



Dave Yost • Auditor of State



**ADA EXEMPTED VILLAGE SCHOOL DISTRICT  
HARDIN COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

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

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Ada Exempted Village School District, Hardin County, as of June 30, 2011, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the fiscal year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 2, 2011, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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



**Dave Yost**  
Auditor of State

August 2, 2011

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT  
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
UNAUDITED**

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

**Financial Highlights**

Key financial highlights for 2011 are as follows:

- General Receipts accounted for \$7,192,028, or 77.5% of all revenues.
- Total program expenses were \$9,273,155.
- In total, the District's net assets increased \$4,541 for fiscal year 2011.

**Using this Annual Report**

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

The *Statement of Net Assets* and the *Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other non-major funds presented in total in one column. For fiscal year 2011, the General Fund, the Debt Service Fund, and the Permanent Improvement Fund are the most significant funds.

**Basis of Accounting**

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

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

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT  
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
UNAUDITED  
(Continued)**

**Reporting the District as a Whole**

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

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2011?" The Statement of Net Assets and the Statement of activities answer this question.

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

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

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

**Fund Financial Statements**

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

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

**Reporting the District's Fiduciary Responsibilities**

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

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT  
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
UNAUDITED  
(Continued)**

**The District as a Whole**

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

Table 1 provides a summary of the District's net assets for fiscal year 2011, as compared to fiscal year 2010:

**Table 1  
Net Assets – Cash Basis**

	<b>Governmental Activities 2011</b>	<b>Governmental Activities 2010</b>
<b>Assets:</b>		
Cash & Cash Equivalents	\$3,270,551	\$3,266,010
Cash & Cash Equivalents with Escrow Agent	9,000	9,000
<b>Total Assets</b>	<b>3,279,551</b>	<b>3,275,010</b>
<b>Net Assets:</b>		
<b>Restricted:</b>		
Capital Projects	589,116	698,864
Debt Service	340,120	316,846
<b>Permanent Fund:</b>		
Nonexpendable	3,433	3,433
Expendable	3,494	3,483
Other Purposes	659,251	589,172
Unrestricted	1,684,137	1,663,212
<b>Total Net Assets</b>	<b>\$3,279,551</b>	<b>\$3,275,010</b>

Table 2 shows the changes in net assets for fiscal year 2011, as compared to fiscal year 2010.

**Table 2  
Change in Net Assets – Cash Basis**

	<b>Governmental Activities 2011</b>	<b>Governmental Activities 2010</b>
<b>Receipts:</b>		
<b>Program Receipts:</b>		
Charges for Services	\$768,010	\$735,176
Operating Grants, Contributions and Interest	1,317,252	1,206,612
Capital Grants, Contributions and Interest	406	1,775
<b>General Receipts</b>		
Property Taxes	2,426,568	2,313,237
Income Taxes	761,417	759,239
Grants and Entitlements not Restricted to Specific Programs	3,926,898	3,921,564
Gain on Sale of Capital Asset	1,500	
Interest	32,845	5,015
Miscellaneous	42,800	89,000
<b>Total Receipts</b>	<b>9,277,696</b>	<b>9,031,618</b>

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT  
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
UNAUDITED  
(Continued)**

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

	<b>Governmental Activities 2011</b>	<b>Governmental Activities 2010</b>
<b>Disbursements:</b>		
<b>Program Disbursements:</b>		
<b>Instruction:</b>		
Regular	4,028,888	3,987,727
Special	797,501	764,198
Vocational Education	92,638	88,761
Other	80,464	29,068
<b>Support Services:</b>		
Pupil	325,418	347,671
Instructional Staff	408,338	387,453
Board of Education	19,562	20,211
Administration	623,857	536,074
Fiscal	289,388	266,465
Operation and Maintenance of Plant	891,176	918,679
Pupil Transportation	336,846	369,084
Central		
Food Services	309,517	286,861
Extracurricular Activities	328,926	377,455
Capital Outlay	167,503	791,281
Repayment of Debt	573,133	564,453
Total Disbursements	<u>9,273,155</u>	<u>9,735,441</u>
Decrease in Net Assets	<u>\$4,541</u>	<u>(\$703,823)</u>

The school foundation program is the largest source of funding for the District, providing approximately \$3.9 million in 2011. Property tax levies generated approximately \$2.4 million, while the income tax levy generated over \$761,000.

**Governmental Activities**

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

**Table 3  
Governmental Activities**

	<b>2011</b>		<b>2010</b>	
	<b>Total Cost Of Service</b>	<b>Net Cost Of Service</b>	<b>Total Cost Of Service</b>	<b>Net Cost Of Service</b>
<b>Instruction:</b>				
Regular	\$4,028,888	\$3,173,436	\$3,987,727	\$3,209,529
Special	797,501	234,380	764,198	200,088
Vocational Education	92,638	65,019	88,761	60,629
Other	80,464	57,584	29,068	13,100

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT  
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
UNAUDITED  
(Continued)**

**Table 3  
Governmental Activities  
(Continued)**

	2011		2010	
	Total Cost Of Service	Net Cost Of Service	Total Cost Of Service	Net Cost Of Service
<b>Support Services:</b>				
Pupil	325,418	324,669	347,671	345,996
Instructional Staff	408,338	284,673	387,453	320,548
Board of Education	19,562	19,562	20,211	20,211
Administration	623,857	618,857	536,074	531,074
Fiscal	289,388	271,004	266,465	248,081
Operation and Maintenance of Plant	891,176	882,932	918,679	911,382
Pupil Transportation	336,846	328,562	369,084	361,947
Central				
Food Services	309,517	(39,022)	286,861	(50,817)
Extracurricular Activities	328,926	225,601	377,455	266,151
Capital Outlay	167,503	167,097	791,281	789,506
Repayment of Debt	573,133	573,133	564,453	564,453
<b>Total Disbursements</b>	<u>\$9,273,155</u>	<u>\$7,187,487</u>	<u>\$9,735,441</u>	<u>\$7,791,878</u>

Instruction comprised 53.9% of total governmental program expenses. Interest expense was approximately 2.9% of the total governmental expenses and was attributable to the outstanding bonds. Fiscal and administration charges were 9.8% of total governmental program expenses. Fiscal and administrative expenses include fees withheld from property tax receipts by the County Auditor(s) for administrative costs, other administrative services provided to the District, and other operational expenses of the Treasurer's office. Pupil transportation and the operation/maintenance of facilities accounts for 13.2% of governmental program expenses.

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

**Governmental Funds**

The District's governmental funds are accounted for using the cash basis of accounting. The District's governmental funds reported a combined fund cash balance of \$3,279,551, which is \$4,541 above last year's total of \$3,275,010.

**General Fund**

The General Fund, the District's largest major fund, had cash receipts of \$7,093,770 in 2011. The cash disbursements of the general fund, totaled \$7,069,506 in 2011. The General Fund's cash balance increased \$24,264 from 2010 to 2011, which was due to maintaining expenditures at the amount of revenue received for the year.

**Debt Service**

The Debt Service Fund, a District major fund, had cash receipts of \$611,227 and cash disbursements of \$587,954 in 2011. The Debt Service Fund cash balance increased \$23,273 from 2010 to 2011 primarily due to an increase in property tax receipts and a decrease in debt payments.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT  
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
UNAUDITED  
(Continued)**

**Permanent Improvement Fund**

The Permanent Improvement Fund, a District major fund, had cash receipts of \$273,803 in 2011. The Permanent Improvement Fund had cash disbursements of \$309,354 in 2011. The Permanent Improvement Fund cash balance decreased \$35,551 from 2010 to 2011 primarily due to the purchases of a new Kubota mower, new computers, new school car and renovation work on the old band building.

**General Fund Budgeting Highlights**

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2011, the District did not significantly modify its General Fund appropriations. The District uses budgeting systems that are designed to control budgets but provide flexibility for management.

For the General Fund, budget basis revenue was \$44,632 over the final budget estimates of \$7,049,138. This \$44,632 increase is primarily attributable to variances in property taxes, interest and tuition and fees. The tuition relates directly to open enrollment payments. The actual open enrollment students accounted for 75 students compared to 72 budgeted, a difference of \$17,196. The interest difference relates to a year end interest correction for the Fifth Third Securities investment account. The amount of interest credited to the General Fund is \$32,833. Property taxes differential relates to an increase in delinquent taxes received. Other revenue line items, including intergovernmental payments (state foundation) and miscellaneous were below anticipated revenue. Budget basis actual disbursements, net of transfers, were \$408,297 under the final budget estimates of \$7,087,428. This decrease is mostly attributable to lower than anticipated instruction costs. In addition, operation and maintenance costs and pupil transportation were lower than expected.

**Capital Assets and Debt Administration**

**Capital Assets**

Ohio law requires school districts to set aside 3% of certain revenues for capital improvements and an additional 3% for textbooks and other instructional materials (see note 15). For fiscal year 2011, this amounted to \$139,855 for each set aside. The District has a fiscal year end carry-over amount of \$99,737 of excess capital set-aside expenditures. The excess is scheduled to be carried forward into future fiscal years.

**Debt**

In 2002, the District passed a bond issue providing \$7.85 million for the purpose of an Ohio School Facilities Commission (OSFC) project for a new K-12 building with an auditorium. The District was funded by the OSFC at 73% for their portion of the project. At June 30, 2011, the District's outstanding bond debt totals \$6,076,437. See Note 11 for additional details.

**Current Operating Issues**

The District continues to receive strong support from the residents of the District. As the preceding information shows, the District relies heavily on its local property taxpayers. The last operating levy was passed by the residents of the district in November 2006 (beginning January 1, 2008), as a five year renewal of a .75% income tax.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT  
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
UNAUDITED  
(Continued)**

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

Thus, school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 26.2% of revenues for governmental activities for the District in fiscal year 2011.

The District has also been affected by income instability and changes in the personal property tax structure (utility deregulation) and commercial business/property uncertainties. Management has diligently planned expenses so that every attempt is made not to seek additional operating levies from the voters. This has been made increasingly difficult with mandates in gifted education, rising utility costs, increased special education services required for our students, and significant increases in health insurance and property/liability/fleet insurance. Therefore, the District will be asking the voters for a 1.25% income tax levy during the November 2011 election. This would be an increase of .5%, and approximately \$567,000. This tax would begin in January 2013, at the time the .75% income tax would expire.

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

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

**Current Building Issues**

On March 16, 2005, Governor Taft announced the next 15 school districts identified for funding under the Classroom Facilities Assistance Program (CFAP). The District was on this list for fiscal year 2006 state appropriations. With the passage of a ½ mill maintenance levy in November 2005, the district proceeded with the new K-12 building and a locally funded auditorium. The District was funded by the state at 73% for their portion of the project. The date of completion was July 2008 and the 2008-2009 school year found the children of Ada being educated in a new K-12 building.

**Contacting the District's Financial Management**

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

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**ADA EXEMPTED VILLAGE SCHOOL DISTRICT  
HARDIN COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS  
JUNE 30, 2011**

	<b>Governmental Activities</b>
<b>Assets:</b>	
Cash and cash equivalents	\$3,270,551
Cash and cash equivalents with Escrow Agents	9,000
Total Assets	3,279,551
 <b>Net Assets:</b>	
<b>Restricted for:</b>	
Capital Projects	589,116
Debt Service	340,119
<b>Permanent Fund:</b>	
Nonexpendable	3,433
Expendable	3,494
Other Purposes	659,251
Unrestricted	1,684,138
Total Net Assets	\$3,279,551

*See accompanying notes to the basic financial statements.*

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT  
HARDIN COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets	
	Cash Disbursements	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants, Contributions and Interest	Total
<b>Governmental Activities:</b>					
<b>Instruction:</b>					
Regular	\$4,028,888	\$444,900	\$410,552		(\$3,173,436)
Special	797,501	35,792	527,329		(234,380)
Vocational Education	92,638		27,619		(65,019)
Other	80,464		22,880		(57,584)
<b>Support Services:</b>					
Pupil	325,418		749		(324,669)
Instructional Staff	408,338		123,665		(284,673)
Board of Education	19,562				(19,562)
Administration	623,857		5,000		(618,857)
Fiscal	289,388		18,384		(271,004)
Operation and Maintenance of Plant	891,176	3,645	4,599		(882,932)
Pupil Transportation	336,846		8,284		(328,562)
Food Services	309,517	200,607	147,932		39,022
Extracurricular Activities	328,926	83,066	20,259		(225,601)
Capital Outlay	167,503			406	(167,097)
<b>Debt Service:</b>					
Principal	300,000				(300,000)
Interest	273,133				(273,133)
<b>Total Governmental Activities</b>	<b>\$9,273,155</b>	<b>\$768,010</b>	<b>\$1,317,252</b>	<b>\$406</b>	<b>(7,187,487)</b>

**General Receipts**

**Property Taxes Levied for:**

General Purposes	1,631,543
Permanent Improvement	227,167
Debt Service	534,679
Building Maintenance	33,179
Income Taxes Levied for General Purposes	761,417
Grants and Entitlements not Restricted to Specific Programs	3,926,898
Proceeds from Sale of Capital Assets	1,500
Interest	32,845
Miscellaneous	42,800
<b>Total General Receipts</b>	<b>7,192,028</b>

Change in Net Assets	4,541
Net Assets - Beginning of Year	3,275,010
<b>Net Assets - End of Year</b>	<b>\$3,279,551</b>

See accompanying notes to the basic financial statements.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT  
HARDIN COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
JUNE 30, 2011**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Permanent Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets;</b>					
Cash and Cash Equivalents	\$1,578,359	\$340,119	\$390,628	\$817,903	\$3,127,009
Cash and Cash Equivalent with Escrow Agent				9,000	9,000
<b>Restricted Assets:</b>					
Cash and Cash Equivalents	143,542				143,542
<b>Total Assets</b>	<u>1,721,901</u>	<u>340,119</u>	<u>390,628</u>	<u>826,903</u>	<u>3,279,551</u>
<b>Fund Balances:</b>					
Restricted	143,542	340,119	390,628	826,903	1,701,192
Committed					
Assigned	37,764				37,764
Unassigned	1,540,595				1,540,595
<b>Total Fund Balances</b>	<u>\$1,721,901</u>	<u>\$340,119</u>	<u>\$390,628</u>	<u>\$826,903</u>	<u>\$3,279,551</u>

See accompanying notes to the basic financial statements.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT  
HARDIN COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Permanent Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Receipts:</b>					
Property Taxes	\$1,631,543	\$534,679	\$227,167	\$33,179	\$2,426,568
Income Taxes	761,417				761,417
Intergovernmental	4,130,954	76,548	44,460	960,288	5,212,250
Interest	32,833		176	3,751	36,760
Tuition and Fees	484,336				484,336
Extracurricular Activities				73,671	73,671
Gifts and Donations	4,233		500	26,862	31,595
Food Services				200,607	200,607
Miscellaneous	48,454			538	48,992
<b>Total Receipts</b>	<u>7,093,770</u>	<u>611,227</u>	<u>272,303</u>	<u>1,298,896</u>	<u>9,276,196</u>
<b>Disbursements:</b>					
<b>Current:</b>					
<b>Instruction:</b>					
Regular	3,562,061		28,797	438,030	4,028,888
Special	557,916			239,585	797,501
Vocational Education	92,638				92,638
Other	61,695			18,769	80,464
<b>Support Services:</b>					
Pupil	324,489			929	325,418
Instructional Staff	291,014			117,324	408,338
Board of Education	19,562				19,562
Administration	618,857			5,000	623,857
Fiscal	267,371	14,821	6,285	911	289,388
Operation and Maintenance of Plant	681,170		193,038	16,968	891,176
Pupil Transportation	336,846				336,846
Central					
Operation of Non-Instructional Services				309,517	309,517
Extracurricular Activities	244,045			84,881	328,926
Capital Outlay	11,842		81,234	74,427	167,503
<b>Debt Service:</b>					
Principal		300,000			300,000
Interest		273,133			273,133
<b>Total Disbursements</b>	<u>7,069,506</u>	<u>587,954</u>	<u>309,354</u>	<u>1,306,341</u>	<u>9,273,155</u>
Excess of Receipts Over (Under) Disbursements	<u>24,264</u>	<u>23,273</u>	<u>(37,051)</u>	<u>(7,445)</u>	<u>3,041</u>
<b>Other Financing Sources:</b>					
Proceeds from the Sale of Fixed Assets			1,500		1,500
<b>Net Change in Fund Balances</b>	<u>24,264</u>	<u>23,273</u>	<u>(35,551)</u>	<u>(7,445)</u>	<u>4,541</u>
Fund Balances - Beginning of Year -- (Restated - Note 3)	<u>1,697,637</u>	<u>316,846</u>	<u>426,179</u>	<u>834,348</u>	<u>3,275,010</u>
<b>Fund Balances - End of Year</b>	<u>\$1,721,901</u>	<u>\$340,119</u>	<u>\$390,628</u>	<u>\$826,903</u>	<u>\$3,279,551</u>

See accompanying notes to the basic financial statements.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT  
HARDIN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGE  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Cash Receipts:</b>				
Property Taxes	\$1,602,686	\$1,602,686	\$1,631,543	\$28,857
Income Taxes	759,239	759,239	761,417	2,178
Intergovernmental	4,162,686	4,162,686	4,130,954	(31,732)
Interest	12,070	12,070	32,833	20,763
Tuition and Fees	460,707	460,707	484,336	23,629
Gifts and Donations	2,200	2,200	4,233	2,033
Miscellaneous	49,550	49,550	48,454	(1,096)
Total Receipts	<u>7,049,138</u>	<u>7,049,138</u>	<u>7,093,770</u>	<u>44,632</u>
<b>Cash Disbursements:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	3,694,523	3,704,423	3,565,086	139,337
Special	557,904	596,804	559,117	37,687
Vocational Education	93,190	93,760	92,638	1,122
Other	83,513	83,513	61,695	21,818
<b>Support Services:</b>				
Pupil	327,767	328,517	324,702	3,815
Instructional Staff	324,959	326,259	292,352	33,907
Board of Education	20,992	21,202	19,787	1,415
Administration	630,826	644,501	623,953	20,548
Fiscal	277,735	283,475	271,937	11,538
Operation and Maintenance of Plant	726,355	735,255	683,311	51,944
Pupil Transportation	375,688	394,088	336,846	57,242
Extracurricular Activities	269,828	270,928	244,162	26,766
Facilities Acquisition and Construction	13,000	13,000	11,842	1,158
Total Disbursements	<u>7,396,280</u>	<u>7,495,725</u>	<u>7,087,428</u>	<u>408,297</u>
Excess of Receipts Over (Under) Disbursements	(347,142)	(446,587)	6,342	452,929
<b>Other Financing (Uses):</b>				
Transfers-Out	<u>(3,500)</u>	<u>(3,500)</u>	<u></u>	<u>3,500</u>
Net Change in Fund Balances	(350,642)	(450,087)	6,342	456,429
Fund Balance - Beginning of Year (Restated - Note 3)	1,659,306	1,659,306	1,659,306	
Prior Year Encumbrances Appropriated	<u>38,331</u>	<u>38,331</u>	<u>38,331</u>	
Fund Balance - End of Year	<u>\$1,346,995</u>	<u>\$1,247,550</u>	<u>\$1,703,979</u>	<u>\$456,429</u>

See accompanying notes to the basic financial statements.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT  
HARDIN COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS  
FIDUCIARY FUNDS  
JUNE 30, 2011**

	<b>Private Purpose Trust</b>	<b>Agency</b>
<b>Assets:</b>		
Equity Pooled in Cash and Cash Equivalents	\$61,427	\$38,514
Total Assets	61,427	38,514
 <b>Net Assets:</b>		
Endowments	48,268	
Held in Trust for Scholarships	13,159	
Held for Student Activities		38,514
Total Net Assets	\$61,427	\$38,514

*See accompanying notes to the basic financial statements.*

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT  
HARDIN COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
CASH BASIS  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Private Purpose Trust</u>
<b>Additions:</b>	
Investment Income	\$63
Gifts and Contributions	5,241
Total Additions	<u>5,304</u>
<b>Deductions:</b>	
Payments in Accordance with Trust Agreements	3,160
Total Deductions	<u>3,160</u>
Change in Net Assets	2,144
Net Assets - Beginning of Year	<u>59,283</u>
Net Assets - End of Year	<u><u>\$61,427</u></u>

*See accompanying notes to the basic financial statements.*

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**ADA EXEMPTED VILLAGE SCHOOL DISTRICT  
HARDIN COUNTY**

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

**1. DESCRIPTION OF THE DISTRICT**

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

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

The District was established in 1862 through the consolidation of existing land areas and districts. The District serves an area of approximately 42 square miles. It is located in Hardin and Hancock Counties, including all of the Village of Ada, Ohio, and portions of Liberty Township in Hardin County and Orange Township in Hancock County. The District is the 494th largest in the State of Ohio (among 613 school districts) in terms of enrollment. It is staffed by 33 non-certified employees, 64 certificated teaching personnel and 4 administrative employees to provide services to 955 students and other community members. The District currently operates two instructional buildings, one administrative wing connected to two gymnasiums, one storage building and one garage.

**A. Reporting Entity**

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

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

The District is associated with five organizations of which two are defined as jointly governed organizations, one a related organization, and two insurance purchasing pools. These organizations include the Northwest Ohio Area Computer Services Cooperative, Apollo Joint Vocational School, Ada Public Library, Hardin County School Employees' Health and Welfare Benefit Plan and Trust, and the Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Plan. These organizations are presented in Notes 12, 13, and 14 to the general purpose financial statements.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT  
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**B. Basis of Accounting**

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

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

**Basis of Presentation**

**1. Government-wide Financial Statements**

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

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

**2. Fund Financial Statements**

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

**C. Fund Accounting**

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

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT  
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

**1. Governmental Funds**

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

The following are the District's major governmental funds:

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

**Debt Service Fund** – The Debt Service Fund is used to account for property tax receipts to pay the principal and related interest on the school facilities and improvement bonds.

**Permanent Improvement Fund** - This fund accounts for the permanent improvement levy, which was passed in November 2008, a five year replacement of 2.90 mills for the tax years 2010 – 2014. This fund is used to account for financial resources to be used for the acquisition of equipment or asset, whose useful life is expected to last five years or greater.

**2. Fiduciary Funds**

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

**D. Budgetary Process**

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

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

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

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

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT  
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

**1. Tax Budget**

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

**2. Estimated Resources**

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

**3. Appropriations**

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

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

**4. Encumbrances**

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

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT  
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

**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 re-appropriated.

**E. Cash and Cash Equivalents**

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

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2011 amounted to \$32,833, which includes \$8,434 assigned from the other funds.

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

**F. Property, Plant and Equipment**

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

**G. Compensated Absences**

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

**H. Long-Term Debt**

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

**I. Fund Balance**

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

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT  
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

**Non-spendable** – The non-spendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The “not in spendable form” includes items that are not expected to be converted to cash.

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

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

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

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

**J. Intergovernmental Revenues**

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

**K. Interfund Transactions**

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

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

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT  
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

**L. Net Assets**

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

**M. Receipts and Disbursements**

**Program Receipts**

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

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

**3. CHANGE IN BASIS OF ACCOUNTING PRINCIPLES**

For fiscal year 2011, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". GASB Statement No. 54 provides fund balance classifications that can be more consistently applied and clarifies the existing governmental fund type definitions. The requirements of this statement classify fund balance as non-spendable, restricted, committed, assigned, and/or unassigned. The implementation of Statement No. 54 had the following impact on the balances reported at June 30, 2010.

	<u>General</u>	<u>Debt Service Fund</u>	<u>Other Governmental</u>
Fund Balance at June 30, 2010	\$1,663,212		\$1,185,619
Change in Fund Structure	34,425		(34,425)
Change in Major Funds classification (not due to GASB 54)		\$316,846	(316,846)
Adjusted Fund Balance at June 30, 2010	<u>\$1,697,637</u>	<u>\$316,846</u>	<u>\$ 834,348</u>

**4. COMPLIANCE**

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

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT  
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**5. DEPOSITS AND INVESTMENTS**

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts including passbook accounts. Protection of District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

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

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT  
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**5. 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.

**A. Deposits**

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

At fiscal year end, the carrying amount of the District's deposits was \$2,674,709 and the bank balance was \$2,836,951. Of the bank balance, \$688,111 was covered by federal depository insurance and \$2,148,840 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation.

**B. Investments**

Investments are reported at the cash purchase price (cost) value. As of June 30, 2011, the District has the following investments:

	<b>Investment Maturities (in months)</b>	
	<b>Cost</b>	<b>0 – 6</b>
STAR Ohio	\$560,966	\$560,966
STAR Ohio – CFAP, Building Project	143,817	143,817
Total Investments	\$704,783	\$704,783

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

**Credit Risk:** The investment in STAR Ohio is rated AAA by Standard & Poor's.

**Concentration of Credit Risk:** The District places no limit on the amount the district may invest in any one issuer.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT  
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**6. PROPERTY TAXES**

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

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

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

Tangible personal property tax revenues received in calendar year 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

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, 2011 are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2010 taxes were collected are:

	<b>2010 Second- Half Collections</b>		<b>2011 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential and Other Real Estate	\$83,737,860	96.68%	\$84,746,720	96.71%
Public Utility Personal Property	2,782,060	3.21	2,887,180	3.29
Tangible Personal Property	91,520	.11		
<b>Total Assessed Value</b>	<b>\$86,611,440</b>	<b>100.00%</b>	<b>\$87,633,900</b>	<b>100.00%</b>
Tax rate per \$1,000 of assessed valuation	\$47.00		\$47.00	

**7. INCOME TAX**

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

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT  
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**8. 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 2011, the District contracted with Hylant Administrative Services, Inc. (Ohio School Plan) for fleet, liability insurance and property and inland marine coverage. Coverages provided are as follows:

Building and Contents	(\$1,000 deductible)	\$33,804,185
Inland Marine Coverage:	(\$1,000 deductible)	
Electronic Data Processing		- included above
Musical Instruments Coverage		- included above
Boiler and Machinery		33,804,185
Automobile Liability		2,000,000
General Liability		
Per occurrence		2,000,000
Total per year		4,000,000
Umbrella		1,000,000

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

The District participates in the Ohio School Board Association (OSBA) Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The intent of the Plan is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. A third party administrator reviews each participant's claims experience and determines the rating tier for that participant. A common premium rate is applied to all participants in a given rating tier. Each participant pays its workers' compensation premium to the State based on the rate for their rating tier rather than its individual rate.

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.

**9. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

**Plan Description** - The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code.

SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (800) 878-5853. It is also posted on SERS' website, [www.ohsers.org](http://www.ohsers.org), under Employees/Audit Resources.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**9. DEFINED BENEFIT PENSION PLANS**

**Funding Policy** - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2011, 11.81 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS Retirement Board, up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers.

The District's required contributions for pension obligation for the fiscal years ended June 30, 2011, 2010, and 2009, were \$114,592, \$118,401, and \$80,911 respectively; 46.85% has been contributed for fiscal year 2011 and 100% as been contributed for fiscal years 2010 and 2009.

**B. State Teachers Retirement System**

**Plan Description** - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (888) 227-7877 or by visiting the STRS Ohio web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be take as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

**Funding Policy** - For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010, and 2009 were \$484,119, \$479,942 and \$455,833, respectively; 82.65% has been contributed for fiscal year 2011 and 100% for fiscal years 2010 and 2009.

**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, 2011, three of the five members of the Board of Education have elected social security, while two of the board members have elected School Employees Retirement System. The Board's liability is 6.2 percent of wages paid for social security.

**10. POSTEMPLOYMENT BENEFITS**

**A. School Employee Retirement System**

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

**Funding Policy** – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2011, 1.43 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2010, this amount was \$19,084, for 2011 the estimated amount is \$15,809.

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

The District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$13,875, \$11,303, and \$37,029 respectively; 46.85 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2011, the actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$7,374, \$7,041, and \$6,676 respectively; 46.85 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**10. POSTEMPLOYMENT BENEFITS (Continued)**

**B. State Teachers Retirement System**

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

**Funding Policy** – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions.

For 2010, the latest information available, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. Using the same percentage, the District’s contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$37,240, \$36,919, and \$35,064 respectively; 82.65 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**11. LONG-TERM OBLIGATIONS**

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

	<b>Interest Rate</b>	<b>Principal Outstanding 6/30/2010</b>	<b>Additions</b>	<b>Deductions</b>	<b>Principal Outstanding 6/30/2011</b>
<b>Long-Term Obligations:</b>					
2002 School Facilities and Improvement Bonds:	Various	\$5,855,000		\$300,000	\$5,555,000
Capital Appreciation Bonds	9.40%	521,437			521,437
<b>Total Long-Term Debt</b>		<b>\$6,376,437</b>	<b>\$0</b>	<b>\$300,000</b>	<b>\$6,076,437</b>

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

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

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT  
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

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

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

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

The District's total voted legal debt margin was \$7,887,051 with an unvoted debt margin of \$87,634 at June 30, 2011. The District was approved as a special needs District by the Ohio Department of Education pursuant to Ohio Revised Code Section 133.06(E) based upon a future projected tax valuation of \$118,797,131 and a total indebtedness (based upon the projected valuation) of approximately 6.5%.

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

Principal and interest requirements to retire general obligation debt, including the loan, outstanding at June 30, 2011 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 325,000	\$ 260,470	\$ 585,470
2013	141,462	482,345	623,807
2014	132,536	501,271	633,807
2015	124,086	519,721	643,807
2016	123,353	555,455	678,808
2017-2021	2,625,000	983,564	3,608,564
2022-2025	2,605,000	241,785	2,846,785
Total	<u>\$6,076,437</u>	<u>\$3,544,611</u>	<u>\$9,621,048</u>

**12. JOINTLY GOVERNED ORGANIZATIONS**

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

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

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

**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.

**13. RELATED ORGANIZATION**

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

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

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

**14. INSURANCE PURCHASING POOLS**

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

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

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

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

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT  
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**15. SET ASIDE DISCLOSURE**

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

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

	<b>Textbooks</b>	<b>Capital Improvements</b>
Set aside reserve balance as of June 30, 2010	\$ 83,302	
Current year set-aside requirement	139,855	\$139,855
Current year Qualifying Expenditures	(54,151)	(25,648)
Excess Qualified Expenditures from Prior Years		(99,737)
Current Year Offsets	(25,464)	(287,028)
Total	143,542	(272,558)
Set Aside Balance Carried Forward to Future Fiscal Years	\$143,542	(\$ 99,737)
Set Aside Reserve Balance for June 30, 2011	\$143,542	

The District had qualifying expenditures during fiscal year, along with a negative carry-over from the prior year that decreased the capital improvements set-aside below zero at June 30, 2011. The "Excess Qualified Expenditures from Prior Years" for the capital improvement set-aside is due to building project expenditures incurred from bond proceeds prior to the start of the OSFC building project. These amounts may be used to reduce the set-aside requirements in future years. The remaining eligible expenditures from bond proceeds will be claimed in the year the project is completed.

Since the District did not have qualifying disbursements equal to the textbook set-aside in 2011, the balance is carried forward to the subsequent year in the General Fund as a reserve for textbooks.

**16. FUND BALANCE**

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds.

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

<b>Fund Balance</b>	<b>General</b>	<b>Permanent Improvement</b>	<b>Debt Service</b>	<b>Other Governmental</b>	<b>Total</b>
<b>Restricted for:</b>					
Debt Service			\$340,119		\$ 340,119
Capital Improvements		\$390,628		\$198,488	589,116
Food Service				203,612	203,612
Band Supplies				9,388	9,388
Athletics				41,341	41,341
Library Supplies/Equipment				15,272	15,272
Instructional Supplies				1,624	1,624
Facilities Maintenance				255,112	255,112

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT  
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**16. FUND BALANCE (Continued)**

<u>Fund Balance</u>	<u>General</u>	<u>Permanent Improvement</u>	<u>Debt Service</u>	<u>Other Governmental</u>	<u>Total</u>
Extracurricular Activities				55,358	55,358
Education Management Information System				123	123
Instructional Improvement				26,345	26,345
Special Needs Students				9,827	9,827
Disadvantaged Students				6,302	6,302
Class Size Reduction				4,111	4,111
Textbooks	\$ 143,542				143,542
Total Restricted	<u>143,542</u>	<u>390,628</u>	<u>340,119</u>	<u>826,903</u>	<u>1,701,192</u>
<b>Assigned for:</b>					
Instructional Materials	13,538				13,538
Extracurricular Activities	24,226				24,226
Total Assigned	<u>37,764</u>				<u>37,764</u>
Unassigned	1,540,595				1,540,595
Total Fund Balance	<u>\$1,721,901</u>	<u>\$390,628</u>	<u>\$340,119</u>	<u>\$826,903</u>	<u>\$3,279,551</u>

**17. CONTINGENCIES**

**Grants**

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

**18. SIGNIFICANT CONTRACTS**

The District has the following significant contracts outstanding as of June 30, 2011:

<u>Contractor</u>	<u>Services</u>	<u>Contract Remaining</u>
Capital Aluminum and Glass	Exterior Doors	\$21,004

**19. RESTRICTED ASSETS**

The following amount, which is reflected on the Balance Sheet – Governmental Funds at fiscal year-end 2011, is restricted for textbooks.

<u>Restricted Assets:</u>	<u>Governmental Activities</u>
Equity in Pooled Cash and Cash Equivalents	\$143,542

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT  
HARDIN COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Non-Cash Receipts</b>	<b>Expenditures</b>	<b>Non-Cash Expenditures</b>
<b>U.S. Department of Agriculture</b>					
(Passed through Ohio Department of Education)					
Child Nutrition Cluster:					
School Breakfast Program	10.553	\$9,054		\$9,054	
National School Lunch Program	10.555	132,206		132,206	
Non-Cash Assistance (Food Distribution):					
National School Lunch Program	10.555		\$50,399		\$50,399
Total National School Lunch Program		132,206	\$50,399	132,206	\$50,399
Total Child Nutrition Cluster		141,260	50,399	141,260	50,399
Total U.S. Department of Agriculture		141,260	50,399	141,260	50,399
<b>U.S. Department of Education</b>					
(Passed through Ohio Department of Education)					
Title I Cluster:					
Title I Grants to Local Educational Agencies	84.010	97,861		96,942	
ARRA Title I Grants to Local Education Agencies, Recovery Act	84.389	31,630		30,002	
Total Title 1 Cluster		129,491		126,944	
Special Education (IDEA) Cluster:					
Special Education Grants to States	84.027	151,019		150,033	
ARRA Special Education Grants to States, Recovery Act	84.391	68,735		71,745	
Total Special Education (IDEA) Cluster		219,754		221,778	
Safe and Drug-Free Schools and Communities State Grants	84.186	749		929	
Education Technology State Grants	84.318	25,636		49,803	
Improving Teacher Quality State Grants	84.367	41,860		39,080	
ARRA State Fiscal Stabilization Fund (SFSF)					
Education State Grants Recovery Act	84.394	321,700		327,104	
Education Jobs Grant	84.410	22,880		18,769	
ARRA State Fiscal Stabilization Fund (SFSF)					
Race-to-the-Top Incentive Grants, Recovery Act	84.395	21,274		21,274	
Total U.S. Department of Education		783,344		805,681	
Total Federal Financial Assistance		\$924,604	\$50,399	\$946,941	\$50,399

See accompanying notes to the Schedule of Federal Awards Receipts and Expenditures.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT  
HARDIN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the Ada Exempted Village School District's (the District's) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

**NOTE B - CHILD NUTRITION CLUSTER**

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

**NOTE C – FOOD DONATION PROGRAM**

The District reports commodities consumed on the Schedule at the market value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.



# Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ada Exempted Village School District, Hardin County, (the District) as of and for the fiscal year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated August 2, 2011, wherein we noted the District uses a comprehensive accounting basis other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

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

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

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

### Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2011-01.

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated August 2, 2011.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

August 2, 2011



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Education:

### Compliance

We have audited the compliance of Ada Exempted Village School District (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 could directly and materially affect each of Ada Exempted Village School District's major federal programs for the fiscal year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

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

### Internal Control Over Compliance

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

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**Internal Control Over Compliance  
(Continued)**

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

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

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



**Dave Yost**  
Auditor of State

August 2, 2011

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT  
HARDIN COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133  
JUNE 30, 2011**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unqualified
<i>(d)(1)(ii)</i>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(ii)</i>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iii)</i>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under § .510(a)?</b>	No
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	Special Education (IDEA) Cluster, CFDA #84.027 & ARRA 84.391  ARRA State Fiscal Stabilization Fund – Education State Grants Recovery Act, CFDA #84.394
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee?</b>	No

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT  
HARDIN COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2011**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
---

**FINDING NUMBER 2011-01**

**Noncompliance Citation**

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

**Ohio Adm. Code Section 117-2-03(B)** requires the District to file annual financial reports which are prepared using generally accepted accounting principles. However, the District prepared its financial statements in accordance with the cash accounting basis. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38 the District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The District should prepare its financial statements according to generally accepted accounting principles to help provide the users with more meaningful financial statements.

**OFFICIALS RESPONSE:**

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

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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None.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT  
HARDIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer Valid</u> ; <b><i>Explain:</i></b>
2010-001	Ohio Rev. Code Sec. 117.28 & Ohio Admin. Code Sec. 117-02-03 (B) - The District did not prepare GAAP basis financial statements.	No	Repeated as Finding 2011-01

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

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

To the Board of Education:

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on November 15, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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

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

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

**Dave Yost**  
Auditor of State

August 2, 2011

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# Dave Yost • Auditor of State

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT**

**HARDIN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
SEPTEMBER 6, 2011**