



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Ada Exempted Village School District, Hardin County, (the "District"), as of and for the year ended June 30, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Ada Exempted Village School District, Hardin County, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund type and nonexpendable trust fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2002 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a stylized flourish at the end.

Jim Petro
Auditor of State

December 3, 2002, except for Note 18 as to which the date is December 11, 2002

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**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
AS OF JUNE 30, 2002**

	<u>Governmental Fund Types</u>			
	<u>General Fund</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
ASSETS AND OTHER DEBITS				
ASSETS:				
Equity in pooled cash and cash equivalents	\$1,018,654	\$84,919	\$175,395	\$7,845,912
Equity in pooled cash and cash equivalents - non-expendable trust fund				
Receivables (net of allowances of uncollectibles)				
Taxes - current	1,643,221			142,242
Taxes - delinquent	24,490			2,310
Accounts	2,781	223		
Intergovernmental - State	68,232			7,452
Prepayments	18,517			
Materials and supplies inventory	6,986			
Restricted Assets:				
Equity in pooled cash and cash equivalents	25,175			
Property, plant and equipment (net of accumulated depreciation where applicable)				
OTHER DEBITS:				
Amount available in Debt Service Fund				
Amount to be provided for retirement of General Long-Term Obligations				
Total assets and other debits	<u>2,808,056</u>	<u>85,142</u>	<u>175,395</u>	<u>7,997,916</u>
LIABILITIES, EQUITY AND OTHER CREDITS				
LIABILITIES:				
Accounts payable	25,311	79		35,428
Accrued wages and benefits	485,262	25,146		
Compensated absences payable	6,768	69		
Pension obligation payable	82,592	3,902		
Deferred revenue	1,087,429			108,747
Due to students				
School Improvement bonds payable				
EPA Asbestos loan payable				
Total liabilities	<u>1,687,362</u>	<u>29,196</u>		<u>144,175</u>
EQUITY AND OTHER CREDITS:				
Investment in general fixed assets				
Contributed capital				
Retained earnings: unreserved				
Fund balances:				
Reserved for:				
Encumbrances	34,229	2,250		96,333
Supplies inventory	6,986			
Prepayments	18,517			
Tax revenue unavailable for appropriation	339,829			35,805
Bureau of Worker's Compensation Refunds	25,175			
Principal endowment				
Unreserved for:				
Designated for Capital Projects or Improvements	483,539			
Undesignated	212,419	53,696	175,395	7,721,603
Total equity and other credits	<u>1,120,694</u>	<u>55,946</u>	<u>175,395</u>	<u>7,853,741</u>
Total liabilities, equity and other credits	<u>\$2,808,056</u>	<u>\$85,142</u>	<u>\$175,395</u>	<u>\$7,997,916</u>

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

Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$53,865	\$96,313			\$9,275,058
	58,244			58,244
				1,785,463
				26,800
53	7			3,064
				75,684
				18,517
4,170				11,156
				25,175
55,687		4,829,253		4,884,940
			175,395	175,395
			8,108,896	8,108,896
<u>113,775</u>	<u>154,564</u>	<u>4,829,253</u>	<u>8,284,291</u>	<u>24,448,392</u>
	85			60,903
17,244				527,652
8,036			358,228	373,101
7,295			37,995	131,784
				1,196,176
	33,440			33,440
			7,854,723	7,854,723
			33,345	33,345
<u>32,575</u>	<u>33,525</u>		<u>8,284,291</u>	<u>10,211,124</u>
		4,829,253		4,829,253
52,712				52,712
28,488				28,488
	694			133,506
				6,986
				18,517
				375,634
				25,175
	48,234			48,234
				483,539
	72,111			8,235,224
<u>81,200</u>	<u>121,039</u>	<u>4,829,253</u>		<u>14,237,268</u>
<u>\$113,775</u>	<u>\$154,564</u>	<u>\$4,829,253</u>	<u>\$8,284,291</u>	<u>\$24,448,392</u>

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	Governmental Fund Types				Fiduciary Fund Type	Total (Memorandum Only)
	General Fund	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
From local sources:						
Taxes	\$2,113,822			\$153,945		\$2,267,767
Tuition	325					325
Earnings on investments	28,525	1,052		13,674	1,570	44,821
Other local revenues	12,437	80,002			18,423	110,862
Intergovernmental - State	3,408,951	27,917		42,978		3,479,846
Intergovernmental - Federal		217,346				217,346
Total revenue	<u>5,564,060</u>	<u>326,317</u>		<u>210,597</u>	<u>19,993</u>	<u>6,120,967</u>
Expenditures:						
Current:						
Instruction:						
Regular	2,774,107	36,591		7,715		2,818,413
Special	239,969	182,153			450	422,572
Vocational	119,936					119,936
Other	51,084					51,084
Support services:						
Pupil	258,567	2,725			300	261,592
Instructional staff	279,740	28,130			3,837	311,707
Board of Education	41,718					41,718
Administration	553,915	20,305				574,220
Fiscal	191,027			4,091		195,118
Operations and maintenance	457,269			40,334		497,603
Pupil transportation	236,247					236,247
Central		5,003				5,003
Extracurricular activities	196,567	58,793			15,581	270,941
Facilities services	11,606			468,317		479,923
Debt service:						
Principal retirement			9,529			9,529
Total expenditures	<u>5,411,752</u>	<u>333,700</u>	<u>9,529</u>	<u>520,457</u>	<u>20,168</u>	<u>6,295,606</u>
Excess of revenues over (under) expenditures	152,308	(7,383)	(9,529)	(309,860)	(175)	(174,639)
Other financing sources (uses):						
Operating transfers in		5,000	9,529	27,478		42,007
Operating transfers out	(66,507)					(66,507)
Proceeds from sale of assets	11,955					11,955
Proceeds from sale of bonds				7,846,437		7,846,437
Bond Premium and Interest			175,395			175,395
Total other financing sources (uses)	<u>(54,552)</u>	<u>5,000</u>	<u>184,924</u>	<u>7,873,915</u>		<u>8,009,287</u>
Excess of revenues and other financing sources over (under) expenditures and other uses	97,756	(2,383)	175,395	7,564,055	(175)	7,834,648
Fund balance, July 1	1,022,028	58,329		289,686	62,963	1,433,006
Increase in reserve for inventory	910					910
Fund balance, June 30	<u>\$1,120,694</u>	<u>\$55,946</u>	<u>\$175,395</u>	<u>\$7,853,741</u>	<u>\$62,788</u>	<u>\$9,268,564</u>

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

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**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30,2002**

	<u>General Fund</u>		
	<u>Revised</u>		<u>Variance:</u>
	<u>Budget</u>	<u>Actual</u>	<u>Favorable</u>
			<u>(Unfavorable)</u>
Revenues:			
From local sources:			
Taxes	\$1,949,806	\$1,912,724	(\$37,082)
Tuition	4,000	5,038	1,038
Earnings on investments	85,000	28,525	(56,475)
Other local revenues	11,000	12,437	1,437
Intergovernmental - State	3,300,180	3,340,720	40,540
Intergovernmental - Federal			
Total revenues	<u>5,349,986</u>	<u>5,299,444</u>	<u>(50,542)</u>
Expenditures:			
Current:			
Instruction:			
Regular	2,830,525	2,766,422	64,103
Special	244,499	241,825	2,674
Vocational	125,584	122,030	3,554
Other	62,000	52,531	9,469
Support services:			
Pupil	270,727	259,467	11,260
Instructional staff	305,975	275,237	30,738
General administration	43,275	42,528	747
School administration	604,414	562,158	42,256
Fiscal	195,329	191,042	4,287
Operations and maintenance	484,889	470,650	14,239
Pupil transportation	248,471	235,410	13,061
Central			
Extracurricular activities	213,114	196,360	16,754
Facilities acquisition and construction	256,900	11,606	245,294
Debt service:			
Principal retirement			
Total expenditures	<u>5,885,702</u>	<u>5,427,266</u>	<u>458,436</u>
Excess of revenues over (under) expenditures	(535,716)	(127,822)	407,894
Other financing sources (uses):			
Operating transfers in			
Operating transfers (out)	(66,507)	(66,507)	
Other financing sources		11,955	11,955
Total other financing sources (uses)	<u>(66,507)</u>	<u>(54,552)</u>	<u>11,955</u>
Excess of revenues and other financing sources over (under) expenditures and other uses	(602,223)	(182,374)	419,849
Fund balance, July 1	1,155,543	1,155,543	
Prior year encumbrances appropriated	28,066	28,066	
Fund balance, June 30	<u>\$581,386</u>	<u>\$1,001,235</u>	<u>\$419,849</u>

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

Special Revenue			Debt Service			Capital Projects		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
						\$133,241	\$136,034	\$2,793
1,500	1,052	(448)				12,500	5,444	(7,056)
65,050	80,205	15,155						
26,306	27,917	1,611				112,532	103,501	(9,031)
258,981	217,346	(41,635)						
351,837	326,520	(25,317)				258,273	244,979	(13,294)
45,068	36,787	8,281				15,659	15,659	
229,959	180,549	49,410						
						300		300
3,386	2,792	594						
32,537	28,495	4,042						
23,790	20,281	3,509						
						4,400	4,091	309
						58,999	54,495	4,504
						54,000	53,028	972
5,002	5,002							
77,730	61,216	16,514						
						531,243	498,551	32,692
			9,529	9,529				
417,472	335,122	82,350	9,529	9,529		664,601	625,824	38,777
(65,635)	(8,602)	57,033	(9,529)	(9,529)		(406,328)	(380,845)	25,483
3,080	5,000	1,920	9,529	9,529		16,000	27,478	11,478
			175,395	175,395		7,846,437	7,846,437	
3,080	5,000	1,920	184,924	184,924		7,862,437	7,873,915	11,478
(62,555)	(3,602)	58,953	175,395	175,395		7,456,109	7,493,070	36,961
83,802	83,802					204,145	204,145	
2,390	2,390					8,706	8,706	
\$23,637	\$82,590	\$58,953	\$175,395	\$175,395	\$0	\$7,668,960	\$7,705,921	\$36,961

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND EQUITY/FUND BALANCE
PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise Funds</u>	<u>Nonexpendable Trust</u>	
Operating revenues:			
Tuition and fees	\$23,065		\$23,065
Sales/charges for services	183,642		183,642
Investment Earnings		1,656	1,656
Other operating revenues	3,690	266	3,956
	<hr/>	<hr/>	<hr/>
Total operating revenues	210,397	1,922	212,319
Operating expenses:			
Personal services	138,784		138,784
Contract services	62		62
Materials and supplies	152,651		152,651
Depreciation	4,917		4,917
	<hr/>	5,283	<hr/>
Total operating expenses	296,414	5,283	301,697
Operating (loss)	(86,017)	(3,361)	(89,378)
Nonoperating revenues:			
Grants	50,531		50,531
Interest revenue	558		558
Federal commodities	21,516		21,516
	<hr/>	<hr/>	<hr/>
Total nonoperating revenues	72,605		72,605
Net loss before operating transfers	(13,412)	(3,361)	(16,773)
Operating transfers in	20,000		20,000
	<hr/>	<hr/>	<hr/>
Net income.(loss)	6,588	(3,361)	3,227
Retained earnings/fund balance at July 1	21,900	61,612	83,512
Retained earnings/fund balance at June 30	28,488	58,251	86,739
Contributed Capital at Beginning of Year	51,867		51,867
Capital Contributions During the Year, net	845		845
Contributed Capital at End of Year	52,712		52,712
Total Fund Equity/Fund Balance at Year End	<u>\$81,200</u>	<u>\$58,251</u>	<u>\$139,451</u>

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

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise Funds</u>	<u>Nonexpendable Trust</u>	
Cash flows from operating activities:			
Cash received from tuition and fees	\$23,041		\$23,041
Cash received from sales/service charges	187,332		187,332
Cash received from contributions and donations		259	259
Cash payments for personal services	(139,980)		(139,980)
Cash payments for contract services	(62)		(62)
Cash payments for scholarships		(5,283)	(5,283)
Cash payments supplies and materials	(131,678)		(131,678)
Net cash (used in) operating activities	(61,347)	(5,024)	(66,371)
Cash flows from noncapital financing activities:			
Federal and state grants	50,531		50,531
Transfers in from other funds	20,000		20,000
Net cash provided by noncapital financing activities	70,531		70,531
Cash flows from investing activities:			
Interest received	558	1,656	2,214
Net cash provided by investing activities	558	1,656	2,214
Net increase (decrease) in cash and cash equivalents	9,742	(3,368)	6,374
Cash at beginning of year	44,123	61,612	105,735
Cash at end of year	<u>\$53,865</u>	<u>\$58,244</u>	<u>\$112,109</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	(\$86,017)	(\$3,361)	(\$89,378)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	4,917		4,917
Federal donated commodities	21,516		21,516
Changes in assets and liabilities:			
Decrease in supplies inventory	550		550
Increase in accounts receivable	(24)	(7)	(31)
Prepayments			
Interest reported as operating income		(1,656)	(1,656)
Decrease in accounts payable			
Decrease in accrued wages and benefits	(1,227)		(1,227)
Decrease in compensated absences payable	(1,196)		(1,196)
Increase in pension obligation payable	1,227		1,227
Decrease in deferred revenue	(1,093)		(1,093)
Net cash provided by (used in) operating activities	<u>(\$61,347)</u>	<u>(\$5,024)</u>	<u>(\$66,371)</u>
Noncash capital activity from governmental funds			

The Permanent Improvement Fund purchased fixed assets during the year in the amount of \$845 for the enterprise fund.

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

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**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

1. DESCRIPTION OF THE SCHOOL DISTRICT

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

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

The District was established in 1862 through the consolidation of existing land areas and districts. The District serves an area of approximately 42 square miles. It is located in Hardin and Hancock Counties, including all of the Village of Ada, Ohio, and portions of Liberty and Orange Townships. The District is the 537th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by 31 non-certified employees, 65 certificated full time teaching personnel and 5 administrative employees to provide services to 898 students and other community members. The District currently operates three instructional buildings, one administrative building, and one garage.

A. Reporting Entity:

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

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

The District is associated with six organizations of which three are defined as jointly governed organizations, one a related organization, and two insurance purchasing pools. These organizations include the West Central Ohio Special Education Regional Resource Center (SERRC), North West Ohio Area Computer Services Cooperative, Apollo Joint Vocational School, Ada Public Library, Hardin County School Employees' Health and Welfare Benefit Plan and Trust, and the Northwest Ohio Area Computer Service Cooperative (NOACSC) Workers' Compensation Group Rating Plan. These organizations are presented in Notes 15, 16, and 17 to the general purpose financial statements.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Basis Of Presentation - Fund Accounting

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

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

1. Governmental Fund Types:

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

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

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

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

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

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Proprietary Fund Type:

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

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

3. Fiduciary Fund Types:

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

4. Account Groups:

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

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

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

B. Measurement Focus and Basis of Accounting

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

The proprietary and nonexpendable trust funds are accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Operating statements of these funds present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

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

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

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 the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means 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 District, available means expected to be received within sixty days of fiscal year end.

Non exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income 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. Revenue from income taxes is recognized in the period in which the income is earned. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On the 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 deemed both measurable and available: property taxes available as an advance, taxpayer-assessed income taxes, interest, grants, and student fees.

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2002, but which were levied to finance fiscal year 2003 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met and receivables that are not collected within the available period are also recorded as deferred revenue.

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

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

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process

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

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

1. Tax Budget:

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

2. Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund.

Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered cash balances from the preceding year. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2002.

3. Appropriations:

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

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

4. Encumbrances:

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

5. Lapsing of Appropriations:

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

D. Cash and Cash Equivalents

To improve cash management, all cash received by the District is pooled in a central bank account. Monies for all funds, including enterprise funds, are maintained in this account or temporarily used to purchase short term investments. Individual fund integrity is maintained through District records.

Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet. During fiscal year 2002, investments were limited to certificates of deposit, STAR Ohio, government notes, and money market funds. All investments of the District had a maturity of two years or less. Investments are stated at cost or amortized cost.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2002. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments with the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2002.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2002 amounted to \$28,525 which includes \$5,320 earned from balances in other School District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months, and not purchased from the pool, are reported as investments.

E. Estimates

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

F. Inventory

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

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2002, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Restricted Assets

Restricted assets in the General Fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets represent Bureau of Workers Compensation refunds whose use is restricted by S.B. 345.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Fixed Assets and Depreciation

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

Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of three hundred dollars. The District does not have any infrastructure. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

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

J. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred.

Grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable. The District currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund

State Foundation Program
State Property Tax Relief
School Bus Allocation

Non-Reimbursable Grants

Special Revenue Funds

Education Management Information Systems
Title VI-B
Drug-Free Schools
Title I
Title VI
Ohio School Net Training
Summer School Subsidy
Eisenhower Grant
Safe School Help Line
Class Size Reduction Grant
OneNet Network Connectivity
Assistive Technology Infusion Grant

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Projects Funds

State Property Tax Relief
School Net Technology
Emergency Repair Grant

Reimbursable Grants

Enterprise Funds
National School Lunch Program
Government Donated Commodities

Grants and entitlements amounted to approximately sixty percent of the District's intergovernmental revenue during the 2002 fiscal year.

K. Compensated Absences

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

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

The remainder is reported in the general long-term obligations account group. In enterprise funds, the entire amount of compensated absences is reported as a fund liability.

L. Accrued Liabilities and Long-Term Obligations

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

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

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Interfund Transactions

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

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

Transfers in and out did not balance on the combined operating statements. This is due to transfers made from the General Fund to Agency Funds which do not present operating activity.

N. Fund Balance Reserves and Designations

The District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation for expenditures. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, inventories of supplies and materials, prepayments, budget stabilization/S.B. 345 uses, and contributions to the nonexpendable trust funds which must be kept intact. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

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

O. Contributed Capital

Contributed capital represents resources from other funds, other governments, and private sources provided to enterprise funds that is not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end.

Because the District did not prepare financial statements in accordance with generally accepted accounting principles prior to fiscal year 1995, the exact amount of contributed capital cannot be determined. Consequently, only those amounts that have been specifically identified have been classified as contributed capital in the accompanying combined financial statements. All other fund equity amounts pertaining to enterprise funds have been classified as retained earnings.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Total Columns on General Purpose Financial Statements

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

3. BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations and changes in fund balance/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) - All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

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

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

**Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
Governmental Fund Types**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Budget Basis	(182,374)	(3,602)	175,395	7,493,070
Net adjustment for Revenue Accruals	264,616	(203)		(42,611)
Increase for Change in Market Value of Investment				8,229
Net adjustment for Expenditure Accruals	(27,080)	(907)		(26,395)
Encumbrances (Budget Basis)	<u>42,594</u>	<u>2,329</u>		131,762
GAAP Basis	<u>97,756</u>	<u>(2,383)</u>	<u>175,395</u>	<u>7,564,055</u>

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

4. DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of the federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

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

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

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

Deposits: At fiscal year end, the carrying amount of the District's deposits was \$956,418 (including \$1,000 petty cash) and the bank balance was \$1,100,530. Of the bank balance, \$229,373 was covered by federal depository insurance and \$871,157 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

Investments: The District's investments are categorized to give an indication of the level of risk assumed by the District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name.

The District's investments in Mutual Funds and STAR Ohio, an investment pool operated by the Ohio State Treasurer, are unclassified because they are not evidenced by securities that exist in physical or book entry form.

	<u>Category 2</u>	<u>Cost Value</u>	<u>Fair Value</u>
Seasongood Asset Management	<u>7,607,677</u>	<u>\$7,607,677</u>	<u>7,615,907</u>
Money Market Mutual Fund			151,145
STAR Ohio			635,007
Total Investments			<u>\$8,402,059</u>

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

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

	<u>Pooled Cash and Cash Equivalents</u>	<u>Investments</u>
Combined Balance Sheet	\$9,358,477	\$ 0
Investments:		
STAR Ohio	(635,007)	635,007
Money market mutual fund	(151,145)	151,145
Seasongood Asset Management	<u>(7,615,907)</u>	<u>7,615,907</u>
Per GASB Statement No. 3	<u>\$ 956,418</u>	<u>\$8,402,059</u>

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of pledging specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure the repayment of all public monies deposited in the financial institution, provided that at all times the total value of the securities so pledged is at least equal to 105% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance deposits covered by any federal deposit insurance.

5. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located in the District. Real property taxes are levied April 1 on the assessed value listed as of the prior January 1, the lien date.

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

Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits earlier or later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. The District receives property taxes from Hardin and Hancock Counties.

The Counties' Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2002 are available to finance fiscal year 2002 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

5. PROPERTY TAXES (Continued)

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property and public utility taxes which became measurable as of June 30, 2002. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations.

The amount available as an advance at June 30, 2002, was \$339,829, in the General Fund and \$35,804, in the Permanent Improvement Capital Projects Fund.

The assessed values upon which fiscal year 2002 taxes were collected are:

	2001 Second- Half Collections		2002 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$55,341,980	87.28%	\$56,867,130	88.55%
Public Utility	4,032,260	6.36	3,194,660	4.97
Tangible Personal Property	4,031,055	6.36	4,164,335	6.48
Total Assessed Value	\$63,405,295	100.00%	\$64,226,125	100.00%
Tax rate per \$1,000 of assessed valuation	\$39.70		\$39.70	

6. INCOME TAX

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

7. RECEIVABLES

Receivables at June 30, 2002, consisted of both property and income taxes, accounts (rent and student fees), and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of state funds. Student fees are also considered collectible in full due to the withholding of diplomas and grade cards.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

7. RECEIVABLES (Continued)

A summary of the principal items of receivables follows:

	<u>Amounts</u>
General Fund	
Real Estate Taxes - Current and Delinquent	\$1,427,258
Income Taxes	240,453
Intergovernmental revenue – state	68,232
Capital Projects Funds	
Taxes - Current and Delinquent	144,552
Intergovernmental revenue – state	7,452

8. FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2002 follows:

Furniture and Equipment	\$82,286
Less: Accumulated Depreciation	<u>(26,599)</u>
Net Fixed Assets	<u>\$55,687</u>

A summary of the changes in general fixed assets during fiscal year 2002 is as follows:

Asset Category	<u>Balance 6/30/2001</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2002</u>
Land and Improvements	\$83,917	\$189,117	\$0	\$273,034
Buildings and Improvements	2,457,943	11,230	895	2,468,278
Furniture, Fixtures & Equipment	1,583,866	69,030	11,083	1,641,813
Vehicles	<u>446,668</u>	<u>17,286</u>	<u>17,826</u>	<u>446,128</u>
Total General Fixed Assets	<u>\$4,572,394</u>	<u>\$286,663</u>	<u>\$29,804</u>	<u>\$4,829,253</u>

9. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2002, the District contracted with Nationwide Insurance for fleet insurance, Great America Insurance Company for liability insurance and Indiana Insurance Company for property and inland marine coverage.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

9. RISK MANAGEMENT (Continued)

Coverages provided are as follows:

Building and Contents - replacement cost	(\$1,000 deductible)	\$12,194,368
Inland Marine Coverage:		
Electronic Data Processing	(\$250 deductible)	693,252
Musical Instruments Coverage	(\$250 deductible)	293,974
Boiler and Machinery – included in Building above	(\$1,000 deductible)	-included above
Automobile Liability		2,000,000
Uninsured Motorists		2,000,000
General Liability		
Per occurrence		1,000,000
Total per year		5,000,000
Umbrella		1,000,000

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

For fiscal year 2002, the District participated in the Northwest Ohio Area Computer Services Cooperative (NOACSC) Workers' Compensation Group Rating Program (the Plan), an insurance purchasing pool (Note 17).

The Plan is intended to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan.

Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performances is compared to the overall savings percent of the Plan. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria. The school districts apply for participation each year. The firm of Gates McDonald and Co. provides administrative, cost control, and actuarial services to the Plan. Each year, the District pays an enrollment fee to the Plan to cover the costs of administering the program.

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

10. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, cost of living adjustments and death benefits to members and beneficiaries.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

10. DEFINED BENEFIT PENSION PLANS (Continued)

Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Columbus, Ohio 43215-3746.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll; 5.46 percent was the portion used to fund pension obligations for fiscal year 2002. For fiscal year 2001, 4.2 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board.

The District's required contribution for pension obligations to SERS for the fiscal years ending June 30, 2002, 2001, and 2000, were \$41,163, \$30,802, and \$36,832, respectively; 53.5 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2000 and 1999. \$19,128, representing the unpaid contribution for fiscal year 2002 is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations for fiscal year 2002 and 2001. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The District's required contribution for pension obligations to STRS for the fiscal years ending June 30, 2002, 2001, and 2000, were \$276,349, \$265,004, and \$152,486, respectively; 82.8 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. \$47,600 representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2002, three members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

11. POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2002, the Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$130,902. STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3,256 million at June 30, 2001 (the latest information available). For the fiscal year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000, and STRS had 102,132 eligible benefit recipients.

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

For the fiscal year ended June 30, 2002, employer contributions to fund health care benefits were 8.54 percent of covered payroll, an decrease of 1.26 percent from fiscal year 2001. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay was established at \$12,400. For the District, the amount to fund health care benefits, including the surcharge, was \$69,682, during the 2002 fiscal year.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2001 (the latest information available), were \$161,439,934, and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants currently receiving health care benefits.

12. EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 235 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 55 days for certified and classified employees.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

12. EMPLOYEE BENEFITS (Continued)

B. Health Care Benefits

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

C. Early Retirement Incentive

The School District Board of Education approved an Early Retirement Incentive program for classified staff only. Participation is open to employees who qualify for retirement including the year purchased by the Board. The credit is for one year of service. The Board limits the number of employees participating to 8% of classified staff in the plan in any one year. During fiscal year 2002, there was one District classified employee who retired and elected to participate in the early retirement program.

13. LONG-TERM OBLIGATIONS

The changes in the District's long-term obligations during fiscal year 2002 were as follows:

	Interest Rate	Principal Outstanding 6/30/2001	Additions	Accretion in 2002	Deductions	Principal Outstanding 6/30/2002
Long-Term Obligations:						
1988 EPA Asbestos Loan:	0.00%	\$42,874			\$9,529	\$33,345
2002 School Facilities and Improvement Bonds:	Various		\$7,325,000			7,325,000
Capital Appreciation Bonds	9.40%	0	<u>521,437</u>	<u>\$8,286</u>	0	<u>529,723</u>
Total Long-Term Debt		42,874	7,846,437	8,286	9,529	7,888,068
Pension Benefit Obligation		31,059	37,995		31,059	37,995
Compensated Absences		<u>365,039</u>	0		<u>6,811</u>	<u>358,228</u>
Total General Long-Term Obligations		<u>\$438,972</u>	<u>\$7,884,432</u>	<u>\$8,286</u>	<u>\$47,399</u>	<u>\$8,284,291</u>

School Facilities and Improvement Bonds: In June 2002, the District issued \$7,846,437 in general obligation bonds for the purpose of constructing a K-12 school building and an auditorium facility. The District is participating in the Expedited Local Partnership Program of the Ohio School Facility Commission, under which the State will fund a percentage of the School District's future facilities needs. The bond issue consists of \$6,125,000 in serial bonds, \$1,200,000 in term bonds and \$521,437 in capital appreciation bonds. The serial bonds have interest rates from 2% to 5% and yield rates from 2% to 5.02%, maturing each fiscal year beginning in 2003 through 2012 and in 2017 through 2023. The term bonds have a 5% interest rate with final maturity on December 1, 2023 (fiscal year 2024) and December 1, 2024 (fiscal year 2025). The capital appreciation bonds have a stated interest rate of 9.4% (or the rate that, when applied to the original principal amount, compounded semi-annually results in the maturity amount) for an approximate yield to maturity of 4.7% to 4.95%. The bonds were issued for a twenty year period with final maturity at December 1, 2024. The bonds will be retired from the debt service fund.

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

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

13. LONG-TERM OBLIGATIONS (Continued)

The capital appreciation bonds will bear interest, compounded semi-annually on June 1 and December 1 (the "Interest Accretion Dates"), from the date of their issuance, but the interest will be payable only at maturity. The capital appreciation bonds will mature in fiscal years 2013 through 2016. The maturity amount of the bonds is \$1,565,000. For fiscal year 2002, \$8,286 was accreted for a total bond value of \$529,723.

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

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

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

The District's total voted legal debt margin was \$5,780,351 with an unvoted debt margin of \$64,226 at June 30, 2002. The District was approved as a special needs District by the Ohio Department of Education pursuant to Ohio Revised Code Section 133.06(E) based upon a future projected tax valuation of 118,797,131 and a total indebtedness (based upon the projected valuation) of approximately 6.6%. The District exceeded the legal debt limitation by approximately \$1,890,000 during fiscal year 2002. Pursuant to Ohio Revised Code 133.06, the Ohio Department of Education consented to allow the District to submit to the voters the question of issuing bonds in the amount of \$2,200,000 for constructing, furnishing, and equipping an auditorium facility. The popular vote approved the \$2,200,000 bond issue for the auditorium facility which resulted in the District exceeding the debt limitation.

Principal and interest requirements to retire general obligation debt, including the loan, outstanding at June 30, 2002 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Accretion /Interest</u>	<u>Total</u>
2003	\$ 9,529	\$ 374,914	\$ 384,443
2004	169,529	378,037	547,566
2005	179,529	379,609	559,138
2006	184,758	380,702	565,460
2007	210,000	381,125	591,125
2008-2012	1,375,000	1,888,904	3,263,904
2013-2017	969,723	1,517,827	2,487,550
2018-2022	2,865,000	852,677	3,717,677
2023-2025	<u>1,925,000</u>	<u>128,875</u>	<u>2,053,875</u>
Total	<u>\$7,888,068</u>	<u>\$6,282,670</u>	<u>\$14,170,738</u>

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

14. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects the more significant financial data relating to the enterprise funds of the District as of and for the fiscal year ended June 30, 2002.

	Food Service	Uniform School Supplies	Total
Operating Revenues	\$187,332	\$23,065	\$210,397
Operating Expenses (Less Depreciation)	269,830	21,667	291,497
Depreciation Expense	4,917	0	4,917
Operating Loss	(87,415)	1,398	(86,017)
Nonoperating Revenues:			
Donated Commodities	21,516	0	21,516
Grants	50,531	0	50,531
Interest	558	0	558
Operating transfers In	20,000	0	20,000
Net Income	5,190	1,398	6,588
Current Capital Contributions	845	0	845
Fixed Asset Additions	845	0	845
Net Working Capital	(11,216)	44,765	33,549
Total Assets	69,010	44,765	113,775
Total Equity	36,435	44,765	81,200
Encumbrances Outstanding at 6/30/02	0	125	125

15. JOINTLY GOVERNED ORGANIZATIONS

West Central Ohio Special Education Regional Resource Center - The West Central Ohio Special Education Regional Resource Center (SERRC) is a special education service center which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly-governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents. The SERRC is governed by a board of 52 members made up of the 50 superintendents of the participating districts, one non-public school, and Wright State University whose terms rotate every year. The degree of control exercised by any participating school district is limited to its representation on the Board.

Financial information can be obtained by contacting Krista Hart, Treasurer, at the Hardin County Educational Service Center, 1211 W. Lima St., Suite A, Kenton, Ohio 43326-2385.

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

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

15. JOINTLY GOVERNED ORGANIZATIONS (Continued)

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

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

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

16. RELATED ORGANIZATION

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

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

17. INSURANCE PURCHASING POOLS

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

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

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

Northwest Ohio Area Computer Services Cooperative Workers' Compensation Group Rating Plan - The District participates in the Northwest Ohio Area Computer Services Cooperative (NOACSC) Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The Safety Coordinator, Robert Lotz, of NOACSC, or his designee, serves as coordinator of the Plan. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

18. STATE SCHOOL FUNDING DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...".

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

19. SET ASIDE DISCLOSURE

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

The following demonstrates the District's compliance with set-aside requirement in House Bill 412:

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set aside cash balance as of June 30, 2001	(\$177,290)	(\$144,306)
Current year set-aside requirement	115,477	115,477
Current year Offsets	0	(136,032)
Qualifying Disbursements	<u>(134,406)</u>	<u>(35,661)</u>
Set Aside Balance Carried		
Forward to Future Fiscal Years	<u>(\$196,219)</u>	<u>(\$200,522)</u>

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

19. SET ASIDE DISCLOSURE (Continued)

The District had qualifying expenditures during the fiscal year that reduced the textbooks and capital improvements set-aside below zero. This amount may be used to reduce the set-aside requirement in future years.

In prior years, the School District was also required to set aside money for budget stabilization. For fiscal year 2002, only the unspent portion of workers' compensation refunds continues to be set aside at fiscal year end. This balance must be spent according to S.B. 345.

20. CONTINGENCIES

Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2002.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**SCHEDULE OF FEDERAL AWARD EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

Federal Grantor/ Pass-Through Grantor/ Program Titles	Federal CFDA Number	Pass Through Entity Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. Department of Education (Passed Through Ohio Department of Education)						
Special Education Grants to States (Title VI-B)	84.027	6B-SF-01P 6B-SF-02P	\$3,511 46,100		\$10,054 37,776	
Total Special Education Grants to States			49,611		47,830	
Title I, Part A, ESEA	84.010	C1-S1-01 C1-S1-02			38,629 115,932	
Total Title I, Part A, ESEA			124,236		154,561	
Innovative Education Program Strategies (Title VI)	84.298	C2-S1-01 C2-S1-02			268 3,873	
Total Innovative Education Program Strategies			3,873		4,141	
Safe and Drug Free Schools	84.186	DR-S1-01 DR-S1-02	1,082 2,709		83 2,709	
Total Safe and Drug Free Schools			3,791		2,792	
Eisenhower Professional Development State Grants	84.281	MS-S1-01 MS-S1-02	402 5,064		2,872 5,064	
Total Eisenhower Professional Development State Grants			5,466		7,936	
Class Size Reduction (Title VI-R)	84.340	CR-S1-01 CR-S1-02	2,117 27,586		2,117 24,294	
Total Class Size Reduction (Title VI-R)			29,703		26,411	
School Renovation, Idea and Technology	84.352	AT-S1-02	2,054		2,054	
Total U.S. Department of Education			218,734		245,725	
U.S. Department of Agriculture (Passed Through Ohio Department of Education)						
Nutrition Cluster:						
Food Distribution	10.550			21,991		21,516
National School Lunch Program	10.555		48,649		48,649	
Total U.S. Department of Agriculture - Nutrition Cluster			48,649	21,991	48,649	21,516
Total Federal Financial Assistance			\$267,383	\$21,991	\$294,374	\$21,516

The notes to the schedule of federal award expenditures are an integral part of this statement.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B—NUTRITION CLUSTER

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE C -- MATCHING REQUIREMENTS

Certain Federal programs require that the District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The expenditure of non-Federal matching funds is not included on the Schedule.

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

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

To the Board of Education:

We have audited the financial statements of the Ada Exempted Village School, Hardin County, District (the "District") as of and for the year ended June 30, 2002, and have issued our report thereon dated December 3, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 3, 2002.

Internal Control Over Financial Reporting

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

Ada Exempted Village School District
Hardin County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

Jim Petro
Auditor of State

December 3, 2002



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

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

To the Board of Education:

Compliance

We have audited the compliance of the Ada Exempted Village School District, Hardin County, (the "District"), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2002. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses.

**Internal Control Over Compliance
(Continued)**

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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



Jim Petro
Auditor of State

December 3, 2002

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**SCHEDULE OF FINDINGS
FISCAL YEAR ENDED JUNE 30, 2002
OMB CIRCULAR A -133 §.505**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Title 1: CFDA # 84.010 Nutrition Cluster: CFDA #'s 10.550 and 10.555
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



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ADA EXEMPTED VILLAGE SCHOOL DISTRICT

HARDIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 2, 2003**