



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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ADENA LOCAL SCHOOL DISTRICT
ROSS COUNTY

SINGLE AUDIT

For the Year Ended June 30, 2011
Fiscal Year Audited Under GAGAS: 2011



Dave Yost • Auditor of State

Board of Education
Adena Local School District
3367 County Road 550
Frankfort, Ohio 45628

We have reviewed the *Independent Auditor's Report* of the Adena Local School District, Ross County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2010 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

January 20, 2012

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**ADENA LOCAL SCHOOL DISTRICT
ROSS COUNTY**

BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

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**ADENA LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

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Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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Independent Auditor's Report

Members of the Board of Education
Adena Local School District
3367 County Road 550
Frankfort, OH 45628

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Adena Local School District, Ross County, Ohio, (the School District), as of and for the year ended June 30, 2011, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Adena Local School District, Ross County, Ohio, as of June 30, 2011, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2011 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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.

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

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements taken as a whole. The Schedule of Federal Awards Receipts and Expenditures provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Schedule of Federal Awards Receipts and Expenditures is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 21 to the financial statements, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.



Balestra, Harr & Scherer, CPAs, Inc.
November 9, 2011

Adena Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Adena Local School District's (the "School District") discussion and analysis of the annual financial report provides a review of the financial performance for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- The School District's assets exceeded its liabilities at June 30, 2011 by \$22,001,222.
- The School District's net assets of governmental activities decreased \$92,917.
- General revenues accounted for \$10,254,846 in revenue or 79 percent of all revenues. Program specific revenues in the form of charges for services and sales, operating grants and contributions accounted for \$2,685,033 or 21 percent of total revenues of \$12,939,879.
- The School District had \$13,032,796 in expenses related to governmental activities; \$2,685,033 of these expenses was offset by program specific charges for services and sales and operating grants and contributions.

USING THIS ANNUAL FINANCIAL REPORT

This annual report consists of a series of financial statements. These statements are presented so that the reader can understand the Adena Local School District's financial situation as a whole and also give a detailed view of the School District's financial activities.

The Statement of Net Assets and Statement of Activities provide information about the activities of the School District as a whole and present a longer-term view of the School District's 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 the amount of funds available for future spending. The fund financial statements also look at the School District's most significant funds with all other Non-Major funds presented in total in one column.

REPORTING THE SCHOOL DISTRICT AS A WHOLE

The analysis of the School District as a whole begins with the Statement of Net Assets and the Statement of Activities. These reports provide information that will help the reader to determine whether the School District is financially improving or declining as a result of the year's financial activities. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. All current year revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in those assets. These changes in net assets are important because it tells the reader that, for the School District as a whole, the financial position of the School 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 School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

Adena Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

In the Statement of Net Assets and the Statement of Activities, the School District has only one kind of activity.

- **Governmental Activities.** All of the School District's programs and services (except for fiduciary Funds) are reported here including instruction and support services.

REPORTING THE SCHOOL DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The analysis of the School District's funds begins on page 7. Fund financial statements provide detailed information about the School District's major fund – not the School District as a whole. Some funds are required by State law and bond covenants. Other funds may be established by the Treasurer with approval from the Board to help control, manage and report money received for a particular purpose or to show that the School District is meeting legal responsibilities for use of grants. The School District's only major fund is the General Fund.

Governmental Funds. Most of the School 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 the modified accrual basis of accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance educational support services. The relationship (or difference) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Proprietary Fund. Proprietary fund reporting focuses on the determination of operating receipts over (under) operating disbursements and changes in net assets. Proprietary funds are classified as enterprise or internal service and the School District only has an internal service fund which is used to account for the activity where School District self insures a portion of the employees' high deductibles for health care. This fund is reported using the accrual basis of accounting.

Fiduciary Funds. The School District's fiduciary funds include a private purpose trust fund and an agency fund. All of the School District's fiduciary funds are reported in a separate Statement of Fiduciary Net Assets. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds use the accrual basis of accounting.

Adena Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

THE SCHOOL DISTRICT AS A WHOLE

As stated previously, the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2011 compared to 2010.

Table 1
Net Assets

	2011	2010
Assets:		
Current and Other Assets	\$ 9,520,186	\$ 8,275,238
Capital Assets, Net	19,579,941	19,386,337
Total Assets	29,100,127	27,661,575
Liabilities:		
Current and Other Liabilities	3,095,069	3,012,363
Long-Term Liabilities	4,003,836	2,555,073
Total Liabilities	7,098,905	5,567,436
Net Assets:		
Invested in Capital Assets, Net of Related Debt	16,671,757	17,462,738
Restricted	1,824,085	1,889,228
Unrestricted	3,505,380	2,742,173
Total Net Assets	\$ 22,001,222	\$ 22,094,139

Total net assets of the School District as a whole decreased \$92,917. The increase to Capital Assets, Net is primarily due to current year additions exceeding current year depreciation. Current and Other Assets increased primarily due to an increase in cash on hand at June 30, 2011. The increase to Long-Term Liabilities is due primarily to the inception of capital leases in the amount of \$1,583,000 for the purpose of an energy conservation project and to purchase copiers.

Adena Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Table 2 shows the changes in net assets for the fiscal years ended June 30, 2011 and 2010.

Table 2
Change in Net Assets

	2011	2010 *
Revenues		
Program Revenues:		
Charges for Services and Sales	\$ 1,110,527	\$ 887,886
Operating Grants and Contributions	1,574,506	1,927,039
Total Program Revenues	2,685,033	2,814,925
General Revenues:		
Property and Other Local Taxes	3,409,579	3,743,426
Grants and Entitlements		
Not Restricted to Specific Programs	6,742,679	6,839,196
Gifts and Donations		
Not Restricted to Specific Programs	23,333	98,679
Investment Earnings	24,187	24,000
Miscellaneous	55,068	49,635
Total General Revenues	10,254,846	10,754,936
Total Revenues	12,939,879	13,569,861
 Program Expenses		
Instruction:		
Regular	5,499,425	5,733,975
Special	1,356,843	1,284,833
Vocational	9,147	8,272
Other	895,661	796,586
Support Services:		
Pupils	463,772	397,692
Instructional Staff	618,787	600,230
Board of Education	39,528	43,281
Administration	953,575	949,590
Fiscal	329,584	332,326
Operation and Maintenance of Plant	983,966	996,630
Pupil Transportation	815,519	866,064
Central	80,181	77,257
Operation of Non-Instructional Services	461,498	423,180
Extracurricular Activities	381,236	322,333
Interest and Fiscal Charges	144,074	113,466
Total Expenses	13,032,796	12,945,715
 Increase (Decrease) in Net Assets	(92,917)	624,146
Net Assets at Beginning of Year	22,094,139	21,469,993
Net Assets at End of Year	\$ 22,001,222	\$ 22,094,139

* Certain reclassifications were made to 2010 to conform to the 2011 presentation. There was no effect on net assets.

Adena Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Governmental Activities

Grants and entitlements not restricted to specific programs comprised 52 percent of revenue for governmental activities, while tax revenue comprised 26 percent, and operating grants and contributions comprised 12 percent of revenue for governmental activities of the School District for fiscal year 2011. The increase in charges for services and sales is due primarily to an increase in open enrollment. The decrease to property and other local taxes is primarily due to a decrease in income tax revenue in connection with a citizen who was a Lotto winner in the previous fiscal year. The decrease to gifts and donations not restricted to specific programs is due primarily to the School District receiving a donation to pave the bus garage parking lot in the previous year. The decrease to operating grants and contributions is primarily due to decreased monies received for ARRA monies received for the Title I and Part B, IDEA programs.

As indicated by governmental program expenses, instruction is emphasized. Regular Instruction comprised 42 percent of governmental program expenses with Special Instruction comprising 10 percent of governmental expenses. The decrease in regular instruction is due to a decrease in workers' compensation payments and medical deductibles. The increase to other instruction is due to payments made to community schools and for open enrollment. The increase to pupils is due to an increase to nursing salaries.

The Statement of Activities shows the cost of program services and the charges for services and sales and operating and capital grants and contributions 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 unrestricted State entitlements and other general revenues.

Table 3
 Total and Net Cost of Program Services
 Governmental Activities

	2011		2010*	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 7,761,076	\$ 6,617,283	\$ 7,823,666	\$ 6,642,124
Support Services	4,284,912	3,528,331	4,263,070	3,475,445
Operation of Non-Instructional Services	461,498	(87,987)	423,180	(182,925)
Extracurricular Activities	381,236	149,344	322,333	82,943
Interest and Fiscal Charges	144,074	140,792	113,466	113,203
Total Expenses	<u>\$ 13,032,796</u>	<u>\$ 10,347,763</u>	<u>\$ 12,945,715</u>	<u>\$ 10,130,790</u>

* Certain reclassifications were made to 2010 to conform to the 2011 presentation. There was no effect on net assets

THE SCHOOL DISTRICT'S FUNDS

Governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$14,838,362 and expenditures and other financing uses of \$13,490,552. The net change in fund balance for the year was most significant in the General Fund.

The fund balance of the General fund increased by \$861,466. The increase in fund balance is due to the School District's revenues exceeding expenditures.

Adena Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

General Fund Budgeting Highlights

The School 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 2011, there were revisions to the General Fund budget. For the General Fund, the final budget basis revenue was \$11,001,412, which was \$131,844 above the original estimate amount of \$10,869,568. The School District's final budgeted appropriations were \$10,805,242, which was \$117,009 below the original estimate of \$10,922,251 and \$281,154 above actual budgetary expenditures. The School District remained consistent between original and final budgeted amounts for revenues. Differences between the original and final revenues are due to additional intergovernmental revenue and tuition and fees. Differences between final budgeted and actual appropriations are due to lower than expected regular instruction.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2011, the School District had \$19,579,941 invested in its capital assets. Table 4 shows the fiscal year 2011 balances compared to 2010.

Table 4
 Capital Assets
 (Net of Accumulated Depreciation)

	Governmental Activities	
	2011	2010
Land	\$ 677,044	\$ 677,044
Construction in Progress	1,024,593	-
Land Improvements	1,385,041	1,528,994
Buildings and Improvements	14,994,762	15,648,104
Furniture, Fixtures, Equipment and Textbooks	1,096,891	1,029,506
Vehicles	401,610	502,689
Totals	\$ 19,579,941	\$ 19,386,337

Changes in capital assets from the prior year resulted from current year additions as well as disposals and depreciation expense. See Note 8 to the basic financial statements for more detailed information related to capital assets.

Adena Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Debt

At June 30, 2011, the School District had \$1,750,000 in bonds outstanding, (excluding unamortized premiums) of which \$120,000 is due within one year. The School District also had capital lease obligations outstanding of \$1,565,481, of which \$109,402 is due within one year. Table 5 summarizes the debt outstanding:

Table 5
 Outstanding Debt at Year End
 Governmental Activities

	2011	2010
General Obligation Bonds:		
1999 School Improvement Bonds	\$ 665,000	\$ 775,000
2006 School Improvement		
Refunding Bonds	1,085,000	1,085,000
Premium on Refunding Bonds	25,873	28,461
Capital Leases	1,565,481	35,138
Total	\$ 3,341,354	\$ 1,923,599

See Note 14 to the basic financial statements for more detailed information related to the School District's debt and long term obligations.

CURRENT ISSUES

After ten years of occupancy, the Adena Local School District is still proud of our K-12 Facility.

For the past five years, the Adena Local School District has reaped the benefits of a 1% School District Income Tax. These funds have made it possible to maintain a high level of academic success, technology updates, bus purchases and much more. We have been very fortunate to have had the support of our community as we look to the future of our students. However, after two failed attempts, the Adena Local Board of Education has decided not to put the 1% School District Income Tax on the November, 2011 ballot. Due to the loss of these funds, coupled with the uncertainty of State of funding, the Adena Local Board of Education is continuing to search for ways to minimize spending. During the past ten months, ten employees have either retired or resigned and only three and one half of those positions have been replaced. The Board will continue to scrutinize all expenditures and positions so not to deplete the carryover funds. Special Board Meeting Work sessions are being planned to discuss the financial status of our School District and review the need for potential levies.

The Adena Local Board of Education is dedicated to providing a quality education for our students and stabilize the financial future for our School District. Our School District has taken a proactive approach by developing a school improvement plan. This plan addresses student and staff needs that assist our School District in becoming a School District of excellence. This quality education is exhibited by our consistent above average rating by the Ohio Department of Education.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the School District's financial condition and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Shaune Anders, Treasurer, Adena Local School District, 3367 County Road 550, Frankfort, Ohio 45628, or email at sanders@mail.gsn.k12.oh.us.

Adena Local School District
Statement of Net Assets
June 30, 2011

	Governmental Activities
ASSETS:	
Equity in Pooled Cash and Cash Equivalents	\$ 6,615,319
Cash and Cash Equivalents with Escrow Agents	1,391
Accounts Receivable	2,609
Intergovernmental Receivable	215,818
Taxes Receivable	2,672,572
Unamortized Bond Issuance Costs	12,477
Non-Depreciable Capital Assets	1,701,637
Depreciable Capital Assets, net	17,878,304
<i>Total Assets</i>	29,100,127
LIABILITIES:	
Accounts Payable	55,426
Accrued Wages and Benefits	848,547
Intergovernmental Payable	323,018
Accrued Interest Payable	8,077
Matured Compensated Absences Payable	71,750
Deferred Revenue	1,740,053
Claims Payable	48,198
Long-Term Liabilities:	
Due Within One Year	276,214
Due in More Than One Year	3,727,622
<i>Total Liabilities</i>	7,098,905
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	16,671,757
Restricted for Debt Service	269,117
Restricted for Capital Outlay	388,441
Restricted for Set Asides	821,492
Restricted for Other Purposes	345,035
Unrestricted	3,505,380
<i>Total Net Assets</i>	\$ 22,001,222

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

Adena Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2011

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities:				
Instruction:				
Regular	\$ 5,499,425	\$ 350,385	\$ 167,597	\$ (4,981,443)
Special	1,356,843	67,416	370,812	(918,615)
Vocational	9,147	184	-	(8,963)
Other	895,661	56,413	130,986	(708,262)
Support Services:				
Pupils	463,772	36,170	3,130	(424,472)
Instructional Staff	618,787	32,992	125,178	(460,617)
Board of Education	39,528	2,716	3,694	(33,118)
Administration	953,575	67,717	66,809	(819,049)
Fiscal	329,584	25,264	682	(303,638)
Operation and Maintenance of Plant	983,966	51,432	215,305	(717,229)
Pupil Transportation	815,519	48,963	70,170	(696,386)
Central	80,181	6,315	44	(73,822)
Operation of Non-Instructional Services	461,498	227,735	321,750	87,987
Extracurricular Activities	381,236	136,825	95,067	(149,344)
Interest and Fiscal Charges	144,074	-	3,282	(140,792)
<i>Total Governmental Activities</i>	<u>\$ 13,032,796</u>	<u>\$ 1,110,527</u>	<u>\$ 1,574,506</u>	<u>(10,347,763)</u>
General Revenues:				
Property and Other Local Taxes Levied for:				
General Purposes				2,045,770
Building Maintenance				36,409
Debt Service				216,368
Income Tax				1,111,032
Grants and Entitlements not Restricted to Specific Programs				6,742,679
Gifts and Donations not Restricted to Specific Programs				23,333
Investment Earnings				24,187
Miscellaneous				55,068
<i>Total General Revenues</i>				<u>10,254,846</u>
<i>Change in Net Assets</i>				(92,917)
<i>Net Assets Beginning of Year</i>				<u>22,094,139</u>
<i>Net Assets End of Year</i>				<u>\$ 22,001,222</u>

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

Adena Local School District
Balance Sheet
Governmental Funds
June 30, 2011

	General	All Other Governmental Funds	Total Governmental Funds
ASSETS:			
Equity in Pooled Cash and Cash Equivalents	\$ 3,954,754	\$ 1,383,500	\$ 5,338,254
Cash and Cash Equivalents with Escrow Agents	-	1,391	1,391
Accounts Receivable	2,609	-	2,609
Interfund Receivable	67,918	-	67,918
Intergovernmental Receivable	-	215,818	215,818
Taxes Receivable	2,419,812	252,760	2,672,572
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	821,492	-	821,492
<i>Total Assets</i>	<u>7,266,585</u>	<u>1,853,469</u>	<u>9,120,054</u>
LIABILITIES:			
Accounts Payable	44,403	11,023	55,426
Accrued Wages and Benefits	722,142	126,405	848,547
Interfund Payable	-	67,918	67,918
Intergovernmental Payable	287,459	35,559	323,018
Matured Compensated Absences Payable	71,750	-	71,750
Deferred Revenue	1,588,490	403,935	1,992,425
<i>Total Liabilities</i>	<u>2,714,244</u>	<u>644,840</u>	<u>3,359,084</u>
FUND BALANCES:			
Restricted	821,492	1,208,629	2,030,121
Committed	156,171	-	156,171
Assigned	101,552	-	101,552
Unassigned	3,473,126	-	3,473,126
<i>Total Fund Balances</i>	<u>4,552,341</u>	<u>1,208,629</u>	<u>5,760,970</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 7,266,585</u>	<u>\$ 1,853,469</u>	<u>\$ 9,120,054</u>

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

Adena Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2011*

Total Governmental Fund Balances		\$ 5,760,970
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		19,579,941
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Taxes	44,507	
Intergovernmental	<u>207,865</u>	
Total		252,372
An internal service fund is used by management to charge the cost of insurance to individuals. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		407,375
Unamortized issuance costs represent deferred charges which do not provide current financial resources and therefore are not reported in the funds.		12,477
Long-term liabilities, including bonds, capital lease obligations, and the long-term portion of compensated absences, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated Absences	(662,482)	
Interest Payable	(8,077)	
Capital Lease Obligations	(1,565,481)	
Premium on Bonds Issued	(25,873)	
Bonds Payable	<u>(1,750,000)</u>	
Total		<u>(4,011,913)</u>
Net Assets of Governmental Activities		<u><u>\$ 22,001,222</u></u>

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

Adena Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2011

	General	All Other Governmental Funds	Total Governmental Funds
REVENUES:			
Property and Other Taxes	\$ 3,164,090	\$ 253,798	\$ 3,417,888
Intergovernmental	6,713,657	1,861,522	8,575,179
Interest	23,335	852	24,187
Tuition and Fees	686,099	-	686,099
Extracurricular Activities	72,665	118,727	191,392
Gifts and Donations	10,711	12,622	23,333
Customer Sales and Services	5,485	227,551	233,036
Miscellaneous	51,065	4,003	55,068
<i>Total Revenues</i>	<u>10,727,107</u>	<u>2,479,075</u>	<u>13,206,182</u>
EXPENDITURES:			
Current:			
Instruction:			
Regular	4,434,920	230,273	4,665,193
Special	844,805	509,323	1,354,128
Vocational	2,329	-	2,329
Other	714,807	179,970	894,777
Support Services:			
Pupils	458,424	4,300	462,724
Instructional Staff	418,129	171,976	590,105
Board of Education	34,452	5,076	39,528
Administration	837,646	91,794	929,440
Fiscal	321,054	6,298	327,352
Operation and Maintenance of Plant	666,402	295,822	962,224
Pupil Transportation	619,921	82,625	702,546
Central	78,777	60	78,837
Operation of Non-Instructional Services	2,329	443,372	445,701
Extracurricular Activities	229,598	130,619	360,217
Capital Outlay	157,138	1,163,060	1,320,198
Debt Service:			
Principal	-	162,657	162,657
Interest	-	145,551	145,551
<i>Total Expenditures</i>	<u>9,820,731</u>	<u>3,622,776</u>	<u>13,443,507</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>906,376</u>	<u>(1,143,701)</u>	<u>(237,325)</u>
OTHER FINANCING SOURCES AND (USES):			
Transfers In	-	47,045	47,045
Inception of Capital Leases	-	1,583,000	1,583,000
Proceeds from Sale of Capital Assets	2,135	-	2,135
Transfers Out	(47,045)	-	(47,045)
<i>Total Other Financing Sources and (Uses)</i>	<u>(44,910)</u>	<u>1,630,045</u>	<u>1,585,135</u>
<i>Net Change in Fund Balances</i>	861,466	486,344	1,347,810
<i>Fund Balances at Beginning of Year - As Restated, See Note 21</i>	<u>3,690,875</u>	<u>722,285</u>	<u>4,413,160</u>
<i>Fund Balances at End of Year</i>	<u>\$ 4,552,341</u>	<u>\$ 1,208,629</u>	<u>\$ 5,760,970</u>

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

Adena Local School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2011*

Net Change in Fund Balances - Total Governmental Funds \$ 1,347,810

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

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

Capital Asset Additions	1,309,730	
Current Year Depreciation	<u>(1,113,330)</u>	
Total		196,400

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities a gain or loss is reported for each disposal. These are the proceeds from the sale of capital assets and the loss on the disposal of capital assets.

Proceeds from Sale of Capital Assets	(2,135)	
Loss on Disposal of Capital Assets	<u>(661)</u>	
Total		(2,796)

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

Taxes	(8,309)	
Intergovernmental	<u>(257,994)</u>	
Total		(266,303)

New capital leases in the statement of revenues, expenditures, and changes in fund balances that are reported as other financing sources are not reported as revenues in the statement of activities.

(1,583,000)

The amortization of premiums on the issuance of debt are not recorded in the governmental funds but are recorded as interest expense on the statement of activities.

2,588

The amortization of debt issuance costs are reported in the statement of activities but are not reported as expenditures in the governmental funds.

(1,560)

Repayments of bond principal are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net assets and does not result in an expense in the statement of activities.

110,000

Repayments of capital lease obligations are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net assets and does not result in an expense in the statement of activities.

52,657

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.

81,846

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

Increase in Compensated Absences	(31,008)	
Decrease in Accrued Interest Payable	<u>449</u>	
Total		<u>(30,559)</u>

Net Change in Net Assets of Governmental Activities \$ (92,917)

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

Adena Local School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Budgetary Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Total Revenues and Other Financing Sources	\$ 10,869,568	\$ 11,001,412	\$ 11,001,412	\$ -
Total Expenditures and Other Financing Uses	10,922,251	10,805,242	10,524,088	281,154
Net Change in Fund Balance	(52,683)	196,170	477,324	281,154
Fund Balance at Beginning of Year - As Restated, See Note 21	3,875,569	3,875,569	3,875,569	-
Prior Year Encumbrances Appropriated	118,272	118,272	118,272	-
Fund Balance at End of Year	<u>\$ 3,941,158</u>	<u>\$ 4,190,011</u>	<u>\$ 4,471,165</u>	<u>\$ 281,154</u>

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

Adena Local School District
Statement of Fund Net Assets
Governmental Activities - Internal Service Fund
June 30, 2011

	<u>Internal Service</u>
ASSETS:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 455,573</u>
<i>Total Assets</i>	<u>455,573</u>
LIABILITIES:	
Current Liabilities:	
Claims Payable	<u>48,198</u>
<i>Total Liabilities</i>	<u>48,198</u>
NET ASSETS:	
Unrestricted	<u>407,375</u>
<i>Total Net Assets</i>	<u><u>\$ 407,375</u></u>

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

Adena Local School District
Statement of Revenues, Expenses and Changes in Fund Net Assets
Governmental Activities - Internal Service Fund
For the Fiscal Year Ended June 30, 2011

	<u>Internal Service</u>
OPERATING REVENUES:	
Charges for Services	\$ 410,663
<i>Total Operating Revenues</i>	<u>410,663</u>
OPERATING EXPENSES:	
Purchased Services	100,463
Claims	107,634
Other	120,720
<i>Total Operating Expenses</i>	<u>328,817</u>
<i>Changes in Net Assets</i>	81,846
<i>Net Assets at Beginning of Year</i>	<u>325,529</u>
<i>Net Assets at End of Year</i>	<u>\$ 407,375</u>

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

Adena Local School District
Statement of Cash Flows
Governmental Activities - Internal Service Fund
For the Fiscal Year Ended June 30, 2011

	<u>Internal Service</u>
<i>Increase in Cash and Cash Equivalents</i>	
<i>Cash Flows from Operating Activities:</i>	
Cash Received from Customers	\$ 410,663
Cash Payments for Claims	(118,719)
Cash Payments for Purchased Services	(100,463)
Cash Payments for Other	<u>(120,720)</u>
<i>Net Cash Provided by Operating Activities</i>	70,761
Cash and Cash Equivalents at Beginning of Year	<u>384,812</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 455,573</u></u>
<i>Reconciliation of Operating Income to Net Cash Used for Operating Activities</i>	
Operating Income	\$ 81,846
<i>Changes in Assets and Liabilities:</i>	
Decrease in Claims Payable	<u>(11,085)</u>
<i>Net Cash Provided by Operating Activities</i>	<u><u>\$ 70,761</u></u>

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

Adena Local School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011

	<u>Private Purpose Trust Fund</u>	<u>Agency Fund</u>
ASSETS:		
Equity in Pooled Cash and Cash Equivalents	<u>\$ 3,101</u>	<u>\$ 26,157</u>
LIABILITIES:		
Undistributed Monies	<u>-</u>	<u>\$ 26,157</u>
NET ASSETS:		
Held in Trust for Scholarships	<u>3,101</u>	
Total Net Assets	<u><u>\$ 3,101</u></u>	

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

Adena Local School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2011

	<u>Private Purpose Trust Fund</u>
ADDITIONS:	
Gifts and Contributions	\$ 3,300
Interest	<u>7</u>
Total Additions	3,307
DEDUCTIONS:	
Payments in Accordance with Trust Agreements	<u>3,371</u>
Change in Net Assets	(64)
Net Assets Beginning of Year	<u>3,165</u>
Net Assets End of Year	<u><u>\$ 3,101</u></u>

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

Adena Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Description of the School District

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

The School District was established in 1965 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 123 square miles. It is located in Ross County, and includes all of the Villages of Clarksburg and Frankfort, and portions of Concord, Deerfield, and Union Townships. It is staffed by 56 non-certificated employees, 83 certificated full-time teaching personnel and 6 administrative employees who provide services to 1,226 students and other community members. The School District currently operates two instructional buildings.

Reporting Entity

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

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

The School District participates in five organizations, three of which are defined as jointly governed organizations, and two as insurance purchasing pools. These organizations are the South Central Ohio Computer Association, the Pickaway-Ross County Career and Technology Center, the Great Seal Education Network of Tomorrow, the Ohio School Boards Association Workers' Compensation Group Rating Plan, and the Ohio School Plan. These organizations are presented in Notes 16 and 17 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

Adena Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for the fiduciary funds. The activity of the Internal Service Fund is eliminated to avoid “doubling up” revenues and expenses. The statements usually distinguish between those activities of the School District that are governmental and those that are classified as business-type, however, the School District has no activities that are classified as business-type.

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District’s governmental activities. Direct expenses are those that are specifically associated with a service, program, or department, and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program; and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements During the fiscal year, the School District segregates transactions related to certain School 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 School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

The School 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. There are three categories of funds: governmental, proprietary, and fiduciary.

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

General Fund The General Fund is the general operating fund of the School District and is used to account for all financial resources not accounted for and reported in another fund. The General Fund is available to the School District for any purpose provided it is expended or transferred according to the school laws of Ohio.

The other governmental funds of the School District account for grants and other resources, debt service, and capital projects, whose use is restricted to a particular purpose.

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

Internal Service Fund The Internal Service Fund is used to account for the activity where School District self insures a portion of the employees’ high deductibles for health care provided to employees.

Adena Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary Fund Type Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District has two fiduciary funds: a private purpose trust fund used to account for college scholarship donations and an agency fund used to account for student activity programs.

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities accounts for increases (i.e. revenues) and decreases (i.e. expenses) in total net assets.

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

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

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

D. Basis of Accounting

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

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

Adena Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Deferred Revenue Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On the governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

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

E. Budgetary Process

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer maintains budgetary information at the fund and object level and has the authority to allocate appropriations at the function and object level without resolution by the Board.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statement reflect the amounts in the amended certificate in effect when the permanent appropriations for the fiscal year were passed. The amounts reported as the final budgeted amounts in the budgetary statement reflect the amounts in the amended certificate in effect when the final appropriations for the fiscal year were passed.

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

Adena Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

During fiscal year 2011 the School District's investments were limited to the State Treasury Assets Reserve of Ohio (STAROhio). STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2011.

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 and all other governmental funds during fiscal year 2011 amounted to \$23,335 and \$852, respectively.

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

G. Capital Assets

The School District's only capital assets are general capital assets. General capital assets are those assets specifically related to governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

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

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

Description	Estimated Lives
Land Improvements	7-30 years
Buildings and Improvements	50 years
Furniture, Fixtures, Equipment, and Textbooks	5 – 20 years
Vehicles	7-8 years

Adena Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “Interfund Receivables” and “Interfund Payables”. These amounts are eliminated in the governmental activities column of the statement of net assets.

I. Compensated Absences

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for all employees after 15 years of current service with the School District.

The entire compensated absences liability is reported on the government-wide financial statements.

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account “matured compensated absences payable” in the fund from which the employee will be paid.

J. Accrued Liabilities and Long-term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds are recognized as a liability on the governmental fund financial statements when due.

K. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations, instruction, support services, and extracurricular activities.

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

Of the School District's \$1,824,085 in restricted net assets, none is restricted by enabling legislation.

Adena Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Operating Revenues and Expenses

Operating revenues are those revenues that are generating directly from the primary activity of the proprietary fund. For the School District, these revenues are charges for services for high deductibles for healthcare provided to employees. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the fund.

M. Interfund Transactions

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

N. Estimates

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

O. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund represent cash and cash equivalents legally required to be set-aside by the School District for the purchase of textbooks and instructional materials and capital improvements. See Note 15 for additional information regarding set-asides.

P. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable The nonspendable fund balance classification includes amounts that cannot be spent because they are not in the spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Adena Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assigned Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by policies of the School District Board of Education.

Unassigned Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The School District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

NOTE 3 – ACCOUNTABILITY

At June 30, 2011, the Food Service, Early Childhood, Education Jobs, Title II-D, Title I, and Title VI-R Special Revenue Funds, had deficit fund balances of \$14,690, \$18,034, \$7,825, \$694, \$38,287, and \$8,923, respectively, which were created by the application of accounting principles generally accepted in the United States of America. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a restriction, commitment or assignment of fund balance (GAAP basis).

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

Adena Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (Continued)

Net Change in Fund Balance	
General Fund	
GAAP Basis	\$ 861,466
Revenue Accruals	458,106
Expenditure Accrual	(622,805)
Perspective Difference:	
Activity of Funds Reclassified	
for GAAP Reporting Purposes	(90,988)
Encumbrances	<u>(128,455)</u>
Budget Basis	<u>\$ 477,324</u>

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits 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.

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

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

1. United States treasury notes, bills, bonds, or other obligations of or securities issued by the United States treasury or any other obligation guaranteed as to the payment of principal and 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 federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. Interim deposits in the eligible institutions applying for interim money as provided in section 135.08 of the Revised Code;

Adena Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time;
9. Linked deposits as authorized by ordinance adopted pursuant to section 135.80 of the Revised Code;
10. Commercial paper notes issued by any entity that is defined in division (D) of section 1705.01 of the Revised Code and has assets exceeding five hundred million dollars, and to which notes are rated at the time of purchase in the highest classification established by at least two standard rating services; the aggregate value of the notes does not exceed ten percent of the aggregate value of the outstanding commercial paper of the issuing corporation; the notes mature no later than one hundred eighty days after purchase; and
11. Bankers' acceptances of banks that are members of the federal deposit insurance corporation to which obligations both the following apply: obligations are eligible for purchase by the federal reserve system and the obligations mature no later than one hundred eighty days after purchase.

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

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

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

Deposits Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The School District's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

As of June 30, 2011, the School District's bank balance of \$2,591,250 was either covered by FDIC or collateralized by the financial institution's public entity deposit pool in the manner described above.

Adena Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

Investments As of June 30, 2011, the School District had the following investments and maturities:

	Market Value	Weighted Average Maturity (Yrs.)
STAROhio	\$ 4,231,490	< 1 yr

Interest rate risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the School District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The School District limits its investments to STAROhio. Investments in STAROhio were rated AAAM by Standard & Poor’s. The School District’s policy does not address credit risk beyond the requirements of the Ohio Revised Code.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The School District’s investment policy allows investments in STAROhio, repurchase agreements, certificates of deposit or investments with financial institutions within the State of Ohio as designated by the Federal Reserve Board. The policy places no limit on how much can be invested in a single issuer. The School District has invested 100% of its investments in STAROhio.

Custodial Credit Risk - Custodial credit risk is the risk that in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the School District’s securities are either insured and registered in the name of the School District or at least registered in the name of the School District. The School District’s policy does not address custodial credit risk beyond the requirements of the Ohio Revised Code.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2011 represents collections of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed value listed as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2011 represents collections of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien on December 31, 2010 were levied after April 1, 2011, and are collected in 2011 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Adena Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 6 - PROPERTY TAXES (Continued)

Tangible personal property tax revenue received during calendar year 2011 (other than public utility property tax) represents the collection of 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2011 were levied after April 1, 2010, on the value as of December 31, 2010. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The assessed values upon which the fiscal year 2011 taxes were collected are:

	<u>2010 Second-Half Collections</u>		<u>2011 First-Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 97,039,710	95.39%	\$ 106,064,760	96.01%
Public Utility	3,926,780	3.86%	4,034,330	3.65%
Tangible Personal Property	763,040	0.75%	372,840	0.34%
Total Assessed Value	<u>\$ 101,729,530</u>	<u>100.00%</u>	<u>\$ 110,471,930</u>	<u>100.00%</u>
 Tax rate per \$1,000 of assessed valuation	 \$ 36.50		 \$ 36.50	

The School District receives property taxes from Ross County. The Ross County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2011. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2011 was \$453,335 in the General Fund and \$56,690 in all other governmental funds and is recognized as revenue.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2011 consisted of taxes, accounts, intergovernmental grants and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be received within one year.

Adena Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 7 – RECEIVABLES (Continued)

A summary of the principal items of intergovernmental receivables follows:

<u>Intergovernmental Receivables</u>	<u>Amounts</u>
<i>Non-Major Special Revenue Funds:</i>	
Title I	\$58,892
Education Jobs	4,935
ARRA School Improvement, Title I	19,325
Safe Routes to School	7,953
Technology, Title II-D	716
Title II-A	11,263
Special Education, Part B-IDEA	49,902
ARRA Special Education, Part B-IDEA	41,177
Early Childhood	<u>21,655</u>
Total Intergovernmental Receivables	<u>\$215,818</u>

NOTE 8 - CAPITAL ASSETS

A summary of the changes in general capital assets during fiscal year 2011 follows:

	<u>Balance</u> <u>6/30/2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/2011</u>
Capital Assets:				
Capital Assets not being depreciated:				
Land	\$ 677,044	\$ -	\$ -	\$ 677,044
Construction in Progress	-	<u>1,024,593</u>	-	<u>1,024,593</u>
Total Capital Assets not being Depreciated	<u>677,044</u>	<u>1,024,593</u>	<u>-</u>	<u>1,701,637</u>
Depreciable Capital Assets:				
Land Improvements	2,847,523	-	-	2,847,523
Buildings and Improvements	21,211,341	-	-	21,211,341
Furniture, Fixtures, Equipment and Textbooks	3,773,310	285,137	(11,033)	4,047,414
Vehicles	<u>1,464,406</u>	-	<u>(83,700)</u>	<u>1,380,706</u>
Total Capital Assets being Depreciated	<u>29,296,580</u>	<u>285,137</u>	<u>(94,733)</u>	<u>29,486,984</u>
Less Accumulated Depreciation				
Land Improvements	(1,318,529)	(143,953)	-	(1,462,482)
Buildings and Improvements	(5,563,237)	(653,342)	-	(6,216,579)
Furniture, Fixtures, Equipment and Textbooks	(2,743,804)	(214,956)	8,237	(2,950,523)
Vehicles	<u>(961,717)</u>	<u>(101,079)</u>	<u>83,700</u>	<u>(979,096)</u>
Total Accumulated Depreciation	<u>(10,587,287)</u>	<u>(1,113,330)</u>	<u>91,937</u>	<u>(11,608,680)</u>
Total Capital Assets being Depreciated, Net	<u>18,709,293</u>	<u>(828,193)</u>	<u>(2,796)</u>	<u>17,878,304</u>
Capital Assets, Net	<u>\$ 19,386,337</u>	<u>\$ 196,400</u>	<u>\$ (2,796)</u>	<u>\$ 19,579,941</u>

Adena Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 8 - CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$881,643
Special	5,311
Vocational	6,818
Support Services:	
Pupils	596
Instructional Staff	28,239
Administration	2,680
Fiscal	2,767
Operation and Maintenance of Plant	35,440
Pupil Transportation	111,722
Extracurricular Activities	17,095
Operation of Non-Instructional Services	<u>21,019</u>
 Total Depreciation Expense	 <u>\$1,113,330</u>

NOTE 9 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2011, the School District contracted with Ohio Casualty Insurance for property insurance. Insurance coverage provided is as follows:

Building and Contents - replacement cost (\$1,000 deductible)	\$ 33,202,103
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During fiscal year 2011, the School District contracted with Ohio Casualty Insurance for fleet insurance. Insurance coverage provided is as follows:

Liability	\$ 2,000,000
Uninsured motorist –	
Bodily Injury Liability	1,000,000

During fiscal year 2011, the School District contracted with Auto-Owners Insurance Company for flood insurance. Insurance coverage provided is as follows:

Building (\$1,000 Deductible)	\$ 100,000
Contents (\$1,000 Deductible)	100,000

Adena Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 9 - RISK MANAGEMENT (Continued)

During fiscal year 2011, the School District participated in the Ohio School Plan (OSP), an insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the OSP. (See Note 17).

General Liability:	
Bodily Injury and Property Damage - Each Occurrence Limit and	
Sexual Abuse Injury - Each Sexual Abuse Offense Limit	\$ 3,000,000
Personal and Advertising Injury - Each Offense Limit	3,000,000
General Aggregate Limit	5,000,000
Products - Completed Operations Limit	3,000,000
Employee Benefits Liability Endorsement:	
Employee Benefits Injury - Each Offense Limit	3,000,000
Employee Benefits Injury - Aggregate Limit	5,000,000
Employer's Liability and Stop Gap Endorsement:	
Bodily Injury by Accident - Each Accident Limit	3,000,000
Bodily Injury by Disease - Endorsement Limit	3,000,000
Bodily Injury by Disease - Each Employee Limit	3,000,000
Education Legal Liability Coverage (\$2,500 deductible):	
Errors and Omissions Injury Limit	3,000,000
Errors and Omissions Injury Aggregate Limit	5,000,000
Employment Practices Injury Limit	3,000,000
Employment Practices Injury Aggregate Limit	5,000,000

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

For fiscal year 2011, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (See Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement provides administrative, cost control, and actuarial services to the GRP.

Medical insurance coverage is offered to employees through Anthem Blue Cross and Blue Shield. Dental insurance coverage is offered to employees through Professional Risk Management, a Meritain Health Company.

The School District is enrolled in a Max 105 insurance plan, which is a high deductible insurance plan. With this plan, the School District self insures a portion of the employees' deductibles through their self-insurance Internal Service Fund. An administrative charge is paid monthly to Patrick Consulting. The claims liability of \$48,198 reported in the Internal Service Fund at June 30, 2011 is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10 "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Premiums are paid from the same funds that pay the employees' salaries.

Adena Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 9 - RISK MANAGEMENT (Continued)

Changes in claims activity for the past two fiscal years follow:

	<u>Balance at</u> <u>Beginning of Year</u>	<u>Current</u> <u>Year Claims</u>	<u>Claim Payments</u>	<u>Balance at</u> <u>End of Year</u>
2010*	\$31,098	\$195,729	\$167,544	\$59,283
2011	59,283	107,634	118,719	48,198

* Adjustments were made to the prior year amounts to be consistent with current year reporting. These adjustments had no effect on net assets.

NOTE 10 -DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by 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 can be obtained on SERS' website, www.ohsers.org, under *Employers/Audit Resources*.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amounts, by the SERS; Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year 2011, the allocation to pension and death benefits is 11.81 percent. The remaining 2.19 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The School District's contributions to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$218,801, \$254,139, and \$164,886, respectively; 41 percent has been contributed for fiscal year 2011 and 100 percent for the fiscal years 2010 and 2009. \$108,121 represents the unpaid contribution for fiscal year 2011 and is recorded as a liability within the respective funds.

State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system.

STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

Plan Options - New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment choices. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

Adena Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 10 -DEFINED BENEFIT PENSION PLANS (Continued)

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation of every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. 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. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. 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.

Combined Plan Benefits – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying 1% of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for Defined Benefit Plan participants.

The Defined Benefit and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians’ fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A Defined Benefit 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. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the Defined Benefit Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members’ beneficiaries.

Adena Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 10 -DEFINED BENEFIT PENSION PLANS (Continued)

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

For the fiscal years ended June 30, 2011, 2010, and 2009, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010, and 2009 were \$645,289, \$613,622, and \$591,836, respectively; 83 percent of the required contribution has been made for fiscal year 2011 and 100 percent of the required contribution has been made for fiscal years 2010 and 2009. \$110,938 represents the unpaid contribution for fiscal year 2011 and is recorded as a liability within the respective funds.

STRS Ohio issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771 or by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

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, 2011, two members of the Board of Education had elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 11 - POSTEMPLOYMENT BENEFITS

State Teachers Retirement System

STRS Ohio administers a pension plan that is comprised of: a defined benefit plan; a self-directed defined contribution plan; and a combined plan which is a hybrid of the defined benefit and defined contribution plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the defined benefit or combined plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Pursuant to Section 3307 of the Ohio Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Financial Annual Report by visiting www.strsoh.org or by requesting a copy by calling toll-free 1-888-227-7877.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2011, 2010 and 2009. The 14 percent employer contribution rate is the maximum rate established under Ohio law. For the School District, these amounts equaled \$49,785, \$46,618, and \$45,480, for fiscal years 2011, 2010, and 2009, respectively, which equaled the required allocation for each year.

Adena Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 11 - POSTEMPLOYMENT BENEFITS (Continued)

School Employees Retirement System

In addition to a cost-sharing, multiple-employer defined benefit pension plan, the School Employees Retirement System (SERS) administers two postemployment benefit plans.

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal years 2011, 2010, and 2009, the actuarially required allocation was 0.76 percent, 0.76 percent, and 0.75 percent. For the School District, contributions for the years ended June 30, 2011, 2010, and 2009, were \$14,333, \$12,831, and \$11,569, which equaled the required contributions for those years.

Health Care Plan

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

The Ohio Revised Code provides the statutory authority to fund SERS' post-employment benefits through employer contributions. Active members do not make contributions to the post-employment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e).

Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. At June 30, 2011, 2010, and 2009, the health care allocations were 1.43 percent, 0.46 percent, and 4.16 percent, respectively. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. For the School District, the amounts assigned to health care, including the surcharge, during the 2011, 2010, and 2009 fiscal years equaled \$57,163, \$34,656, and \$82,015, respectively, which equaled the required allocation for each year.

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

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under *Employers/Audit Resources*.

Adena Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 12 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees and administrators who are contracted to work 260 days per year earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators who work less than 260 days per year do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Upon retirement, certificated employees receive payment for one-fourth of accumulated sick days with maximum payments as follows: Employees, upon retirement, receive payment for one-fourth of accumulated sick days with maximum payments up to 49 days.

B. Life Insurance

The School District provides life insurance to most employees through Hartford Life and Accident Insurance Company.

C. Deferred Compensation

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

NOTE 13 – CAPITAL LEASES – LESSEE DISCLOSURE

During the 2011 fiscal year, the School District entered into a lease for the installation, construction, and repair of energy conservation equipment and copiers. Each lease meets the criteria of a capital lease as defined by the Statement of Financial Accounting Standards No. 13, “Accounting for Leases,” which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. The new leases were recorded as capital outlay an inception of capital leases in the governmental funds in the amount \$1,583,000. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statement.

For the leased assets related to the governmental funds, capital assets acquired by lease have been capitalized in the government-wide financial statements in an amount of \$1,152,593. This amount represents the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded in the government-wide financial statements. The leases are paid from the Permanent Improvement Fund and the Budget Stabilization Fund. Future minimum lease payments are as follows:

Fiscal Year Ending June 30,	
2012	\$ 214,942
2013	213,712
2014	207,304
2015	200,896
2016	170,272
2017-2021	759,298
2022-2026	619,874
Total Minimum Lease Payments	2,386,298
Less: Amounts Representing Interest	(820,817)
Present Value of Minimum Lease Payments	\$1,565,481

Adena Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 14 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2011 were as follows:

	Amount Outstanding 06/30/2010	Additions	Deductions	Amount Outstanding 06/30/2011	Amount Due Within One Year
General Obligation Bonds:					
1999 School Improvement Bonds 5.36%	\$ 775,000	\$ -	\$ 110,000	\$ 665,000	\$ 120,000
2006 School Improvement Refunding Bonds - 5.50%	1,085,000	-	-	1,085,000	-
Premium on Refunding Bonds	28,461	-	2,588	25,873	-
Other Long-Term Obligations:					
Capital Leases Payable	35,138	1,583,000	52,657	1,565,481	109,402
Compensated Absences Payable	631,474	786,179	755,171	662,482	46,812
Total Long-Term Obligations	\$ 2,555,073	\$ 2,369,179	\$ 920,416	\$ 4,003,836	\$ 276,214

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

During 2006, the School District issued \$1,085,000 of general obligation school improvement refunding bonds to provide resources to purchase U.S. Government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$1,110,000 of general obligation bonds which constitutes a portion of the 1999 general obligation school improvement bonds. As a result, the outstanding principal of \$1,110,000 of the advance refunded debt is considered to be defeased and the liability has been removed from the governmental activities column of the statement of net assets. The reacquisition price was below the net carrying amount of the old debt by \$65,504. This amount is being netted against the new debt and amortized over the remaining life of the new debt, which is shorter than the life of the refunded debt issued. The refunding bonds will be repaid from the Debt Service Fund.

Compensated absences will be paid from the Termination of Benefits Special Revenue Fund. Capital leases will be paid from the General Fund and the Budget Stabilization Fund.

The School District's overall legal debt margin was \$8,192,474 with an unvoted debt margin of \$110,472 at June 30, 2011.

Adena Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 14 - LONG-TERM OBLIGATIONS (Continued)

Principal and interest requirements to retire the bonds outstanding at June 30, 2011, are as follows:

Fiscal Year Ending June 30,	School Improvement Bonds		School Improvement Refunding Bonds		Total
	Principal	Interest	Principal	Interest	
2012	\$ 120,000	\$ 39,120	\$ -	\$ 59,675	\$ 218,795
2013	125,000	31,845	-	59,675	216,520
2014	130,000	23,430	-	59,675	213,105
2015	140,000	14,520	-	59,675	214,195
2016	150,000	4,950	-	59,675	214,625
2017-2021	-	-	880,000	182,325	1,062,325
2022	-	-	205,000	5,638	210,638
	<u>\$ 665,000</u>	<u>\$ 113,865</u>	<u>\$ 1,085,000</u>	<u>\$ 486,338</u>	<u>\$ 2,350,203</u>

NOTE 15 – SET-ASIDE CALCULATIONS

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

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

	Textbooks and Instructional Materials	Capital Improvements
Set-aside Reserve Balance as of June 30, 2010	\$ 610,654	\$ 84,610
Current Year Set-aside Requirement	177,648	177,648
Current Year Offsets	-	(34,854)
Current Year Disbursements	(66,271)	(127,943)
Set-aside Reserve Balance as of June 30, 2011	<u>\$ 722,031</u>	<u>\$ 99,461</u>

Adena Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 16 – JOINTLY GOVERNED ORGANIZATIONS

A. South Central Ohio Computer Association

The School District is a participant in the South Central Ohio Computer Association (SCOCA) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Highland, Adams, Pike, Scioto, Brown, Jackson, Vinton, Pickaway, Gallia, Ross, and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each county in the SCOCA service region designated by the Ohio Department of Education, two representatives of the school treasurers, plus a representative of the fiscal agent. The School District paid SCOCA \$93,759 for services provided during the year. Financial information can be obtained from their fiscal agent, the Pike County Career and Technical Center, Tonya Cooper, who serves as Treasurer, at P.O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

B. Pickaway-Ross County Career and Technology Center

The Pickaway-Ross County Career and Technology Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of eleven representatives from the various City and County Boards within Pickaway and Ross Counties, each of which possesses its own budgeting and taxing authority. The Center provides vocational instruction to students in both Pickaway and Ross Counties. To obtain financial information write to the Pickaway-Ross County Career and Technology Center, Ben Van Horn, who serves as Treasurer, at 895 Crouse Chapel Road, Chillicothe, Ohio 45601.

C. Great Seal Education Network of Tomorrow

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

NOTE 17 – CLAIMS SERVICING AND INSURANCE PURCHASING POOLS

Ohio School Boards Association Workers’ Compensation Group Rating Plan

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

Adena Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 17 – CLAIMS SERVICING AND INSURANCE PURCHASING POOLS (Continued)

Ohio School Plan

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

NOTE 18 – INTERFUND ACTIVITY

A. Interfund Transfers

Transfers were made to move unrestricted balances to support programs and projects accounted for in other funds. The Permanent Improvement Nonmajor Capital Projects Fund received a transfer in the amount of \$47,045 from the General Fund.

B. Interfund Advances

Interfund balances at June 30, 2011, consist of the following individual fund receivables and payables, which are expected to be repaid during the 2012 fiscal year:

<u>Interfund Loans</u>	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 67,918	\$ -
Nonmajor Special Revenue Funds:		
District Managed Activities	-	12,310
Early Childhood Education	-	2,608
Safe Routes to Schools	-	7,813
Education Jobs	-	444
Title I	-	672
Title II-D	-	694
Title VI-B	-	9,134
	<u>-</u>	<u>33,675</u>
Total Nonmajor Special Revenue Funds	-	33,675
Nonmajor Capital Projects Fund		
Permanent Improvement	-	34,243
	<u>-</u>	<u>34,243</u>
Total Other Governmental Funds	-	67,918
	<u>-</u>	<u>67,918</u>
Total Interfund Receivables/Payables	<u>\$ 67,918</u>	<u>\$ 67,918</u>

The amounts due to the General fund are the result of the School District moving unrestricted monies to support grant funds whose grants operate on a reimbursement basis. The General fund will be reimbursed when funds become available in the non-major special revenue and capital projects funds.

Adena Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 19 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2011.

B. Litigation

The School District is party to legal proceedings. The School District is of the opinion that the ultimate disposition of claims will not have a material adverse effect, if any, on the financial condition of the School District.

NOTE 20 – INCOME TAX

The School District levies a voted tax of one percent for general operations on the income of residents and of estates. The tax was effective January 1, 2007, and is a five year levy. 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 School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

NOTE 21 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF BALANCES

For fiscal year 2011, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.”

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement resulted in the reclassification of certain funds, and resulted in the following restatement of the School District’s financial statements:

	<u>General</u>	<u>All Other Governmental</u>	<u>Total</u>
Fund Balances, June 30, 2010	\$3,650,269	\$762,891	\$4,413,160
GASB 54 Fund Reclassifications	40,606	(40,606)	0
Restated Fund Balances, June 30, 2010	<u>\$3,690,875</u>	<u>\$722,285</u>	<u>\$4,413,160</u>
	<u>General Budgetary</u>		
Fund Balances, June 30, 2010	\$3,892,547		
GASB 54 Fund Reclassifications	(16,978)		
Restated Fund Balances, June 30, 2010	<u>\$3,875,569</u>		

Adena Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 22 – FUND BALANCES

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

Fund Balances	General	Nonmajor Governmental Funds	Total Governmental Funds
Restricted for			
Other Purposes	0	123,974	123,974
Textbooks	722,031	0	722,031
Capital Maintenance	99,461	0	99,461
Debt Services Payments	0	276,390	276,390
Capital Improvements	0	808,265	808,265
Total Restricted	<u>821,492</u>	<u>1,208,629</u>	<u>2,030,121</u>
Committed to			
Termination Benefits	<u>156,171</u>	<u>0</u>	<u>156,171</u>
Assigned to			
Other Purposes	<u>101,552</u>	<u>0</u>	<u>101,552</u>
Unassigned (Deficit)	<u>3,473,126</u>	<u>0</u>	<u>3,473,126</u>
Total Fund Balances	<u>\$4,552,341</u>	<u>\$1,208,629</u>	<u>\$5,760,970</u>

NOTE 23 – CONTRACT COMMITMENTS

During 2011, the School District contracted with The Limbach Company, LLC in the amount of \$1,455,000 for the purpose of a HB 264 energy conservation project. The project is being paid from the School District's Building Fund. As of June 30, 2011, \$1,024,593 has been spent for this project.

**Adena Local School District
Ross County, Ohio**

***Schedule of Federal Awards Receipts and Expenditures
For the Year Ended June 30, 2011***

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
United States Department of Agriculture						
<i>Passed through Ohio Department of Education</i>						
<i>Nutrition Cluster:</i>						
School Breakfast Program	3L70	10.553	\$ 20,986	\$ -	\$ 20,986	\$ -
Special Milk Program for Children	3L60	10.556	1,023	-	1,023	-
National School Lunch Program	3L60	10.555	180,580	21,812	180,580	21,876
Total United States Department of Agriculture - Nutrition Cluster			202,589	21,812	202,589	21,876
United States Department of Education						
<i>Passed through Ohio Department of Education</i>						
<i>Title I, Part A Cluster</i>						
Title I Grants to Local Educational Agencies	3M00	84.010	251,942	-	239,132	-
Title I Grants to Local Educational Agencies, ARRA	3DK0	84.389	78,389	-	74,471	-
<i>Total Title I Cluster</i>			330,331	-	313,603	-
<i>Special Education, IDEA Part B Cluster</i>						
Special Education Grants to States	3M20	84.027	241,236	-	238,529	-
Special Education Grants to States, ARRA	3DJ0	84.391	142,588	-	143,713	-
<i>Total Special Education, IDEA Part B Cluster</i>			383,824	-	382,242	-
<i>Education Technology State Grants Cluster</i>						
Education Technology State Grants	3S20	84.318	1,015	-	1,015	-
<i>Total Education Technology State Grants Cluster</i>			1,015	-	1,015	-
<i>State Fiscal Stabilization Fund Cluster</i>						
State Fiscal Stabilization Fund (SFSF) - Education State Grants, ARRA	GRF	84.394	530,932	-	530,932	-
<i>Total State Fiscal Stabilization Fund Cluster</i>			530,932	-	530,932	-
Safe and Drug-Free Schools and Communities - State Grants	3D10	84.186	2,595	-	1,871	-
School Improvement Grants	3ANO	84.377	390	-	390	-
Education Job Funds	3ET0	84.410	77,990	-	78,434	-
Improving Teacher Quality State Grants	3Y60	84.367	99,775	-	99,385	-
Total United States Department of Education			1,426,852	-	1,407,872	-
Total Federal Financial Assistance			<u>\$ 1,629,441</u>	<u>\$ 21,812</u>	<u>\$ 1,610,461</u>	<u>\$ 21,876</u>

See Notes to the Schedule of Federal Awards Receipts and Expenditures.

Adena Local School District
Notes to the Schedule of Federal Awards Receipts and Expenditures
For the Fiscal Year Ended June 30, 2011

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – NATIONAL SCHOOL LUNCH AND BREAKFAST PROGRAMS

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

NOTE C – FOOD DONATION

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

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

Members of the Board of Education
Adena Local School District
3367 County Road 550
Frankfort, OH 45628

To the Board of Education:

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Adena Local School District, Ross County, Ohio (the School District), as of and for the year ended June 30, 2011, which collectively comprise the School District's basic financial statements and have issued our report thereon dated November 9, 2011 wherein we noted that the School District implemented GASB Statements No. 54. 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 School District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School District's internal control over financial reporting.

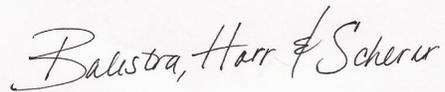
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. *A material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

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

We intend this report solely for the information and use of management, the Board of Education, federal awarding agencies, pass-through entities, and others within the School District. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.
November 9, 2011



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133

Members of the Board of Education
Adena Local School District
3367 County Road 550
Frankfort, OH 45628

Compliance

We have audited the compliance of Adena Local School District, Ross County, Ohio (the School District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Adena Local School District's major federal programs for the year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, Adena Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *A material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

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



Balestra, Harr & Scherer, CPAs, Inc.
November 9, 2011

**Adena Local School District
Ross County, Ohio**

**Schedule of Findings
OMB Circular A-133 Section §.505
June 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant internal control deficiencies reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under §.510(a)?	No
<i>(d)(1)(vii)</i>	Major Program(s) (list):	Title I, Part A Cluster: Title I Grants to Local Education Agencies - CFDA #84.010 Title I Grants to Local Educational Agencies, ARRA – CFDA #84.389 Special Education Cluster (IDEA): Special Education Grants to States - CFDA #84.027 Special Education Grants to States, ARRA - CFDA #84.391 State Fiscal Stabilization Fund (SFSF) - Education State Grants, ARRA- CFDA #84.394
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

**Adena Local School District
Ross County, Ohio**

**Schedule of Findings
OMB Circular A-133 Section §.505
June 30, 2011**

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

None noted

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None noted



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Independent Auditor's Report on Applying Agreed Upon Procedures

Members of the Board of Education
Adena Local School District
Ross County
3367 County Road 550
Frankfort, Ohio 45628

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Adena Local School District (the School District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on March 16, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

Balestra, Harr & Scherer, CPAs, Inc.

November 9, 2011

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Dave Yost • Auditor of State

ADENA LOCAL SCHOOL DISTRICT

ROSS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 2, 2012