



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, 2014
Fiscal Year Audited Under GAGAS: 2014



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, 2013 through June 30, 2014. 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 cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

December 16, 2014

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**ADENA LOCAL SCHOOL DISTRICT
ROSS COUNTY
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014
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Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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Independent Auditor's Report

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Adena Local School District, Ross County, Ohio (the School District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Adena Local School District, Ross County, Ohio, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

The Schedule of Federal Award Receipts and Expenditures (the Schedule) presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2014, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
Piketon, Ohio
November 17, 2014

Adena Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
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, 2014. 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 plus deferred inflows of resources at June 30, 2014 by \$23,298,138.
- The School District's net position of governmental activities increased \$1,259,162.
- General revenues accounted for \$11,631,992 in revenue or 81 percent of all revenues. Program specific revenues in the form of charges for services and sales, operating grants and contributions accounted for \$2,684,349 or 19 percent of total revenues of \$14,316,341.
- The School District had \$13,057,179 in expenses related to governmental activities; \$2,684,349 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 Position 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 Position 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, liabilities and deferred inflows/outflows of resources 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 position and changes in that position. These changes in net position 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, 2014
Unaudited

In the Statement of Net Position 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 8. Fund financial statements provide detailed information about the School District's major funds – 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 major funds are the General Fund and the Classroom Facilities 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 Position 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 position. 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' vision and dental coverage. 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 Position. 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, 2014
Unaudited

THE SCHOOL DISTRICT AS A WHOLE

As stated previously, the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2014 compared to 2013.

Table 1
Net Position

	2014	2013*
Assets:		
Current and Other Assets	\$ 12,068,675	\$ 12,668,264
Capital Assets, Net	20,218,401	18,245,562
Total Assets	32,287,076	30,913,826
Liabilities:		
Current and Other Liabilities	3,509,462	3,404,967
Long-Term Liabilities	3,276,581	3,404,449
Total Liabilities	6,786,043	6,809,416
Deferred Inflows of Resources		
Property Taxes not Levied to Finance Current Year Operations	2,202,895	2,065,434
Total Deferred Inflows of Resources	2,202,895	2,065,434
Net Position:		
Net Investment in Capital Assets	17,060,427	15,225,691
Restricted	2,370,761	2,907,155
Unrestricted	3,866,950	3,906,130
Total Net Position	\$ 23,298,138	\$ 22,038,976

* Amount restated. The restatement had no effect on beginning net position.

Total net position of the School District as a whole increased in the amount of \$1,259,162. The increase to Capital Assets, Net is primarily due to current year additions exceeding depreciation and deletions. Current and Other Assets decreased primarily due to a decrease in cash on hand June 30, 2014 as a result of expenses made for capital assets. The increase in current and other liabilities is primarily due to an increase in contracts payable. The decrease in long-term liabilities was due to current year principal payments.

Adena Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Table 2 shows the changes in net position for the fiscal years ended June 30, 2014 and 2013.

Table 2
Change in Net Position

	2014	2013*
Revenues		
Program Revenues:		
Charges for Services and Sales	\$ 1,226,113	\$ 1,126,941
Operating Grants and Contributions	1,458,236	1,559,595
Total Program Revenues	2,684,349	2,686,536
General Revenues:		
Property and Other Local Taxes	2,529,300	2,465,835
Grants and Entitlements		
Not Restricted to Specific Programs	6,695,742	6,417,694
Grants and Entitlements Restricted for Classroom Facilities	2,350,145	251,370
Gifts and Donations		
Not Restricted to Specific Programs	2,167	6,313
Investment Earnings	5,469	9,166
Gain on Sale of Capital Assets	9,241	-
Miscellaneous	39,928	72,682
Total General Revenues	11,631,992	9,223,060
Total Revenues	14,316,341	11,909,596
Program Expenses		
Instruction:		
Regular	5,992,616	5,511,774
Special	1,418,551	1,351,326
Vocational	7,518	7,031
Other	811,215	1,002,259
Support Services:		
Pupils	430,750	442,540
Instructional Staff	361,870	668,648
Board of Education	28,845	72,701
Administration	820,387	807,983
Fiscal	330,894	317,255
Operation and Maintenance of Plant	912,204	1,038,055
Pupil Transportation	865,725	917,109
Central	173,715	160,090
Operation of Non-Instructional Services	469,982	460,991
Extracurricular Activities	324,273	303,584
Interest and Fiscal Charges	108,634	118,178
Total Expenses	13,057,179	13,179,524
Special Item:		
Settlement Monies	-	2,000,000
Increase in Net Position	1,259,162	730,072
Net Position at Beginning of Year	22,038,976	21,308,904
Net Position at End of Year	\$ 23,298,138	\$ 22,038,976

*Certain reclassifications were made to prior year amounts to conform to current year reporting.

Adena Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Governmental Activities

Grants and entitlements not restricted to specific programs comprised 47 percent of revenue for governmental activities, tax revenue comprised 18 percent, grants and entitlements restricted for classroom facilities comprised 16 percent, while operating grants and contributions comprised 10 percent of revenue for governmental activities of the School District for fiscal year 2014. The decrease in operating grants and contributions is due primarily to a decrease in the special education allocation monies received through foundation monies. The increase in grants and entitlements not restricted to specific programs is due to an increase in overall foundation monies received by the School District in 2014. The increase to grants and entitlements restricted for classroom facilities is due to classroom facilities monies received during the current year as compared to the prior year.

As indicated by governmental program expenses, instruction is emphasized. Regular Instruction comprised 46 percent of governmental program expenses with Special Instruction comprising 11 percent of governmental expenses. The decrease to other instruction is due to a decrease in student intervention services provided by the School District. The increase in regular instruction and the decrease in instructional staff is due to changes in account coding by the State.

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

	2014		2013*	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 8,229,900	\$ 6,703,193	\$ 7,872,390	\$ 6,363,985
Support Services	3,924,390	3,518,202	4,424,381	3,976,092
Operation of Non-Instructional Services	469,982	(37,347)	460,991	(59,735)
Extracurricular Activities	324,273	80,355	303,584	94,757
Interest and Fiscal Charges	108,634	108,427	118,178	117,889
Total Expenses	<u>\$ 13,057,179</u>	<u>\$ 10,372,830</u>	<u>\$ 13,179,524</u>	<u>\$ 10,492,988</u>

* Certain reclassifications were made to prior year amounts to conform to current year reporting.

THE SCHOOL DISTRICT'S FUNDS

Governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues, other financing sources of \$14,592,609 and expenditures and other financing uses of \$15,522,351. The net change in fund balance for the year was most significant in the Classroom Facilities Fund. The decrease of \$605,271 was a result of increased expenditures for construction projects.

The fund balance of the General fund decreased by \$330,951. The decrease in fund balance is due to the School District's expenditures exceeding revenues.

Adena Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
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 2014, there were revisions to the General Fund budget. For the General Fund, the final budget basis revenue was \$10,415,192, which was \$145,943 above the original estimate amount of \$10,269,249. Differences between the original and final budgeted revenues are due to higher than expected income tax revenue received. The School District's final budgeted appropriations were \$11,334,534, which was \$69,637 below the original estimate of \$11,404,171 and \$280,585 above actual budgetary expenditures. Differences between final budgeted appropriations and actual expenditures are due to lower than expected other uses of funds.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2014, the School District had \$20,218,401 invested in its capital assets. Table 4 shows the fiscal year 2014 balances compared to 2013.

Table 4
 Capital Assets
 (Net of Accumulated Depreciation)

	Governmental Activities	
	2014	2013
Land	\$ 677,044	\$ 677,044
Construction in Progress	3,112,743	162,648
Land Improvements	1,070,315	1,204,422
Buildings and Improvements	14,287,388	15,012,576
Furniture, Fixtures, Equipment and Textbooks	826,752	869,602
Vehicles	244,159	319,270
Totals	\$ 20,218,401	\$ 18,245,562

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, 2014
Unaudited

Debt

At June 30, 2014, the School District had \$1,375,000 in bonds outstanding, (excluding unamortized premiums) of which \$140,000 is due within one year. The School District also had capital lease obligations outstanding of \$1,299,356, of which \$106,606 is due within one year. Table 5 summarizes the debt outstanding:

Table 5
 Outstanding Debt at Year End
 Governmental Activities

	2014	2013
General Obligation Bonds:		
1999 School Improvement Bonds	\$ 290,000	\$ 420,000
2006 School Improvement Refunding Bonds	1,085,000	1,085,000
Premium on Refunding Bonds	18,109	20,697
Capital Leases	1,299,356	1,340,429
Total	\$ 2,692,465	\$ 2,866,126

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

Due to the loss of the 1% School District Income Tax, coupled with the lack of additional State funding, the Adena Local Board of Education is continuing to search for ways to minimize spending. All expenditures, including personnel costs, are strictly scrutinized so as not to deplete the carryover funds as quickly. In addition to the loss of the School District Income Tax, the Adena Local School District no longer receives the State Fiscal Stabilization Funds or Education Jobs monies. The Adena Local Board of Education will continue to monitor the school's financial status to consider the need for potential levies.

The Adena Local Board of Education is dedicated to providing a quality education for our students and stabilizing 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 Position
June 30, 2014

	Governmental Activities
ASSETS:	
Equity in Pooled Cash and Cash Equivalents	\$ 7,409,547
Cash and Cash Equivalents with Escrow Agents	1,399
Accounts Receivable	47,343
Intergovernmental Receivable	153,672
Taxes Receivable	2,614,008
Note Receivable	1,842,706
Non-Depreciable Capital Assets	3,789,787
Depreciable Capital Assets, net	16,428,614
<i>Total Assets</i>	32,287,076
LIABILITIES:	
Accounts Payable	26,523
Accrued Wages and Benefits	897,048
Contracts Payable	465,509
Intergovernmental Payable	2,065,747
Accrued Interest Payable	6,245
Matured Compensated Absences Payable	31,488
Claims Payable	16,902
Long-Term Liabilities:	
Due Within One Year	270,081
Due in More Than One Year	3,006,500
<i>Total Liabilities</i>	6,786,043
DEFERRED INFLOWS OF RESOURCES	
Property Taxes not Levied to Finance Current Year Operations	2,202,895
<i>Total Deferred Inflows of Resources</i>	2,202,895
NET POSITION:	
Net Investment in Capital Assets	17,060,427
Restricted for Debt Service	322,077
Restricted for Capital Outlay	1,735,058
Restricted for Set Asides	69,686
Restricted for Other Purposes	243,940
Unrestricted	3,866,950
<i>Total Net Position</i>	\$ 23,298,138

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, 2014

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities:				
Instruction:				
Regular	\$ 5,992,616	\$ 423,561	\$ 164,092	\$ (5,404,963)
Special	1,418,551	85,467	782,405	(550,679)
Vocational	7,518	243	1,129	(6,146)
Other	811,215	69,810	-	(741,405)
Support Services:				
Pupils	430,750	36,781	812	(393,157)
Instructional Staff	361,870	30,033	-	(331,837)
Board of Education	28,845	2,480	-	(26,365)
Administration	820,387	70,325	-	(750,062)
Fiscal	330,894	27,810	639	(302,445)
Operation and Maintenance of Plant	912,204	67,956	61,485	(782,763)
Pupil Transportation	865,725	63,684	29,225	(772,816)
Central	173,715	14,931	27	(158,757)
Operation of Non-Instructional Services	469,982	188,034	319,295	37,347
Extracurricular Activities	324,273	144,791	99,127	(80,355)
Interest and Fiscal Charges	108,634	207	-	(108,427)
<i>Total Governmental Activities</i>	<u>\$ 13,057,179</u>	<u>\$ 1,226,113</u>	<u>\$ 1,458,236</u>	<u>(10,372,830)</u>
General Revenues:				
Property Taxes Levied for:				
General Purposes				2,198,234
Building Maintenance				36,155
Debt Service				188,146
Income Tax				106,765
Grants and Entitlements not Restricted to Specific Programs				6,695,742
Grants and Entitlements Restricted for Classroom Facilities				2,350,145
Gifts and Donations not Restricted to Specific Programs				2,167
Investment Earnings				5,469
Gain on Sale of Capital Assets				9,241
Miscellaneous				39,928
<i>Total General Revenues</i>				<u>11,631,992</u>
Change in Net Position				1,259,162
<i>Net Position Beginning of Year</i>				<u>22,038,976</u>
<i>Net Position End of Year</i>				<u>\$ 23,298,138</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, 2014

	General	Classroom Facilities Fund	All Other Governmental Funds	Total Governmental Funds
ASSETS:				
Equity in Pooled Cash and Cash Equivalents	\$ 3,960,077	\$ 2,194,481	\$ 589,847	\$ 6,744,405
Cash and Cash Equivalents with Escrow Agents	-	-	1,399	1,399
Accounts Receivable	47,343	-	-	47,343
Interfund Receivable	15,238	-	-	15,238
Intergovernmental Receivable	35,613	-	118,059	153,672
Taxes Receivable	2,400,086	-	213,922	2,614,008
Notes Receivable	-	1,842,706	-	1,842,706
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	69,686	-	-	69,686
<i>Total Assets</i>	<u>\$ 6,528,043</u>	<u>\$ 4,037,187</u>	<u>\$ 923,227</u>	<u>\$ 11,488,457</u>
LIABILITIES:				
Accounts Payable	\$ 26,470	\$ -	\$ 53	\$ 26,523
Accrued Wages and Benefits	782,819	-	114,229	897,048
Contracts Payable	-	465,509	-	465,509
Interfund Payable	-	-	15,238	15,238
Intergovernmental Payable	185,867	1,842,706	37,174	2,065,747
Matured Compensated Absences Payable	31,488	-	-	31,488
<i>Total Liabilities</i>	<u>1,026,644</u>	<u>2,308,215</u>	<u>166,694</u>	<u>3,501,553</u>
DEFERRED INFLOWS OF RESOURCES:				
Property Taxes not Levied to Finance Current Year Operations	2,015,497	-	187,398	2,202,895
Unavailable Revenue - Delinquent Taxes	49,751	-	4,743	54,494
Unavailable Revenue - Grants	-	-	21,377	21,377
<i>Total Deferred Inflows of Resources</i>	<u>2,065,248</u>	<u>-</u>	<u>213,518</u>	<u>2,278,766</u>
FUND BALANCES:				
Restricted	69,686	1,728,972	551,273	2,349,931
Committed	116,304	-	-	116,304
Assigned	166,526	-	-	166,526
Unassigned (Deficit)	3,083,635	-	(8,258)	3,075,377
<i>Total Fund Balances</i>	<u>3,436,151</u>	<u>1,728,972</u>	<u>543,015</u>	<u>5,708,138</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$ 6,528,043</u>	<u>\$ 4,037,187</u>	<u>\$ 923,227</u>	<u>\$ 11,488,457</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 Position of Governmental Activities
 June 30, 2014*

Total Governmental Fund Balances		\$ 5,708,138
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		20,218,401
Other long-term assets are not available to pay for current period expenditures and therefore are not reported in the funds.		
Taxes	54,494	
Intergovernmental	<u>21,377</u>	
Total		75,871
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 position.		578,554
Long-term liabilities, including bonds, interest payable, 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	(584,116)	
Interest Payable	(6,245)	
Capital Lease Obligations	(1,299,356)	
Premium on Refunding Bonds Issued	(18,109)	
Bonds Payable	<u>(1,375,000)</u>	
Total		<u>(3,282,826)</u>
Net Position of Governmental Activities		<u><u>\$ 23,298,138</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, 2014

	General	Classroom Facilities Fund	All Other Governmental Funds	Total Governmental Funds
REVENUES:				
Property and Other Taxes	\$ 2,306,601	\$ -	\$ 226,020	\$ 2,532,621
Intergovernmental	7,120,413	2,349,291	1,052,294	10,521,998
Interest	4,919	494	56	5,469
Tuition and Fees	801,642	-	-	801,642
Extracurricular Activities	68,618	-	129,601	198,219
Gifts and Donations	2,167	-	2,260	4,427
Customer Sales and Services	39,622	-	186,630	226,252
Miscellaneous	38,341	-	1,587	39,928
<i>Total Revenues</i>	<u>10,382,323</u>	<u>2,349,785</u>	<u>1,598,448</u>	<u>14,330,556</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	4,856,740	-	223,187	5,079,927
Special	991,297	-	440,845	1,432,142
Vocational	2,825	-	-	2,825
Other	808,391	-	-	808,391
Support Services:				
Pupils	427,715	-	1,055	428,770
Instructional Staff	353,730	-	-	353,730
Board of Education	28,845	-	-	28,845
Administration	856,289	-	-	856,289
Fiscal	322,884	-	5,916	328,800
Operation and Maintenance of Plant	787,098	-	84,225	871,323
Pupil Transportation	738,976	-	40,034	779,010
Central	172,673	-	37	172,710
Operation of Non-Instructional Services	16,332	-	432,337	448,669
Extracurricular Activities	176,687	-	135,788	312,475
Capital Outlay	139,233	2,955,056	15,438	3,109,727
Debt Service:				
Principal	60,429	-	220,000	280,429
Interest	2,409	-	109,493	111,902
<i>Total Expenditures</i>	<u>10,742,553</u>	<u>2,955,056</u>	<u>1,708,355</u>	<u>15,405,964</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(360,230)</u>	<u>(605,271)</u>	<u>(109,907)</u>	<u>(1,075,408)</u>
OTHER FINANCING SOURCES AND (USES):				
Transfers In	-	-	116,387	116,387
Proceeds from Sale of Capital Assets	36,310	-	-	36,310
Inception of Capital Leases	109,356	-	-	109,356
Transfers Out	(116,387)	-	-	(116,387)
<i>Total Other Financing Sources and (Uses)</i>	<u>29,279</u>	<u>-</u>	<u>116,387</u>	<u>145,666</u>
<i>Net Change in Fund Balances</i>	(330,951)	(605,271)	6,480	(929,742)
<i>Fund Balances at Beginning of Year</i>	<u>3,767,102</u>	<u>2,334,243</u>	<u>536,535</u>	<u>6,637,880</u>
<i>Fund Balances at End of Year</i>	<u>\$ 3,436,151</u>	<u>\$ 1,728,972</u>	<u>\$ 543,015</u>	<u>\$ 5,708,138</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, 2014*

Net Change in Fund Balances - Total Governmental Funds \$ (929,742)

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 depreciation in the current period.

Capital Asset Additions	3,104,768	
Current Year Depreciation	(1,104,860)	
Total	1,999,908	1,999,908

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 gain on the disposal of capital assets.

Proceeds from Sale of Capital Assets	(36,310)	
Gain on Disposal of Capital Assets	9,241	
Total	(27,069)	(27,069)

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

Taxes	(3,321)	
Intergovernmental	(20,135)	
Total	(23,456)	(23,456)

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. (109,356)

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

Repayments of bond principal are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net position and does not result in an expense in the statement of activities. 130,000

Repayments of capital lease obligations are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net position and does not result in an expense in the statement of activities. 150,429

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. 110,973

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	(45,793)	
Decrease in Accrued Interest Payable	680	
Total	(45,113)	(45,113)

Net Change in Net Position of Governmental Activities **\$ 1,259,162**

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, 2014*

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Total Revenues and Other Financing Sources	\$ 10,269,249	\$ 10,415,192	\$ 10,415,192	\$ -
Total Expenditures and Other Financing Uses	11,404,171	11,334,534	11,053,949	280,585
Net Change in Fund Balance	(1,134,922)	(919,342)	(638,757)	280,585
Fund Balance at Beginning of Year	4,146,819	4,146,819	4,146,819	-
Prior Year Encumbrances Appropriated	212,633	212,633	212,633	-
Fund Balance at End of Year	<u>\$ 3,224,530</u>	<u>\$ 3,440,110</u>	<u>\$ 3,720,695</u>	<u>\$ 280,585</u>

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

Adena Local School District
Statement of Fund Net Position
Governmental Activities - Internal Service Fund
June 30, 2014

	<u>Internal Service</u>
ASSETS:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 595,456</u>
<i>Total Assets</i>	<u>595,456</u>
LIABILITIES:	
Current Liabilities:	
Claims Payable	<u>16,902</u>
<i>Total Liabilities</i>	<u>16,902</u>
NET POSITION:	
Unrestricted	<u>578,554</u>
<i>Total Net Position</i>	<u><u>\$ 578,554</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 Position
Governmental Activities - Internal Service Fund
For the Fiscal Year Ended June 30, 2014

	<u>Internal Service</u>
OPERATING REVENUES:	
Charges for Services	\$ 300,421
<i>Total Operating Revenues</i>	<u>300,421</u>
OPERATING EXPENSES:	
Purchased Services	84,980
Claims	<u>104,468</u>
<i>Total Operating Expenses</i>	<u>189,448</u>
<i>Changes in Net Position</i>	110,973
<i>Net Position at Beginning of Year</i>	<u>467,581</u>
<i>Net Position at End of Year</i>	<u>\$ 578,554</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, 2014

	<u>Internal Service</u>
<i>Increase in Cash and Cash Equivalents</i>	
<i>Cash Flows from Operating Activities:</i>	
Cash Received from Interfund Services Provided and Used	\$ 300,421
Cash Payments for Claims	(111,240)
Cash Payments for Purchased Services	<u>(84,980)</u>
<i>Net Cash Provided by Operating Activities</i>	104,201
Cash and Cash Equivalents at Beginning of Year	<u>491,255</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 595,456</u></u>
<i>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</i>	
Operating Income	\$ 110,973
<i>Changes in Assets and Liabilities:</i>	
Decrease in Claims Payable	<u>(6,772)</u>
<i>Net Cash Provided by Operating Activities</i>	<u><u>\$ 104,201</u></u>

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

Adena Local School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

	<u>Private Purpose Trust Fund</u>	<u>Agency Fund</u>
ASSETS:		
Equity in Pooled Cash and Cash Equivalents	<u>\$ 8,180</u>	<u>\$ 17,755</u>
LIABILITIES:		
Undistributed Monies	<u>-</u>	<u>\$ 17,755</u>
NET POSITION:		
Held in Trust for Scholarships	<u>8,180</u>	
Total Net Position	<u>\$ 8,180</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 Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2014

	<u>Private Purpose Trust Fund</u>
ADDITIONS:	
Gifts and Contributions	<u>\$ 8,680</u>
Total Additions	8,680
DEDUCTIONS:	
Payments in Accordance with Trust Agreements	<u>5,650</u>
Change in Net Position	3,030
Net Position Beginning of Year	<u>5,150</u>
Net Position End of Year	<u><u>\$ 8,180</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, 2014

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 53 non-certificated employees, 78 certificated full-time teaching personnel and 5 administrative employees who provide services to 1,323 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 six organizations, three of which are defined as jointly governed organizations, and two as insurance purchasing pools, and one as a public entity shared risk servicing pool. These organizations are the South Central Ohio Computer Association Council of Governments, 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, the Ohio School Plan, and the Ross County School Employees Insurance Consortium. 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 position 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, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide Financial Statements The statement of net position 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 position 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 plus deferred inflows of resources is reported as fund balance. The following are the School District’s major governmental funds:

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.

Classroom Facilities Fund The Classroom Facilities Fund is a fund provided to account for monies received and expended in connection with contracts entered into by the School District and the Ohio School Facilities Commission for the building and equipping of classroom facilities. The main source of revenue for the Classroom Facilities is grant monies received from the Ohio School Facilities Commission.

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.

Adena Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Funds Proprietary fund reporting focuses on the determination of operating income, changes in net position, 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 accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund accounts for the self-insurance program for employee dental insurance. In the statement of activities internal service fund operating activity is eliminated to avoid overstatement of revenues and expenses.

Fiduciary Fund Type Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the 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, liabilities and deferred inflows/outflows of resources associated with the operation of the School District are included on the statement of net position. The statement of activities accounts for increases (i.e. revenues) and decreases (i.e. expenses) in total net position.

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, current liabilities and deferred inflows of resources 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 position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. 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 unavailable revenue, and in the presentation of expenses versus expenditures.

Adena Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 Outflows and Deferred Inflows of Resources Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditures/expenses) until then. The School District did not record a deferred outflow of resources as of June 30, 2014. The School District reports a deferred inflow of resources which represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenues) until that time. For the School District these amounts consist of taxes and grants which are not collected in the available period. The difference between deferred inflows on the Statement of Net Position and the Balance Sheet is due to delinquent property taxes and grants not received during the available period. These were reported as revenues on the Statement of Activities and not recorded as deferred inflows on the Statement of Net Position.

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.

Adena Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

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.

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 2014 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, 2014.

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, Classroom Facilities Fund and all other governmental funds during fiscal year 2014 amounted to \$4,919, \$494 and \$56, 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 position 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.

Adena Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Capital Asset (Continued)

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

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 position.

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.

Adena Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Net Position

Net position represents the difference between assets, liabilities and deferred inflows/outflows of resources. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings and the effect of deferred outflows and inflows related to the acquisition, construction or improvement of those assets.

Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions, or enabling legislation adopted or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Other purposes restricted net position include various grants and other resources restricted for various purposes. The District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. Of the District's restricted net position, none are restricted by enabling legislation.

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 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.

Adena Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

Q. Note Receivable

The District and the Ohio School Facility Commission (OSFC) entered into a settlement agreement with a contractor due to issues related to a construction project. Certain issues have occurred requiring the District and OSFC to expend additional monies to correct such issues and the settlement agreement allows the District and OSFC to effectively correct the construction issues through the receipt of a \$2,000,000 lump sum payment which was received by the District in fiscal year 2013. The contractor also signed a promissory note to pay the District and OSFC \$2,000,000 over a sixty month period at a 2.5% per annum interest rate. The monthly payments are \$35,494.72 and started effective January 2, 2014 and will continue for a sixty month period. The District endorses the checks and remits the check to OSFC for deposit into OSFC's account. The District has recorded the principal portion of the note receivable as a note receivable and corresponding intergovernmental payable on the Statement of Net Position and the Balance sheet because the District will not generate any revenues as a result of this transaction. OSFC has provided intergovernmental revenues which combined with the settlement payment should provide sufficient monies to complete the correction of the construction issues.

NOTE 3 – ACCOUNTABILITY

At June 30, 2014, the District Managed Funds, Early Childhood, and Title VI-R Funds had deficit fund balances of \$1,150, \$3,601, and \$3,507 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.

Adena Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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).
4. Funds treated as General Fund equivalents on the GAAP basis are not included on the budget basis.

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

Net Change in Fund Balance	
General Fund	
GAAP Basis	\$ (330,951)
Revenue Accruals	1,223
Expenditure Accruals	(114,278)
Perspective Difference:	
Activity of Funds Reclassified for GAAP Reporting Purposes	(12,537)
Encumbrances	<u>(182,214)</u>
Budget Basis	<u><u>\$ (638,757)</u></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.

Adena Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

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;
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. 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
9. 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.

Adena Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

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, 2014, the School District’s bank balance of \$2,236,606 was either covered by FDIC or collateralized by the financial institution’s public entity deposit pool in the manner described above.

Investments As of June 30, 2014, the School District had the following investments and maturities:

	<u>Market Value</u>	<u>Weighted Average Maturity (Yrs.)</u>
STAROhio	\$ 5,326,623	< 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 2014 represents collections of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed value listed as of January 1, 2013, 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.

Adena Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 6 - PROPERTY TAXES (Continued)

Public utility property tax revenue received in calendar year 2014 represents collections of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien on December 31, 2012 were levied after April 1, 2013, and are collected in 2014 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.

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second-Half Collections		2014 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 110,819,540	96.24%	\$ 120,503,560	96.45%
Public Utility	4,324,710	3.76%	4,434,170	3.55%
Total Assessed Value	\$ 115,144,250	100.00%	\$ 124,937,730	100.00%
 Tax rate per \$1,000 of assessed valuation	\$ 36.50		\$ 35.90	

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, 2014, are available to finance fiscal year 2014 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, 2014. 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 unavailable revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2014 was \$228,073 in the General Fund and \$21,781 in all other governmental funds and is recognized as revenue.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2014 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.

A summary of the principal items of intergovernmental receivables follows:

<u>Intergovernmental Receivables</u>	<u>Amounts</u>
<i>Major Fund:</i>	
General	\$35,613
<i>Non-Major Special Revenue Funds:</i>	
Early Childhood	13,680
Title VI-B	36,936
Title II-A	15,524
Title I	47,665
Title VI-R	4,254
Total Non-Major	118,059
Total Intergovernmental Receivables	\$153,672

Adena Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 8 - CAPITAL ASSETS

A summary of the changes in general capital assets during fiscal year 2014 follows:

	<u>Balance</u> <u>6/30/2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/2014</u>
Capital Assets:				
Capital Assets not being depreciated:				
Land	\$ 677,044	\$ -	\$ -	\$ 677,044
Construction in Progress	162,648	2,950,095	-	3,112,743
Total Capital Assets not being Depreciated	<u>839,692</u>	<u>2,950,095</u>	<u>-</u>	<u>3,789,787</u>
Depreciable Capital Assets:				
Land Improvements	2,944,210	-	-	2,944,210
Buildings and Improvements	22,702,242	-	-	22,702,242
Furniture, Fixtures, Equipment and Textbooks	3,996,785	154,673	(217,938)	3,933,520
Vehicles	1,462,694	-	(56,394)	1,406,300
Total Capital Assets being Depreciated	<u>31,105,931</u>	<u>154,673</u>	<u>(274,332)</u>	<u>30,986,272</u>
Less Accumulated Depreciation				
Land Improvements	(1,739,788)	(134,107)	-	(1,873,895)
Buildings and Improvements	(7,689,666)	(725,188)	-	(8,414,854)
Furniture, Fixtures, Equipment and Textbooks	(3,127,183)	(170,454)	190,869	(3,106,768)
Vehicles	(1,143,424)	(75,111)	56,394	(1,162,141)
Total Accumulated Depreciation	<u>(13,700,061)</u>	<u>(1,104,860)</u>	<u>247,263</u>	<u>(14,557,658)</u>
Total Capital Assets being Depreciated, Net	<u>17,405,870</u>	<u>(950,187)</u>	<u>(27,069)</u>	<u>16,428,614</u>
Capital Assets, Net	<u>\$ 18,245,562</u>	<u>\$ 1,999,908</u>	<u>\$ (27,069)</u>	<u>\$ 20,218,401</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$918,479
Special	3,242
Vocational	4,693
Support Services:	
Pupils	1,815
Instructional Staff	12,592
Administration	2,386
Fiscal	1,504
Operation and Maintenance of Plant	47,147
Pupil Transportation	84,936
Extracurricular Activities	16,268
Operation of Non-Instructional Services	<u>11,798</u>
Total Depreciation Expense	<u>\$1,104,860</u>

Adena Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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 2014, the School District contracted with Liberty Mutual Insurance for property insurance. Insurance coverage provided is as follows:

Building and Contents - replacement cost (\$1,000 deductible)	\$ 39,606,230
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During fiscal year 2014, the School District contracted with Liberty Mutual 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 2014, 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.

Adena Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 9 - RISK MANAGEMENT (Continued)

For fiscal year 2014, 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.

The School District is a member of the Ross County Insurance Consortium, a public entity shared risk pool (Note 17), consisting of school districts within the County offering medical and dental insurance to their employees. Monthly premiums are paid to the Ross County Insurance Consortium as fiscal agent, who in turns pays the claims on the School District's behalf. The Council is responsible for the management and operations of the program. Upon termination from the Council, for any reason, the Council shall have no obligation under the plan beyond paying the difference between the claims incurred (even though later filed) and expenses of the Plan due up to the date of termination plus extended benefits, if any, provided under the Plan. Such claims and expenses shall be paid from the funds of the Council.

The School District is self-insured for dental insurance through Professional Risk Management, a Meritain Health Company. The claims liability of \$16,902 reported in the Internal Service Fund at June 30, 2014 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.

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>
2013	\$28,604	\$77,322	\$82,252	\$23,674
2014	23,674	104,468	111,240	16,902

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*.

Adena Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 10 -DEFINED BENEFIT PENSION PLANS (Continued)

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 2014, the allocation to pension and death benefits is 13.10 percent. The remaining 0.90 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, 2014, 2013 and 2012 were \$220,108, \$235,954, and \$188,256, respectively; 76 percent has been contributed for fiscal year 2014 and 100 percent for the fiscal years 2013 and 2012. \$50,060 represents the unpaid contribution for fiscal year 2014 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.

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.

Adena Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 10 -DEFINED BENEFIT PENSION PLANS (Continued)

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.

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 year ended June 30, 2014, plan members were required to contribute 11 percent of their annual covered salaries. For the fiscal years ended June 30, 2013 and 2012, 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, 2014, 2013, and 2012 were \$590,246, \$631,341, and \$630,814, respectively; 84 percent of the required contribution has been made for fiscal year 2014 and 100 percent of the required contribution has been made for fiscal years 2013 and 2012. \$95,803 represents the unpaid contribution for fiscal year 2014 and is recorded as a liability within the respective funds.

Adena Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 10 -DEFINED BENEFIT PENSION PLANS (Continued)

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.

Effective July 1, 2014, plan members will be required to contribute 12% of their annual covered salaries.

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, 2014, 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, 2014, 2013 and 2012. The 14 percent employer contribution rate is the maximum rate established under Ohio law. For the School District, these amounts equaled \$46,953, \$48,929, and \$49,686, for fiscal years 2014, 2013, and 2012, respectively, which equaled the required allocation for each year.

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 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50 if they participated in one of SERS' health care plans

Adena Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 11 - POSTEMPLOYMENT BENEFITS (Continued)

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 2014, 2013, and 2012, the actuarially required allocation was 0.76 percent, 0.74 percent, and 0.75 percent. For the School District, contributions for the years ended June 30, 2014, 2013, and 2012, were \$14,080, \$13,702, and \$13,807, 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, 2014, 2013, and 2012, the health care allocations were 0.14 percent, 0.16 percent, and 0.55 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 2014, the minimum compensation level was established at \$20,250. 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 2014, 2013, and 2012 fiscal years equaled \$27,791, \$32,518, and \$39,935, 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 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, 2014

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 Mutual of Omaha.

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 2014 fiscal year, the School District entered into a lease for copiers. During the 2011 fiscal year, the School District entered into a lease for the installation, construction, and repair of energy conservation equipment. Each lease meets the criteria of a capital lease as defined by the Accounting Principles Generally Accepted in the United States of America, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

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 \$1,512,479. 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,	
2015	\$ 197,616
2016	193,580
2017	191,994
2018	185,230
2019	178,466
2020-2024	680,760
2025-2026	230,486
Total Minimum Lease Payments	1,858,132
Less: Amounts Representing Interest	(558,776)
Present Value of Minimum Lease Payments	\$1,299,356

Adena Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 14 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2014 were as follows:

	Amount Outstanding 06/30/2013	Additions	Deductions	Amount Outstanding 06/30/2014	Amount Due Within One Year
General Obligation Bonds:					
1999 School Improvement Bonds 5.36%	\$ 420,000	\$ -	\$ 130,000	\$ 290,000	\$ 140,000
2006 School Improvement Refunding Bonds - 5.50%	1,085,000	-	-	1,085,000	-
Premium on Refunding Bonds	20,697	-	2,588	18,109	-
Other Long-Term Obligations:					
Capital Leases Payable	1,340,429	109,356	150,429	1,299,356	106,606
Compensated Absences Payable	538,323	776,393	730,600	584,116	23,475
Total Long-Term Obligations	\$ 3,404,449	\$ 885,749	\$ 1,013,617	\$ 3,276,581	\$ 270,081

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 are being 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 was considered to be defeased and the liability was removed from the governmental activities column of the statement of net position. The \$1,110,000 of defeased debt was paid off in December of 2009. 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 are being paid from the General Fund and the Budget Stabilization Fund.

The School District's overall legal debt margin was \$9,869,396 with an unvoted debt margin of \$124,938 at June 30, 2014.

Principal and interest requirements to retire the bonds outstanding at June 30, 2014, are as follows:

Fiscal Year Ending June 30,	School Improvement Bonds		School Improvement Refunding Bonds		Total
	Principal	Interest	Principal	Interest	
2015	\$ 140,000	\$ 14,520	\$ -	\$ 59,675	\$ 214,195
2016	150,000	4,950	-	59,675	214,625
2017	-	-	160,000	55,275	215,275
2018	-	-	165,000	46,338	211,338
2019	-	-	175,000	36,988	211,988
2020-2022	-	-	585,000	49,362	634,362
	\$ 290,000	\$ 19,470	\$ 1,085,000	\$ 307,313	\$ 1,701,783

Adena Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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 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 capital improvements. Disclosure of this information is required by State statute.

	<u>Capital Improvements</u>
Set-aside Reserve Balance as of June 30, 2013	\$ 48,205
Current Year Set-aside Requirement	207,005
Current Year Offsets	(88,572)
Current Year Disbursements	<u>(96,952)</u>
Set-aside Reserve Balance as of June 30, 2014	<u>\$ 69,686</u>

NOTE 16 – JOINTLY GOVERNED ORGANIZATIONS

A. South Central Ohio Computer Association Council of Governments

The School District is a participant in the South Central Ohio Computer Association Council of Governments (SCOCA COG) which is an information technology center. SCOCA COG is a council of governments providing information technology services to 59 public education entities, 60 non-public education entities, and public libraries from 24 Ohio counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA COG consists of two representatives from each of the eleven participating counties, two school treasurers, and a representative for the fiscal agent. SCOCA COG is not accumulating significant financial resources nor is it experiencing fiscal stress that may cause an additional financial benefit to or burden on members in the future. The School District paid SCOCA COG \$113,273 for services provided during the year. Financial information for SCOCA COG can be obtained from their fiscal office located at Pike County Career Technology Center, P.O. Box 596, 175 Beaver Creek, 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.

Adena Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 17 –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.

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.

Ross County School Employees Insurance Consortium

The Ross County School Employees Insurance Consortium (the “Consortium”), a shared risk pool, currently operates to provide medical and dental insurance coverage to enrolled employees of the consortium members and to eligible dependents of those enrolled employees. Seven school districts within Ross County and its surrounding area have entered into an agreement with the Ross-Pike Educational Service District to form the Ross County School Employees Insurance Consortium. The overall objectives of the Consortium are to formulate and administer a program of medical and dental insurance for the benefit of the Consortium members’ employees and their dependents, to obtain lower costs for insurance coverage, and to secure cost control by implementing a program of comprehensive loss control. The Consortium’s business and affairs are managed by a Council consisting of one representative for each participating school. The participating school districts pay an administrative fee to the fiscal agent to cover the costs of administering the Consortium.

Accordingly, the Ross County School Employees Insurance Consortium is not part of the School District and its operations are not included as part of the reporting entity. To obtain financial information, write to the Ross-Pike Educational Service District, Erin Kirby who serves as Treasurer, at 475 Western Avenue, Chillicothe, Ohio 45601.

Adena Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 18 – INTERFUND ACTIVITY

A. Interfund Transfers

Transfers were made for the purpose for paying the H.B. 264 Debt. The Permanent Improvement Nonmajor Capital Projects Fund received a transfer in the amount of \$116,387 from the General Fund.

B. Interfund Advances

Interfund balances at June 30, 2014, consist of the following individual fund receivables and payables, which are expected to be repaid during the 2015 fiscal year:

<u>Interfund Loans</u>	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 15,238	\$ -
Nonmajor Special Revenue Funds:		
District Managed Activities	-	15,236
Title II-A	-	2
	<u>-</u>	<u>15,238</u>
Total Nonmajor Special Revenue Funds	<u>-</u>	<u>15,238</u>
Total Interfund Receivables/Payables	<u>\$ 15,238</u>	<u>\$ 15,238</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.

NOTE 19 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2014, if applicable, cannot be determined at this time.

B. Litigation

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

Adena Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 20 – 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 governmental funds. The constraints placed on the fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Classroom Facilities	Nonmajor Governmental Funds	Total Governmental Funds
Restricted for				
Other Purposes	\$0	\$0	\$227,053	\$227,053
Capital Maintenance	0	1,728,972	6,086	1,735,058
Debt Services Payments	0	0	318,134	318,134
Capital Improvements	<u>69,686</u>	<u>0</u>	<u>0</u>	<u>69,686</u>
Total Restricted	<u>69,686</u>	<u>1,728,972</u>	<u>551,273</u>	<u>2,349,931</u>
Committed to				
Termination Benefits	<u>116,304</u>	<u>0</u>	<u>0</u>	<u>116,304</u>
Assigned to				
Other Purposes	<u>166,526</u>	<u>0</u>	<u>0</u>	<u>166,526</u>
Unassigned (Deficit)	<u>3,083,635</u>	<u>0</u>	<u>(8,258)</u>	<u>3,075,377</u>
Total Fund Balances	<u>\$3,436,151</u>	<u>\$1,728,972</u>	<u>\$543,015</u>	<u>\$5,708,138</u>

NOTE 21 – CHANGE IN ACCOUNTING PRINCIPLES

For 2014, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 66, “Technical Corrections – 2012 – An Amendment of GASB Statements No. 10 and No. 62,” GASB Statement No. 69, “Government Combinations and Disposals of Government Operations,” and GASB Statement No. 70, “Accounting and Financial Reporting for Nonexchange Financial Guarantees.”

Statement No. 66 resolves conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

This Statement amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of an entity’s risk financing activities to the general fund and the internal service fund type. As a result, governments should base their decisions about fund type classification on the nature of the activity to be reported, as required in Statement 54 and Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*.

This Statement also amends Statement 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes clarify how to apply Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, and result in guidance that is consistent with the requirements in Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, respectively.

Adena Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 21 – CHANGE IN ACCOUNTING PRINCIPLES (Continued)

Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term *government combinations* includes a variety of transactions referred to as mergers, and transfers of operations.

Statement No. 70 improves accounting and financial reporting by state and local governments that extend and receive non exchange financial guarantees. This statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee.

The implementation of GASB Statements No. 66, 69, and 70 had no effect on the financial statements.

NOTE 22 – COMMITMENTS

A. Contractual

As of June 30, 2014, the School District’s contractual purchase commitments for the energy conservation projects are as follows:

Project	Vendor	Contract Amount	Amount Expended	Balance at 06/30/14
Cosulting Services	Mays Consutling & Evaluations	\$331,156	\$142,941	\$188,215
Building Design	RW Setterlin Building Co.	1,000,000	240,888	759,112

B. Encumbrances

At June 30, 2014, the School District had significant encumbrance commitments in the following governmental fund:

Fund	Amount
Major Fund:	
Classroom Facilities	<u>\$947,327</u>
Total Major Fund	<u>947,327</u>
Total Encumbrance	<u><u>\$947,327</u></u>

Adena Local School District
 Ross County
 Schedule of Federal Awards Receipts and Expenditures
 For the Fiscal Year Ended June 30, 2014

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>Child Nutrition Cluster:</i>						
National School Lunch Program	3L60	10.555	\$ 204,516	\$ 20,403	\$ 204,516	\$ 20,403
School Breakfast Program	3L70	10.553	24,147	-	24,147	-
Total Nutrition Cluster			228,663	20,403	228,663	20,403
Total United States Department of Agriculture			228,663	20,403	228,663	20,403
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	241,588	-	237,064	-
Total Title I, Part A Cluster			241,588	-	237,064	-
<i>Special Education Cluster (IDEA):</i>						
Special Education - Grants to States	3M20	84.027	237,363	-	242,193	-
Total Special Education Cluster			237,363	-	242,193	-
Rural Education	3Y80	84.358	16,932	-	16,899	-
Improving Teacher Quality State Grants	3Y60	84.367	74,723	-	74,823	-
Total United States Department of Education			570,606	-	570,979	-
Total Federal Financial Assistance			\$ 799,269	\$ 20,403	\$ 799,642	\$ 20,403

See accompanying notes to the schedule of federal awards receipts and expenditures.

**ADENA LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – FOOD DONATION

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

NOTE C – 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.



Balestra, Harr & Scherer, CPAs, Inc.

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

www.bhscpas.com

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Adena Local School District, Ross County (the School District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated November 17, 2014.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

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

Purpose of this Report

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

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.

Piketon, Ohio

November 17, 2014



Balestra, Harr & Scherer, CPAs, Inc.

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www.bhscpas.com

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

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

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited Adena Local School District's (the School District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect Adena Local School District's major federal program for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the School District's major federal program.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to opine on the School District's compliance for the School District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, Adena Local School District complied, in all material respects, with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2014.

Report on Internal Control Over Compliance

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

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

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
Piketon, Ohio
November 17, 2014

**Adena Local School District
Ross County**

**Schedule of Findings
OMB Circular A-133 Section §.505
June 30, 2014**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Program's Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under §.510(a)?	No
(d)(1)(vii)	Major Programs (list):	Special Education Cluster (IDEA): Special Education – Grants to States CFDA #84.027
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**Adena Local School District
Ross County**

**Schedule of Findings
OMB Circular A-133 Section §.505
June 30, 2014**

**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



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
DECEMBER 30, 2014**