,324	20,373
Administration	488,667	509,776
Fiscal	267,928	256,910
Operation and Maintenance of Plant	511,930	476,207
Pupil Transportation	338,984	375,453
Central	1,033	4,806
Food Services	284,527	299,591
Extracurricular Activities	319,773	302,398
Capital Outlay	9,686,313	9,768,085
Repayment of Debt	526,092	518,863
<b>Total Disbursements</b>	<u>17,422,426</u>	<u>17,213,175</u>
 Decrease in Net Assets	 <u>\$(2,794,445)</u>	 <u>\$(133,836)</u>

The school foundation program is the largest source of funding for the District, providing approximately \$3.7 million in 2008. Property tax levies generated approximately \$2.2 million, while the income tax levy generated over \$713,000.

**Governmental Activities**

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT  
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED  
(Continued)**

**(Table 3)  
Governmental Activities**

	2008		2007	
	Total Cost Of Service	Net Cost Of Service	Total Cost Of Service	Net Cost Of Service
<b>Instruction:</b>				
Regular	\$ 3,631,495	\$3,245,383	\$ 3,375,612	\$3,018,394
Special	592,125	250,760	626,146	202,359
Vocational Education	84,325	60,069	82,898	64,248
Other	21,644	21,644	26,358	26,358
<b>Support Services:</b>				
Pupil	348,270	344,838	317,690	315,235
Instructional Staff	298,996	135,838	252,009	226,570
Board of Education	20,324	20,324	20,373	20,373
Administration	488,667	483,667	509,776	504,776
Fiscal	267,928	249,544	256,910	234,126
Operation and Maintenance of Plant	511,930	505,660	476,207	472,341
Pupil Transportation	338,984	331,866	375,453	359,909
Central	1,033	(1,397)	4,806	(2,106)
Food Services	284,527	(60,275)	299,591	(17,476)
Extracurricular Activities	319,773	197,870	302,398	196,953
Capital Outlay	9,686,313	3,284,890	9,768,085	(566,571)
Repayment of Debt	526,092	463,042	518,863	463,817
<b>Total Disbursements</b>	<b>\$17,422,426</b>	<b>\$9,533,723</b>	<b>\$17,213,175</b>	<b>\$6,694,612</b>

Instruction and pupil support services comprise 26.8% of total governmental program expenses. Interest expense was approximately 1.7% of the total governmental expenses and was attributable to the outstanding bonds. Fiscal and administration charges were 4.3% of total governmental program expenses. Fiscal and administrative expenses include fees withheld from property tax receipts by the County Auditor(s) for administrative costs, other administrative services provided to the District, and other operational expenses of the Treasurer's office. Pupil transportation and the operation/maintenance of facilities accounts for 4.9% of governmental program expenses.

The dependence upon tax revenues, property and income, for governmental activities is apparent.

**Governmental Funds**

The District's governmental funds are accounted for using the cash basis of accounting. The District's governmental funds reported a combined fund cash balance of \$6,907,641, which is \$2,794,445 below last year's total of \$9,702,086. This decrease was primarily the result of a reduction in capital grants related to the building project and slight increase in overall expenditures.

**General Fund**

The General Fund, the District's largest major fund, had cash receipts of \$6,626,695 in 2008. The cash disbursements and other financing uses of the general fund, totaled \$6,591,881 in 2008. The General Fund's cash balance increased \$34,814 from 2007 to 2008 which is not significant.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT  
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED  
(Continued)**

**Auditorium & K-12 Building Fund**

The Auditorium & K-12 Building Fund, a District major fund, had cash receipts of \$53,478 in 2008. The Auditorium & K-12 Building Fund had cash disbursements of \$1,342,406 in 2008. The Auditorium & K-12 Building Fund cash balance decreased \$1,288,928 from 2007 to 2008 due an increase in overall expenditures related to the building project.

**CFAP New K-12 Building Fund**

The CFAP New K-12 Building Fund, a District major fund, had cash receipts and other financing sources of \$6,564,453 in 2008. The CFAP New K-12 Building Fund had cash disbursements of \$8,506,170 in 2008. The CFAP New K-12 Building Fund cash balance decreased \$1,941,717 due to a reduction in capital grants related to the building project and an increase in expenditures related to the building project.

**Permanent Improvement Fund**

The Permanent Improvement Fund, a District major fund, had cash receipts and other financing sources of \$462,990 in 2008. The Permanent Improvement Fund had cash disbursements of \$221,590 in 2008. The Permanent Improvement Fund cash balance increased \$241,400 from 2007 to 2008 primarily due to a transfer from the General Fund.

**General Fund Budgeting Highlights**

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2008, the District did not significantly modify its General Fund appropriations. The District uses budgeting systems that are designed to control budgets but provide flexibility for management.

For the General Fund, budget basis revenue was \$46,620 over the final budget estimates of \$6,580,075. This \$46,620 increase is partially attributable to an increase in intergovernmental revenues due to higher than expected student count and state foundation revenue. Budget basis actual disbursements, net of transfers, were \$258,048 under the final budget estimates of \$6,594,750. This decrease is mostly attributable to a decrease in instruction costs. In addition, operation and maintenance costs and pupil transportation were lower than expected.

**Capital Assets and Debt Administration**

**Capital Assets**

A change in Ohio law required school districts to set aside 3% of certain revenues for capital improvements and an additional 3% for textbooks (see note 16). For fiscal year 2008, this amounted to \$131,538 for each set aside. The District has a fiscal year end carry-over amount of \$99,737 of excess capital set-aside expenditures. The excess is scheduled to be carried forward into future fiscal years. For the textbooks, the District disbursed \$48,562.

**Debt**

In 2002, the District passed a bond issue providing \$7.85 million for the purpose of an Ohio School Facilities Commission (OSFC) project for a new K-12 building with an auditorium. The District will be funded by the OSFC at 73% for their portion of the project. At June 30, 2008, the District's outstanding bond debt totals \$6,901,437. See Note 12 for additional details.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT  
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED  
(Continued)**

**Current Operating Issues**

The District continues to receive strong support from the residents of the District. As the preceding information shows, the District relies heavily on its local property taxpayers. The last operating levy was passed by the residents of the district in November 2006, as a five year renewal of a .75% income tax.

Real estate and personal property tax collections have shown small increases. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a levy will not increase solely as a result of inflation due to Ohio House Bill 920 (passed in 1976). As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later, the home was reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Thus, school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 15.0% of revenues for governmental activities for the District in fiscal year 2008.

The District has also been affected by income instability and changes in the personal property tax structure (utility deregulation) and commercial business/property uncertainties. Management has diligently planned expenses so that every attempt is made not to seek additional operating levies from the voters in the near future. This has been made increasingly difficult with mandates in gifted education, rising utility costs, increased special education services required for our students, and significant increases in health insurance and property/liability/fleet insurance.

From a State funding perspective, the State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional education system, one that was neither "adequate" nor "equitable." Since 1997, the State has directed its tax revenue growth toward school districts with little property tax wealth. It is still undetermined whether the State has met the standards of the Ohio Supreme Court. The District has not anticipated any meaningful growth in State revenue. The impact of the cost-of-doing-business factor reduction coupled with stable enrollment will have a negative impact on intergovernmental revenue over the next few years.

All scenarios require management to plan carefully and prudently to provide the resources to meet student needs over the next several years. In addition, the District's systems of budgeting and internal controls are well regarded. All of the District's financial abilities will be needed to meet the challenges of the future.

**Current Building Issues**

On March 16, 2005, Governor Taft announced the next 15 school districts identified for funding under the Classroom Facilities Assistance Program (CFAP). The District was on this list for fiscal year 2006 state appropriations. With the passage of a ½ mill maintenance levy in November 2005, the district is proceeding with the new K-12 building and a locally funded auditorium. The District is funded by the state at 73% for their portion of the project. The date of completion was July 2008.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to show the District's fiscal accountability. If you have any questions about this report or need additional financial information, contact Christy Beaschler, Treasurer of Ada Exempted Village School District, 725 W. North Avenue, Ada, OH 45810 or [beaschl@ada.k12.oh.us](mailto:beaschl@ada.k12.oh.us).

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**ADA EXEMPTED VILLAGE SCHOOL DISTRICT  
HARDIN COUNTY**

**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS  
JUNE 30, 2008**

	<u><b>Governmental Activities</b></u>
<b>Assets</b>	
Cash and Cash Equivalents	\$6,064,091
Cash and Cash Equivalents with Escrow Agent	333,838
Investments	509,712
Total Assets	<u><u>6,907,641</u></u>
<b>Net Assets</b>	
<b>Restricted for:</b>	
Capital Projects	4,826,160
Debt Service	277,517
Permanent Fund	
Nonexpendable	3,433
Expendable	3,864
Other Purposes	406,165
Unrestricted	1,390,502
Total Net Assets	<u><u>\$6,907,641</u></u>

*See accompanying notes to the basic financial statements.*

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT  
HARDIN COUNTY**

**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets	
	Cash Disbursements	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants, Contributions and Interest	Total
<b>Governmental Activities:</b>					
<b>Instruction:</b>					
Regular	\$3,631,495	\$333,012	\$53,100		(\$3,245,383)
Special	592,125	7,828	333,537		(250,760)
Vocational Education	84,325		24,256		(60,069)
Other	21,644				(21,644)
<b>Support Services:</b>					
Pupil	348,270		3,432		(344,838)
Instructional Staff	298,996		163,158		(135,838)
Board of Education	20,324				(20,324)
Administration	488,667		5,000		(483,667)
Fiscal	267,928		18,384		(249,544)
Operation and Maintenance of Plant	511,930	2,160	4,110		(505,660)
Pupil Transportation	338,984		3,620	\$3,498	(331,866)
Central	1,033		2,430		1,397
Food Services	284,527	223,168	121,634		60,275
Extracurricular Activities	319,773	91,406	30,497		(197,870)
Capital Outlay	9,686,313			6,401,423	(3,284,890)
Debt Service					
Principal	225,000		63,050		(161,950)
Interest	301,092				(301,092)
Total Governmental Activities	<u>\$17,422,426</u>	<u>\$657,574</u>	<u>\$826,208</u>	<u>\$6,404,921</u>	<u>(9,533,723)</u>
<b>General Receipts</b>					
<b>Property Taxes Levied for:</b>					
					1,522,154
					145,249
					495,825
					32,507
					713,454
					3,751,213
					56,719
					22,157
					<u>6,739,278</u>
					(2,794,445)
					<u>9,702,086</u>
					<u>\$6,907,641</u>

See accompanying notes to the basic financial statements.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT  
HARDIN COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
JUNE 30, 2008**

	<u>General Fund</u>	<u>Auditorium &amp; K-12 Building Fund</u>	<u>CFAP New K-12 Building Fund</u>	<u>Permanent Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>						
Cash and Cash Equivalents	\$1,070,213		\$3,196,395	\$1,106,504	\$690,979	\$6,064,091
Cash and Cash Equivalent with Escrow Agent	320,289	\$7,784	5,765			333,838
Investments		509,712				509,712
<b>Total Assets</b>	<u><u>1,390,502</u></u>	<u><u>517,496</u></u>	<u><u>3,202,160</u></u>	<u><u>1,106,504</u></u>	<u><u>690,979</u></u>	<u><u>6,907,641</u></u>
<b>Fund Balances</b>						
Reserved for Encumbrances	23,319	387,860	2,123,568	34,307	5,910	2,574,964
<b>Undesignated, Reported in:</b>						
General Fund	1,367,183					1,367,183
Special Revenue Funds					400,255	400,255
Debt Service Funds					277,517	277,517
Capital Projects Funds		129,636	1,078,592	1,072,197		2,280,425
Permanent Funds					7,297	7,297
<b>Total Fund Balances</b>	<u><u>\$1,390,502</u></u>	<u><u>\$517,496</u></u>	<u><u>\$3,202,160</u></u>	<u><u>\$1,106,504</u></u>	<u><u>\$690,979</u></u>	<u><u>\$6,907,641</u></u>

See accompanying notes to the basic financial statements.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT  
HARDIN COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<b>General Fund</b>	<b>Auditorium &amp; K-12 Building Fund</b>	<b>CFAP New K-12 Building Fund</b>	<b>Permanent Improvement Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Cash Receipts</b>						
Property Taxes	\$1,522,154			\$145,249	\$528,332	\$2,195,735
Income Taxes	713,454					713,454
Intergovernmental	4,018,136		\$6,097,852	23,219	522,555	10,661,762
Interest	49,583	\$53,478	216,851	10,024	10,287	340,223
Tuition and Fees	305,052				35,788	340,840
Extracurricular Activities					91,406	91,406
Gifts and Donations	5,140			6,000	35,857	46,997
Food Services					223,168	223,168
Miscellaneous	13,176				1,220	14,396
<b>Total Receipts</b>	<b>6,626,695</b>	<b>53,478</b>	<b>6,314,703</b>	<b>184,492</b>	<b>1,448,613</b>	<b>14,627,981</b>
<b>Cash Disbursements</b>						
<b>Current:</b>						
<b>Instruction</b>						
Regular	3,475,317			71,668	84,510	3,631,495
Special	370,190				221,936	592,126
Vocational Education	84,325					84,325
Other	21,644					21,644
<b>Support Services</b>						
Pupil	345,183				3,087	348,270
Instructional Staff	252,888				46,108	298,996
Board of Education	20,324					20,324
Administration	483,667				5,000	488,667
Fiscal	246,624			4,598	16,705	267,927
Operation and Maintenance of Plant	441,591			70,339		511,930
Pupil Transportation	338,984					338,984
Central					1,033	1,033
Operation of Non-Instructional Services					284,527	284,527
Extracurricular Activities	220,144				99,629	319,773
Capital Outlay	12,502	1,092,656	8,506,170	74,985		9,686,313
<b>Debt Service:</b>						
Principal					225,000	225,000
Interest					301,092	301,092
<b>Total Disbursements</b>	<b>6,313,383</b>	<b>1,092,656</b>	<b>8,506,170</b>	<b>221,590</b>	<b>1,288,627</b>	<b>17,422,426</b>
Excess of Receipts Over (Under) Disbursements	313,312	(1,039,178)	(2,191,467)	(37,098)	159,986	(2,794,445)
<b>Other Financing Sources (Uses)</b>						
Transfers-In			249,750	278,498		528,248
Transfers-Out	(278,498)	(249,750)				(528,248)
<b>Total Other Financing Sources (Uses)</b>	<b>(278,498)</b>	<b>(249,750)</b>	<b>249,750</b>	<b>278,498</b>		
<b>Net Change in Fund Balances</b>	<b>34,814</b>	<b>(1,288,928)</b>	<b>(1,941,717)</b>	<b>241,400</b>	<b>159,986</b>	<b>(2,794,445)</b>
Fund Balances - Beginning of Year	1,355,688	1,806,424	5,143,877	865,104	530,993	9,702,086
Fund Balances - End of Year	<u>\$1,390,502</u>	<u>\$517,496</u>	<u>\$3,202,160</u>	<u>\$1,106,504</u>	<u>\$690,979</u>	<u>\$6,907,641</u>

See accompanying notes to the basic financial statements.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT  
HARDIN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGE  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Property Taxes	\$1,571,603	\$1,571,603	\$1,522,154	(\$49,449)
Income Taxes	696,835	696,835	713,454	16,619
Intergovernmental	3,909,992	3,909,992	4,018,136	108,144
Interest	68,000	68,000	49,583	(18,417)
Tuition and Fees	316,645	316,645	305,052	(11,593)
Gifts and Donations			5,140	5,140
Miscellaneous	17,000	17,000	13,176	(3,824)
Total Receipts	<u>6,580,075</u>	<u>6,580,075</u>	<u>6,626,695</u>	<u>46,620</u>
<b>Disbursements</b>				
<b>Current:</b>				
<b>Instruction</b>				
Regular	3,499,558	3,525,558	3,478,908	46,650
Special	430,723	432,723	372,078	60,645
Vocational Education	87,289	87,604	84,631	2,973
Other	28,755	28,755	21,644	7,111
<b>Support Services:</b>				
Pupil	359,663	359,663	345,247	14,416
Instructional Staff	274,504	274,504	253,389	21,115
Board of Education	28,268	28,568	25,324	3,244
Administration	512,086	512,867	491,514	21,353
Fiscal	246,628	250,628	247,164	3,464
Operation and Maintenance of Plant	470,889	476,889	443,423	33,466
Pupil Transportation	351,699	370,799	340,734	30,065
Extracurricular Activities	230,567	231,067	220,144	10,923
Facilities Acquisition and Construction	15,125	15,125	12,502	2,623
Total Disbursements	<u>6,535,754</u>	<u>6,594,750</u>	<u>6,336,702</u>	<u>258,048</u>
Excess of Receipts Over Disbursements	44,321	(14,675)	289,993	304,668
<b>Other Financing Sources (Uses)</b>				
Transfers-Out	(176,500)	(176,500)	(278,498)	(101,998)
Total Other Financing Sources (Uses)	<u>(176,500)</u>	<u>(176,500)</u>	<u>(278,498)</u>	<u>(101,998)</u>
Net Change in Fund Balances	(132,179)	(191,175)	11,495	202,670
Fund Balance - Beginning of Year	1,332,358	1,332,358	1,332,358	
Prior Year Encumbrances Appropriated	<u>23,330</u>	<u>23,330</u>	<u>23,330</u>	
Fund Balance - End of Year	<u>\$1,223,509</u>	<u>\$1,164,513</u>	<u>\$1,367,183</u>	<u>\$202,670</u>

See accompanying notes to the basic financial statements.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT  
HARDIN COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS - MODIFIED CASH BASIS  
FIDUCIARY FUNDS  
JUNE 30, 2008**

	<u>Private Purpose Trust</u>	<u>Agency</u>
<b>Assets</b>		
Equity Pooled in Cash and Cash Equivalents	\$62,937	\$34,841
Total Assets	<u>62,937</u>	<u>34,841</u>
<b>Net Assets</b>		
Endowments	48,405	
Held in Trust for Scholarships	14,532	
Held for Student Activities		34,841
Total Net Assets	<u>\$62,937</u>	<u>\$34,841</u>

*See accompanying notes to the basic financial statements.*

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT  
HARDIN COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
MODIFIED CASH BASIS  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>Private Purpose Trust</u>
<b>Additions</b>	
Investment Income	\$2,248
Gifts and Contributions	5,693
Total Additions	<u>7,941</u>
<b>Deductions</b>	
Payments in Accordance with Trust Agreements	<u>5,450</u>
Total Deductions	<u>5,450</u>
Change in Net Assets	2,491
Net Assets - Beginning of Year	<u>60,446</u>
Net Assets - End of Year	<u><u>\$62,937</u></u>

*See accompanying notes to the basic financial statements.*

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**ADA EXEMPTED VILLAGE SCHOOL DISTRICT  
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**1. DESCRIPTION OF THE DISTRICT**

Ada Exempted Village School District (the District) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio, and is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The District operates under a locally-elected Board form of government and provides educational services as authorized by State and/or federal agencies. The Board consists of five members elected at large for staggered four year terms.

The District was established in 1862 through the consolidation of existing land areas and districts. The District serves an area of approximately 42 square miles. It is located in Hardin and Hancock Counties, including all of the Village of Ada, Ohio, and portions of Liberty Township in Hardin County and Orange Township in Hancock County. The District is the 523<sup>rd</sup> largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by 30 non-certified employees, 64 certificated teaching personnel and 4 administrative employees to provide services to 873 students and other community members. The District currently operates three instructional buildings, one administrative building, and one garage.

**A. Reporting Entity**

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

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

The District is associated with six organizations of which three are defined as jointly governed organizations, one a related organization, and two insurance purchasing pools. These organizations include the Educational Regional Service System Region 6 (ERSS), Northwest Ohio Area Computer Services Cooperative, Apollo Joint Vocational School, Ada Public Library, Hardin County School Employees' Health and Welfare Benefit Plan and Trust, and the Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Plan. These organizations are presented in Notes 13, 14, and 15 to the general purpose financial statements.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT  
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Accounting**

Although required by Ohio Administrative Code Sections 117-2-03(B) to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP), the District chooses to prepare its financial statements and notes in accordance with the modified cash accounting basis. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

**B. Basis of Presentation**

**1. Government-wide Financial Statements**

The Statement of Net Assets and Statement of Activities display information about the District as a whole. The statements include all funds of the District except for fiduciary funds.

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

**2. Fund Financial Statements**

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

**C. Fund Accounting**

The District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the District are divided into two categories, governmental and fiduciary.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT  
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

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

**1. Governmental Funds**

An emphasis is placed on major funds within the governmental category. Governmental funds are those through which most governmental functions of the District are financed. A fund is considered major if it is the primary operating fund of the District or total assets, revenues, or expenditures of that individual governmental fund are both at least ten and five percent of the corresponding total for all governmental funds

The following are the District's major governmental funds:

**General Fund** - The General Fund is the primary operating fund of the District and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

**Auditorium and K-12 Building Fund** - This Fund accounted for the bond proceeds for the new auditorium and K-12 building projects. During fiscal year 2006, the local portion of the K-12 building project was required to be placed in the Classroom Facilities Assistance Program (CFAP) New K-12 Building Fund. It continues to account for interest earned on the K-12 Building Fund which was not required to be transferred by the Ohio School Facilities Commission.

**(CFAP) New K-12 Building Fund** - This Fund was required to be established in fiscal year 2006 and accounts for the local portion (bond proceeds) of the K-12 Building project.

**Permanent Improvement Fund** - This fund accounts for the permanent improvement levy, which was passed in November 2004, a five year renewal of 2.90 mills for the tax years 2005 – 2009. This fund is used to account for financial resources to be used for the acquisition of equipment, whose useful life is expected to last five years or greater.

**2. Fiduciary Funds**

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The District's Fiduciary Funds include private purpose trust funds and agency funds. The District's private purpose trust funds accounts for scholarships for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency funds include various student-managed activities.

**D. Budgetary Process**

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

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund level, function, and object level of expenditures.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT  
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

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

Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Advances in and Advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

**1. Tax Budget**

With the passage of House Bill #129 (spring 2001), a county budget commission may waive the submission of a subdivision's annual tax budget. On August 6, 2002, the Hardin County Budget Commission adopted a resolution waiving the requirement for the adoption of a tax budget for fiscal year 2004 and all future fiscal years for all school districts within Hardin County. In lieu of a full tax budget, the Commission will require the school districts to submit a copy of the five-year forecast annually by October 31<sup>st</sup>. This waiver of the tax budget does not change any other financial reporting requirements.

**2. Estimated Resources**

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

**3. Appropriations**

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education.

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

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT  
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

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

**4. 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 budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations. Encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental.

**5. 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.

**E. Cash and Cash Equivalents**

To improve cash management, cash for daily operations for all District funds is pooled in a central bank account or temporarily used to purchase short term investments. Individual fund integrity is maintained through District records.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio), Federal Home Loan Bank Discount Notes, Federal National Mortgage Association Discount Notes, and a money market during fiscal year 2008. 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 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, 2008. The District also invests in U.S. securities which are valued at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2008 amounted to \$49,583, which includes \$10,618 assigned from the other funds.

For purposes of financial reporting, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

**F. Property, Plant and Equipment**

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

**G. Compensated Absences**

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the District.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT  
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

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

**H. Long-Term Debt**

Under Ohio law, a bond retirement fund or sinking fund must be established to retire bonds, notes, and certificates of indebtedness. Long-term debt arising from cash basis transactions of governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures.

**I. Intergovernmental Revenues**

Unrestricted intergovernmental entitlements are recorded as revenue when the entitlement is received. Federal and State reimbursement type grants are recorded as revenue when the grant is received.

**J. Interfund Transactions**

During the course of normal operations, the District has numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund through which resources are to be expended are recorded as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expense in the reimbursed fund.

**K. Equity Classifications**

**1. Government-wide Statements**

Equity is classified as net assets, and displayed in separate components:

- a. **Restricted net assets** – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation adopted by the school district. Net assets restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to expenditure for specified purposes.
- b. **Unrestricted net assets** – All other net assets that do not meet the definition of “restricted.”

**2. Fund Financial Statements**

Governmental fund equity is classified as fund balance.

The District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Designated fund balances are reported for money segregated by the District. Unreserved and undesignated fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT  
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

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

**L. Receipts and Disbursements**

**Program Receipts**

In the Statement of Activities, receipts that are derived directly from each activity or from parties outside the District's taxpayers are reported as program receipts. The District has the following program receipts: charges for services and sales; operating grants, contributions, and interest; and capital grants, contributions, and interest.

All other governmental revenues are reported as general. All taxes are classified as general receipts even if restricted for a specific purpose.

**3. CHANGE IN ACCOUNTING PRINCIPLES**

For fiscal year 2008, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions", and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 improves the relevance and usefulness of financial reporting by requiring systematic, accrual-basis measurement and recognition of OPEB costs over a period that approximates employees' years of service and providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. GASB Statement No. 50 requires employers contributing to defined benefit pension plans to include the legal or contractual maximum contribution rates in the notes to the financial statements. The implementation of GASB 45 and 50 did not impact the financial statements.

**4. COMPLIANCE**

Ohio Administrative Code, Section 117-2-03 (B), requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District prepared its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the School District.

**5. DEPOSITS AND INVESTMENTS**

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

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current 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.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT  
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

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

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

1. United States Treasury Notes, Bills, Bonds, or other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of the federal government agencies or instrumentalities;
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 or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
7. The State Treasurer's investment pool (STAR Ohio).

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

Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT  
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

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

**A. Deposits**

Custodial credit risk is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. Protection of District cash and deposits is provided by the Federal Deposit Insurance Corporation, as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105 percent of public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

At fiscal year end, the carrying amount of the District's deposits was \$2,747,612 and the bank balance was \$3,525,657. Of the bank balance, \$206,095 was covered by federal depository insurance and \$3,319,562 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation.

**B. Investments**

Investments are reported at the cash purchase price (cost) value. As of June 30, 2008, the District has the following investments:

	<b>Investment Maturities (in months)</b>	
	<b>Cost</b>	<b>0 – 6</b>
<b>RBC Capital Markets account</b>		
Federal Home Loan Bank(FHLB) Discount Notes	\$ 298,988	\$ 299,190
Federal National Mortgage Association(FNMA) Discount Notes	199,370	199,980
Money Market Fund (cash and cash equivalents)	11,354	11,354
<b>Total RBC Capital Markets account</b>	509,712	510,524
<b>STAR Ohio</b>	551,701	551,701
<b>STAR Ohio – CFAP, Building Project</b>	3,196,394	3,196,394
<b>Total Investments</b>	<u>\$4,257,807</u>	<u>\$4,258,619</u>

The District's Classroom Facilities Assistance Program (CFAP) New K-12 Building Fund had investments and deposits in accounts with various financial institutions designated strictly as accounts pertaining to this building fund in the amount of \$3,497,082 (which consists of \$3,196,394 in a STAR Ohio account and \$300,688 in escrow accounts). This exceeds the \$3,202,160 reported fund balance for this fund at June 30, 2008 by \$294,922. The District's Auditorium and K-12 Building Fund had investments and deposits in accounts with various financial institutions designated strictly as accounts pertaining to this building fund in the amount of \$542,863 (which consists of \$509,713 in the RBC Capital Markets account and \$31,150 in escrow accounts). This exceeds the \$517,496 reported fund balance for this fund at June 30, 2008 by \$25,367. These shortages occurred as a result of the District establishing escrow accounts to account for retainage amounts being withheld from contractor payments with the active pooled deposits of other funds instead of liquidating investments. As a result, the retainage paid into escrow accounts is being reported as "Cash and Cash Equivalents" in the General Fund.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

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

**Interest Rate Risk:** The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The District's policy indicates that the investments must mature within five years, unless matched to a specific obligation or debt of the District.

**Credit Risk:** The District's investments at June 30, 2008 in FHLB and FNMA are rated AAA by Standard & Poor's and Aaa by Moody's. The investment in STAR Ohio is rated AAA by Standard & Poor's.

**Concentration of Credit Risk:** The District places no limit on the amount the district may invest in any one issuer. More than five percent of the District's investments are in FHLB and FNMA Discount Notes. The investments are 7.0% and 4.7%, respectively, of the District's total investments for the amounts listed above.

**6. PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located in the District. Real property taxes are levied April 1 on the assessed value listed as of the prior January 1, the lien date.

Public utility property taxes attached as a lien on December 31 of the prior fiscal year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value.

Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits earlier or later payment dates to be established. Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. The District receives property taxes from Hardin and Hancock Counties.

The Counties' Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2008 are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT  
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**6. PROPERTY TAXES (Continued)**

The assessed values upon which fiscal year 2008 taxes were collected are:

	<b>2007 Second- Half Collections</b>		<b>2008 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential and Other Real Estate	\$72,921,220	93.17%	\$75,040,940	95.11%
Public Utility Personal Property	3,245,310	4.15	2,674,910	3.39
Tangible Personal Property	2,101,484	2.68	1,184,160	1.50
Total Assessed Value	<u>\$78,268,014</u>	<u>100.00%</u>	<u>\$78,900,010</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$47.10		\$47.20	

**7. INCOME TAX**

The District levies a voted tax of .75% for general operations on the income of residents and of estates. The tax was effective on January 1, 2003, renewed to be effective January 1, 2008, and will continue for five years. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

**8. INTERFUND TRANSFERS**

During fiscal year 2008, the General Fund transferred \$278,498 to the Permanent Improvement Fund for capital improvements and textbooks. All transfers were made to subsidize general operations of the fund. The Auditorium & K-12 Building fund transferred \$249,750 to the CFAP New K-12 Building Fund to account for an increase in local share project costs outlined in the Ohio School Facilities Commission (OSFC) Project Agreement Amendment #1. The transfer was approved by representatives from the OSFC. All transfers were eliminated on the entity wide statements.

**9. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2008, the District contracted with Hylant Administrative Services, Inc. (Ohio School Plan) for fleet, liability insurance and property and inland marine coverage. Coverages provided are as follows:

Building and Contents (excludes EDP)	(\$1,000 deductible)	\$16,946,673
Inland Marine Coverage:	(\$1,000 deductible)	
Electronic Data Processing		927,887
Musical Instruments Coverage		357,337
Boiler and Machinery		16,946,673
Automobile Liability		1,000,000
General Liability		
Per occurrence		1,000,000
Total per year		3,000,000
Umbrella		1,000,000

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT  
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**9. RISK MANAGEMENT (Continued)**

Public officials' bond insurance is provided by the Travelers Casualty and Surety Company of America. Settled claims have not exceeded this commercial coverage in any of the past three years.

The District participates in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The intent of the Plan 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 Plan. The third party administrator, Sheakley Uniservice, Inc., reviews each participant's claims experience and determines the rating tier for that participant. A common premium rate is applied to all participants in a given rating tier. Each participant pays its workers' compensation premium to the State based on the rate for their rating tier rather than its individual rate. Sheakley Uniservice, Inc. provides administrative, cost control, and actuarial services to the Plan.

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

**10. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

Plan Description - The 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 (800) 878-5853. It is also posted on SERS' website, [www.ohsers.org](http://www.ohsers.org), under Forms and Publications.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations, 10.86 percent was the portion for fiscal year 2007. The contribution requirements of plan members and employers are established and may be amended by the SERS Retirement Board, up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers.

The District's required contributions for pension obligation for the fiscal years ended June 30, 2008, 2007, and 2006, were \$75,137, \$78,587, and \$75,387 respectively; 48.98% has been contributed for fiscal year 2008 and 100% as been contributed for fiscal years 2007 and 2006.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

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

**B. State Teachers Retirement System**

**Plan Description** - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and 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 (888) 227-7877 or by visiting the STRS Ohio web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. 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 divided by 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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be take as a lump sum or converted to a lifetime monthly annuity at age 50. 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.

**Funding Policy** - For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$436,496, \$420,449 and \$402,997, respectively; 82.71% has been contributed for fiscal year 2008 and 100% for fiscal years 2007 and 2006.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2007, all five members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT  
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**11. POST-EMPLOYMENT BENEFITS**

**A. School Employee Retirement System**

**Plan Description** – The District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

**Funding Policy** – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$12,593.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$34,287, \$24,430, and \$24,369 respectively; 48.98 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$5,414, \$5,004, and \$5,558 respectively; 48.98 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**B. State Teachers Retirement System**

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

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**11. POST-EMPLOYMENT BENEFITS (Continued)**

**Funding Policy** – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District’s contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$33,577, \$33,342, and \$31,000 respectively; 82.71 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**12. LONG-TERM OBLIGATIONS**

The changes in the District’s long-term obligations during fiscal year 2008 were as follows:

	<b>Interest Rate</b>	<b>Principal Outstanding 6/30/2007</b>	<b>Additions</b>	<b>Deductions</b>	<b>Principal Outstanding 6/30/2008</b>
<b>Long-Term Obligations:</b>					
2002 School Facilities and Improvement Bonds:	Various	\$6,605,000		\$225,000	\$6,380,000
Capital Appreciation Bonds	9.40%	521,437			521,437
<b>Total Long-Term Debt</b>		<b>\$7,126,437</b>	<b>\$0</b>	<b>\$225,000</b>	<b>\$6,901,437</b>

**School Facilities and Improvement Bonds:** During June 2002, the District issued \$7,846,437 in general obligation bonds for the purpose of constructing a K-12 school building and an auditorium facility. At that time, the District participated in the Expedited Local Partnership Program (ELPP) of the Ohio School Facility Commission (OSFC), under which the State will fund a percentage of the District’s future facilities needs. On March 16, 2005, Governor Taft announced the next 15 school districts that have been identified for funding under the Classroom Facilities Assistance Program (CFAP). The District was on the list for fiscal year 2006 appropriations.

The bond issue consists of \$6,125,000 in serial bonds, \$1,200,000 in term bonds and \$521,437 in capital appreciation bonds. The serial bonds have interest rates from 2% to 5% and yield rates from 2% to 5.02%, maturing each fiscal year beginning in 2003 through 2012 and in 2017 through 2023. The term bonds have a 5% interest rate with final maturity on December 1, 2023 (fiscal year 2024) and December 1, 2024 (fiscal year 2025). The capital appreciation bonds have a stated interest rate of 9.4% (or the rate that, when applied to the original principal amount, compounded semi-annually results in the maturity amount) for an approximate yield to maturity of 4.7% to 4.95%. The bonds were issued for a twenty year period with final maturity at December 1, 2024. The bonds will be retired from the debt service fund.

The current interest serial bonds will bear interest, payable on June 1 and December 1 of each year, beginning December 1, 2002 until maturity or earlier redemption.

The capital appreciation bonds will bear interest, compounded semi-annually on June 1 and December 1 (the “Interest Accretion Dates”), from the date of their issuance, but the interest will be payable only at maturity. The capital appreciation bonds will mature in fiscal years 2013 through 2016. The maturity amount of the bonds is \$1,565,000.

The term bonds maturity on December 1, 2023 and December 1, 2024 are subject to mandatory sinking fund redemption prior to stated maturity.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT  
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

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

The District's total voted legal debt margin was \$7,101,001 with an unvoted debt margin of \$78,900 at June 30, 2008. The District was approved as a special needs District by the Ohio Department of Education pursuant to Ohio Revised Code Section 133.06(E) based upon a future projected tax valuation of 118,797,131 and a total indebtedness (based upon the projected valuation) of approximately 6.5%.

Pursuant to Ohio Revised Code 133.06, the Ohio Department of Education consented to allow the District to submit to the voters the question of issuing bonds in the amount of \$2,200,000 for constructing, furnishing, and equipping an auditorium facility. The popular vote approved the \$2,200,000 bond issue for the auditorium facility which resulted in the District exceeding the debt limitation.

Principal and interest requirements to retire general obligation debt, including the loan, outstanding at June 30, 2007 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$245,000	\$294,183	\$539,183
2010	280,000	284,453	564,453
2011	300,000	273,133	573,133
2012	325,000	260,470	585,470
2013	141,462	482,345	623,807
2014-2018	1,289,975	2,043,105	3,333,080
2019-2023	3,120,000	707,941	3,827,941
2024-2025	1,200,000	50,750	1,250,750
Total	<u>\$6,901,437</u>	<u>\$4,396,380</u>	<u>\$11,297,817</u>

**13. JOINTLY GOVERNED ORGANIZATIONS**

**Educational Regional Service System Region 6**

The District participates in the Educational Regional Service System (ERSS) Region 6, a jointly governed organization consisting of educational entities within Allen, Auglaize, Champaign, Hardin, Logan, Mercer, and Shelby counties. The purpose of the ERSS is to provide support services to school districts, community schools, and chartered nonpublic schools within the region by supporting State and school initiatives and efforts to improve school effectiveness and student achievement with a specific reference to the provision of special education and related services. The ERSS is governed by an advisory council, which is the policymaking body for the educational entities within the region, who identifies regional needs and priorities for educational services and develops corresponding policies to coordinate the delivery of services. They are also charged with the responsibility of monitoring the implementation of State and regional initiatives and school improvement efforts. The Advisory Council is made up of the director of the ERSS, the superintendent of each educational service center within the region, the superintendent of the region's largest and smallest school district, the director and an employee from each education technology center, one representative of a four-year institution of higher education and appointed by the Ohio Board of Regents, one representative of a two-year institution of higher education and appointed by the Ohio Association of Community Colleges, three board of education members (one each from a city, exempted village, and local school district within the region), and one business representative. The degree of control exercised by any participating educational entity is limited to its representation on the Advisory Council. Financial information can be obtained from the Auglaize County Educational Service Center, 1045 Dearbaugh Ave., Suite 2, Wapakoneta, Ohio 45895.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**13. JOINTLY GOVERNED ORGANIZATIONS (Continued)**

**Northwest Ohio Area Computer Services Cooperative** - The District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC). NOACSC is an association of public school districts in within the boundaries of Allen, Hancock, Mercer, Paulding, Putnam, and Van Wert Counties, and the City of Wapakoneta, and to any area established in future law, by the Ohio Department of Education. The cooperative was formed for the purpose of developing and implementing a computer system to improve administrative and instructional functions for the member school districts. The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member school districts within each county plus one representative from the fiscal agent.

Financial information can be obtained from Mr. Ray Burden, who serves as director, at 645 South Main Street, Lima, Ohio 45804.

**Apollo Joint Vocational School** - The Apollo Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the eleven participating school districts' elected boards, which possesses its own budgeting and taxing authority.

To obtain financial information write to the Apollo Joint Vocational School, Greg Bukowski, who serves as Treasurer, at 3325 Shawnee Road, Lima, Ohio 45806.

**14. RELATED ORGANIZATION**

**Ada Public Library** - The Ada Public Library(the Library) is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Ada Exempted Village School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the District for operational subsidies.

Although the District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees.

Financial information can be obtained from the Ada Library, Janet E. Klingler, Clerk/Treasurer, at 320 North Main, Ada, Ohio 45810.

**15. INSURANCE PURCHASING POOLS**

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

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

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**15. INSURANCE PURCHASING POOLS (Continued)**

Each school district decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information can be obtained from Rick Combs, who serves as director, at P.O. Box 98, Dola, Ohio 45835.

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

**16. SET ASIDE DISCLOSURE**

As stated in House Bill 412, revised in Senate Bill 345, school districts are required to maintain two reserves; one for capital acquisition and maintenance, and one for textbooks and other instructional materials. A reserve represents resources whose use is limited because of contractual or statutory restrictions.

The following demonstrates the District's compliance with set-aside requirement in Senate Bill 345:

	<b>Textbooks</b>	<b>Capital Acquisition</b>
Set aside cash balance as of June 30, 2007	(\$36,713)	(\$99,737)
Current year set-aside requirement	131,538	131,538
Current year Offsets	(54,415)	(429,135)
Qualifying Disbursements	(48,562)	(30,375)
Set Aside Balance	(8,152)	(427,709)
Set Aside Balance Carried Forward to Future Fiscal Years	\$0	(\$99,737)

The District had qualifying expenditures during fiscal year, along with a negative carry-over from the prior year that decreased the capital improvements set-aside below zero at June 30, 2008. The beginning negative balance for the capital acquisition set-aside is due to building project expenditures incurred from bond proceeds prior to the start of the OSFC building project. These amounts may be used to reduce the set-aside requirements in future years. The remaining eligible expenditures from bond proceeds will be claimed in the year the project is completed. The negative set-aside balance for the textbook set-aside cannot be carried forward to the next fiscal year because the excess is a result of excess current year offsets. The District must first apply qualified disbursements to their set-aside requirement and then their current year offsets. Excess balances arising from current year offsets cannot be carried forward to the next fiscal year.

**17. CONTINGENCIES**

**Grants**

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2008.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT  
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**18. SIGNIFICANT CONTRACTS**

The District has the following significant contracts outstanding as of June 30, 2008:

<b>Contractor</b>	<b>Services</b>	<b>Contract Remaining</b>
Steed-Hammond-Paul	Architect Services	\$97,226
Don Snyder Excavating Unlimited, Inc.	Early Site/Civil Work	52,563
Mel Lanzer	General Trades	888,105
Vaughn Industries	HVAC/Electrical/Tech Rough-In/Fire Protection	211,250
Smith-Boughan	Plumbing	106,593
Library Design Associates, Inc.	Library Furniture	87,977
Martin Public Seating	Furniture	226,409
Microman, Inc.	Technology	194,717
Richard Bowen & Association	Construction Manager Services	111,527
T.W. Ruff	Wood/Metal/Laminate Caseloads	136,690
Game Time	Playground Equipment	107,751
LEPI Enterprises	Asbestos Hazard Abatement	63,978
Bluffton Paving	Paving	287,942
Ed Burdue & Co.	Demolition	227,333
Gast Plumbing	Plumbing	112,840
ACI Construction	General Construction	391,900

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# Mary Taylor, CPA

Auditor of State

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

Ada Exempted Village School District  
Hardin County  
725 West North Avenue  
Ada, Ohio 45810

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ada Exempted Village School District, Hardin County (the District), as of and for the fiscal year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 1, 2008, wherein, we noted the District uses a comprehensive accounting basis other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2008-001.

**Internal Control Over Financial Reporting  
(Continued)**

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We do not believe the significant deficiency described above is a material weakness.

**Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2008-002.

We also noted a certain noncompliance or other matter not requiring inclusion in this report that we reported to the District's management in a separate letter dated December 1, 2008.

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

We intend this report solely for the information and use of the audit committee, management, and the Board of Education. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

December 1, 2008

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT  
HARDIN COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2008**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2008-001**

**Significant Deficiency**

**Maintaining Adequate Active Deposits for Each Fund**

The financial officer of a public entity should maintain adequate deposits in each fund to meet the current operating demands. With this in mind, the year-end fund balances reported on the financial statements should relate to the corresponding various bank account or investment account balances at year-end. The District's Classroom Facilities Assistance Program (CFAP) New K-12 Building Fund had investments and deposits in accounts with various financial institutions designated strictly as accounts pertaining to this building fund in the amount of \$3,497,082. This exceeds the \$3,202,160 reported fund balance for this fund at June 30, 2008 by \$294,922. The District's Auditorium and K-12 Building Fund had investments and deposits in accounts with various financial institutions designated strictly as accounts pertaining to this building fund in the amount of \$542,863. This exceeds the \$517,496 reported fund balance for this fund at June 30, 2008 by \$25,367. These shortages occurred as the result of the District establishing escrow accounts to account for retainage amounts being withheld from contractor payments with the active pooled deposits of other funds instead of liquidating the investments. As a result, the retainage paid into escrow accounts is being reported as "Cash and Cash Equivalents" in the General Fund.

Failure to maintain sufficient active deposits for each fund could result in active deposits from other funds being utilized to cover the deficiency. This practice could result in the illegal expenditure of restricted money, may potentially create a misstatement of the financial statements by not recognizing this loan as an advance, and results in the requirement to disclose this matter in the notes to the financial statements.

The District should assess the cash flow needs of each building fund and then liquidate investments in a manner to meet these cash flow requirements.

**OFFICIALS RESPONSE:**

Upon the Audit Committee's review of Finding Number 2008-001, it is determined that sufficient deposits exist to meet each fund's operational needs for fiscal year 2008. This finding has occurred as a result of maintaining the maximum amount in investments and establishing escrow accounts to account for contractor's retainage amounts. The retainage escrow accounts (or waiver, in some incidents) are required by CFAP Ohio School Facilities Commission ("OSFC") projects. These funds are to be released to the contractor upon final acceptance of the project. Ada's OSFC building project was not complete on June 30, 2008. The district goal is to maximize the interest earned and needed for the new K-12 building project. The District management and the Audit Committee have reviewed current investments and their respective fund balances to assure that adequate deposits exist for each fund's operational needs.

**FINDING NUMBER 2008-002**

**Noncompliance Citation**

**Ohio Rev. Code Section 117.38** provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38.

**Ohio Adm. Code Section 117-2-03(B)** requires the District to file annual financial reports which are prepared using generally accepted accounting principles. For fiscal year 2008, the District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

To help provide the users with more meaningful financial statements, the District should prepare their financial statements according to generally accepted accounting principles.

**OFFICIALS RESPONSE:**

We did not receive a response from officials to this finding.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT  
HARDIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2008**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer Valid</u> ; <b><i>Explain:</i></b>
2007-001	Maintaining Adequate Active Deposits for Each Fund	No	Repeated as Finding 2008-001
2007-002	Ohio Rev. Code Sec. 117.28 & Ohio Admin. Code Sec. 117-02-03 (B) - The District did not prepare GAAP basis financial statements.	No	Repeated as Finding 2008-002





**Mary Taylor, CPA**  
Auditor of State

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT**

**HARDIN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 6, 2009**