



Dave Yost • Auditor of State

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Ada Exempted Village School District, Hardin County, Ohio, as of June 30, 2014, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the fiscal year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

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. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Supplemental and Other Information

We audited to opine on the School District's financial statements that collectively comprise its basic financial statements.

Management's Discussion & Analysis includes tables of net position, change in net position, and governmental activities. This information provides additional analysis and is not a required part of the basic financial statements.

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

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

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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
Columbus, Ohio

December 19, 2014

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**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
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, 2014. 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 2014 are as follows:

- General Receipts accounted for \$7,716,672, or 78.84% of all revenues.
- Total program expenses were \$9,338,583.
- In total, the District's net position increased \$448,670 for fiscal year 2014.

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 Position* 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 2014, 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 position 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, 2014
UNAUDITED
(Continued)**

Reporting the District as a Whole

Statement of Net Position 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 2014?" The Statement of Net Position and the Statement of Activities answer this question.

These two statements report the District's *net position* and *changes in those assets*. This change in net position 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 Position 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 (operation of non-instructional services), extracurricular activities, capital outlay and debt disbursements.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major funds begins on page 9. 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 Position and Changes in Fiduciary Net Position on pages 18 and 19, 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, 2014
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 position for fiscal year 2014, as compared to fiscal year 2013:

(Table 1)
Net Position – Cash Basis

	Governmental Activities 2014	Governmental Activities 2013
Assets:		
Cash & Cash Equivalents	\$3,216,248	\$2,767,578
Cash & Cash Equivalents with Escrow Agent	9,000	9,000
Total Assets	<u>3,225,248</u>	<u>2,776,578</u>
Net Position:		
Restricted:		
Capital Projects	631,073	596,978
Debt Service	478,368	457,301
Permanent Fund:		
Nonexpendable	3,433	3,433
Expendable	3,057	3,050
Other Purposes	597,531	607,200
Unrestricted	1,511,786	1,108,616
Total Net Position	<u>\$3,225,248</u>	<u>\$2,776,578</u>

Table 2 shows the changes in net position for fiscal year 2014, as compared to fiscal year 2013.

(Table 2)
Change in Net Position – Cash Basis

	Governmental Activities 2014	Governmental Activities 2013
Receipts:		
Program Receipts		
Charges for Services	\$847,514	\$780,167
Operating Grants, Contributions and Interest	1,222,153	956,583
Capital Grants, Contributions and Interest	914	874
General Receipts:		
Property Taxes	2,557,152	2,523,280
Income Taxes	998,806	804,657
Grants and Entitlements not Restricted to Specific Programs	4,107,025	3,936,191
Proceeds from the Sale of Capital Assets		
Insurance Proceeds	5,814	8,557
Interest	7,273	9,892
Miscellaneous	40,602	33,256
Total Receipts	<u>9,787,253</u>	<u>9,053,457</u>

(Continued)

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)**

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

	Governmental Activities 2014	Governmental Activities 2013
Disbursements:		
Program Disbursements:		
Instruction:		
Regular	4,276,098	4,143,967
Special	821,673	816,880
Vocational Education	94,756	94,829
Other	66,489	50,378
Support Services:		
Pupil	397,568	317,264
Instructional Staff	187,486	360,685
Board of Education	18,024	19,020
Administration	678,035	677,272
Fiscal	289,746	279,886
Operation and Maintenance of Plant	750,102	868,656
Pupil Transportation	381,662	312,859
Central	47,631	
Operation of Non-Instructional Services:		
Food Services	317,501	362,299
Shared Services	14,231	
Extracurricular Activities	301,923	340,944
Capital Outlay	64,778	76,939
Repayment of Debt	630,880	671,019
Total Disbursements	9,338,583	9,392,897
Increase/(Decrease) in Net Position	\$448,670	(\$339,440)

The school foundation program is the largest source of funding for the District, providing approximately \$4.1 million in 2014. Property tax levies generated approximately \$2.5 million, while the income tax levy generated over \$998,800.

Governmental Activities

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

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)**

**(Table 3)
Governmental Activities**

	2014		2013	
	Total Cost Of Service	Net Cost Of Service	Total Cost Of Service	Net Cost Of Service
Instruction:				
Regular	\$4,276,098	\$3,657,262	\$4,143,967	\$3,572,833
Special	821,673	45,335	816,880	203,584
Vocational Education	94,756	68,964	94,829	67,262
Other	66,489	66,489	50,378	46,240
Support Services:				
Pupil	397,568	397,568	317,264	317,264
Instructional Staff	187,486	135,980	360,685	293,949
Board of Education	18,024	18,024	19,020	19,020
Administration	678,035	678,035	677,272	677,272
Fiscal	289,746	271,362	279,886	261,502
Operation and Maintenance of Plant	750,102	736,600	868,656	859,036
Pupil Transportation	381,662	234,732	312,859	304,182
Central	47,631	47,631		
Operation of Non-Instructional Services:				
Food Services	317,501	7,890	362,299	42,774
Shared Services	14,231	323	0	0
Extracurricular Activities	301,923	207,063	340,944	243,271
Capital Outlay	64,778	63,864	76,939	76,065
Repayment of Debt	630,880	630,880	671,019	671,019
Total Disbursements	<u>\$9,338,583</u>	<u>\$7,268,002</u>	<u>\$9,392,897</u>	<u>\$7,655,273</u>

Instruction comprised 56.3% of total governmental program expenses. Interest expense was approximately 3.7% of the total governmental expenses and was attributable to the outstanding bonds. Fiscal and administration charges were 10.4% 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 12.1% 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 \$3,225,248, which is \$448,670 above last year's total of \$2,776,578.

General Fund

The General Fund, the District's largest major fund, had cash receipts of \$8,002,726, excluding other financing receipts, in 2014. The cash disbursements of the general fund, totaled \$7,597,655 in 2014. The General Fund's cash balance increased \$410,885 from 2013 to 2014, which was due to increasing revenues at a rate higher than the increase of expenditures received for the year.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED
(Continued)**

Debt Service

The Debt Service Fund, a District Major fund had cash receipts of \$666,027 and cash disbursements of \$644,960 in 2014. The Debt Service Fund cash balance decreased \$21,067 from 2013 to 2014 primarily due to a decrease in principal payments.

Permanent Improvement Fund

The Permanent Improvement Fund, a District major fund, had cash receipts of \$267,939 in 2014. The Permanent Improvement Fund had cash disbursements of \$233,872 in 2014. The Permanent Improvement Fund cash balance increased \$34,067 from 2013 to 2014 primarily due to receipts out pacing disbursements.

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 2014, 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, before other financing sources, was \$267,891 over the final budget estimates of \$7,734,835. This \$267,891 increase is primarily attributable to variances in intergovernmental revenue, primarily State Foundation receipts. With the new State biennial budget beginning July 1, 2013, the State Foundation was difficult to predict. The projection was shown as a 3% increase, when the actual figures show an 8.5% increase due to the new formula. This difference translated into a \$214,861 budget variance for State Foundation revenue. The income tax was projected to increase by 27% due to the new income tax levy. However, actual income tax receipts increased slightly less at 24% for fiscal year 2014. Budget basis actual disbursements, before transfers, were \$395,998 under the final budget estimates of \$8,024,009. This decrease is mostly attributable to lower than anticipated instruction and instructional staff support service costs. In addition, administration costs and operation and maintenance of plant 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 (see note 14). For fiscal year 2014, this amounted to \$151,076 for capital set aside.

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, 2014, the District's outstanding bond debt totals \$5,132,436. In April 2012, the School District refunded \$5,229,997 of outstanding 2002 School Facilities and Improvement Bonds. Further information on these debt instruments can be found at Note 10 in the notes to the basic financial statements.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED
(Continued)**

Current Operating Issues

The District continues to receive strong support from the residents of the District. As the preceding information shows, the District relies heavily on its local property taxpayers. The last operating levy was passed by the residents of the district in May 2013 (beginning January 1, 2014), as a five year NEW .75% income tax.

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

Thus, school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 26.13% of revenues for governmental activities for the District in fiscal year 2014.

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 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 presented a new .75% income tax levy to the voters in May 2013 (beginning January 1, 2014) in order to offset these increased expenses. The new levy passed and the district received a partial collection in fiscal year 2014.

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.

Contacting the District's Financial Management

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

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**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2014**

	Governmental Activities
Assets:	
Cash and cash equivalents	\$3,216,248
Cash and cash equivalents with Escrow Agent	9,000
Total Assets	\$3,225,248
 Net Position:	
Restricted for:	
Capital Projects	631,073
Debt Service	478,368
Permanent Fund:	
Nonexpendable	3,433
Expendable	3,057
Other Purposes	597,531
Unrestricted	1,511,786
Total Net Position	\$3,225,248

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, 2014**

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position	
	Cash Disbursements	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants, Contributions and Interest	Total
Governmental Activities:					
Instruction:					
Regular	\$4,276,098	\$560,934	\$57,902		(\$3,657,262)
Special	821,673	33,800	742,538		(45,335)
Vocational Education	94,756	3,658	22,134		(68,964)
Other	66,489				(66,489)
Support Services:					
Pupil	397,568				(397,568)
Instructional Staff	187,486		51,506		(135,980)
Board of Education	18,024				(18,024)
Administration	678,035				(678,035)
Fiscal	289,746		18,384		(271,362)
Operation and Maintenance of Plant	750,102	8,860	4,642		(736,600)
Pupil Transportation	381,662		146,930		(234,732)
Central	47,631				(47,631)
Operation of Non-Instructional Services:					
Food Services	317,501	161,231	148,380		(7,890)
Shared Services	14,231	13,908			(323)
Extracurricular Activities	301,923	65,123	29,737		(207,063)
Capital Outlay	64,778			914	(63,864)
Debt Service:					
Principal	287,536				(287,536)
Interest	343,344				(343,344)
Total Governmental Activities	<u>\$9,338,583</u>	<u>\$847,514</u>	<u>\$1,222,153</u>	<u>\$914</u>	<u>(7,268,002)</u>
General Receipts:					
Property Taxes Levied for:					
General Purposes					1,714,903
Permanent Improvement					227,658
Debt Service					581,319
Building Maintenance					33,272
Income Taxes Levied for General Purposes					998,806
Grants and Entitlements not Restricted to Specific Programs					4,107,025
Insurance Proceeds					5,814
Interest					7,273
Miscellaneous					40,602
Total General Receipts					<u>7,716,672</u>
Change in Net Position					448,670
Net Assets - Beginning of Year					<u>2,776,578</u>
Net Assets - End of Year					<u>\$3,225,248</u>

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, 2014**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Permanent Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash and Cash Equivalents	\$1,559,236	\$478,368	\$453,047	\$725,597	\$3,216,248
Cash and Cash Equivalent with Escrow Agent				\$9,000	9,000
Total Assets	<u>1,559,236</u>	<u>478,368</u>	<u>453,047</u>	<u>734,597</u>	<u>\$3,225,248</u>
Fund Balances:					
Nonspendable				3,433	3,433
Restricted		478,368	453,047	731,164	1,662,579
Committed					
Assigned	77,805				77,805
Unassigned	1,481,431				1,481,431
Total Fund Balances	<u>\$1,559,236</u>	<u>\$478,368</u>	<u>\$453,047</u>	<u>734,597</u>	<u>3,225,248</u>

See accompanying notes to the basic financial statements.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Permanent Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts:					
Property Taxes	\$1,714,903	\$581,319	\$227,658	\$33,272	\$2,557,152
Income Taxes	998,806				998,806
Intergovernmental	4,612,739	84,708	38,896	553,222	5,289,565
Interest	7,265		885	873	9,023
Tuition and Fees	607,252				607,252
Extracurricular Activities				57,589	57,589
Gifts and Donations	5,236		500	38,160	43,896
Charges for Services	13,908				13,908
Food Services				161,631	161,631
Miscellaneous	42,617				42,617
Total Receipts	<u>8,002,726</u>	<u>666,027</u>	<u>267,939</u>	<u>844,747</u>	<u>9,781,439</u>
Disbursements					
Current:					
Instruction					
Regular	4,149,264		68,233	58,601	4,276,098
Special	539,355			282,318	821,673
Vocational Education	94,756				94,756
Other	66,489				66,489
Support Services					
Pupil	397,568				397,568
Instructional Staff	147,157			40,329	187,486
Board of Education	18,024				18,024
Administration	678,035				678,035
Fiscal	269,362	14,080	5,503	801	289,746
Operation and Maintenance of Plant	669,605		21,503	58,994	750,102
Pupil Transportation	294,082		87,580		381,662
Central	44,031			3,600	47,631
Operation of Non-Instructional Services:					
Food Services				317,501	317,501
Shared Services	14,231				14,231
Extracurricular Activities	201,971			99,952	301,923
Capital Outlay	13,725		51,053		64,778
Debt Service:					
Principal		287,536			287,536
Interest		343,344			343,344
Issuance costs					
Total Disbursements	<u>7,597,655</u>	<u>644,960</u>	<u>233,872</u>	<u>862,096</u>	<u>9,338,583</u>
Excess of Receipts Over Disbursements	<u>405,071</u>	<u>21,067</u>	<u>34,067</u>	<u>(17,349)</u>	<u>442,856</u>
Other Financing Sources:					
Insurance Proceeds	5,814				5,814
Net Change in Fund Balances	410,885	21,067	34,067	(17,349)	448,670
Fund Balances - Beginning of Year --	<u>1,148,351</u>	<u>457,301</u>	<u>418,980</u>	<u>751,946</u>	<u>2,776,578</u>
Fund Balances - End of Year	<u>\$1,559,236</u>	<u>\$478,368</u>	<u>\$453,047</u>	<u>\$734,597</u>	<u>\$3,225,248</u>

See accompanying notes to the basic financial statements.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Cash Receipts:				
Property Taxes	\$1,706,166	\$1,706,166	\$1,714,903	\$8,737
Income Taxes	1,022,821	1,022,821	998,806	(24,015)
Intergovernmental	4,316,271	4,316,271	4,612,739	296,468
Interest	5,065	5,065	7,265	2,200
Tuition and Fees	615,272	611,272	607,252	(4,020)
Gifts and Donations	100	100	5,236	5,136
Charges for Services	12,740	12,740	13,908	1,168
Miscellaneous	58,400	60,400	42,617	(17,783)
Total Receipts	<u>7,736,835</u>	<u>7,734,835</u>	<u>8,002,726</u>	<u>267,891</u>
Cash Disbursements:				
Current:				
Instruction:				
Regular	4,257,495	4,304,593	4,151,022	153,571
Special	555,371	574,977	539,646	35,331
Vocational Education	97,033	97,033	94,756	2,277
Other	71,197	71,197	66,489	4,708
Support Services:				
Pupil	323,530	405,357	397,921	7,436
Instructional Staff	161,979	152,401	147,891	4,510
Board of Education	19,072	19,072	18,733	339
Administration	709,843	712,443	681,505	30,938
Fiscal	277,693	279,613	275,569	4,044
Operation and Maintenance of Plant	769,218	775,934	679,182	96,752
Pupil Transportation	317,906	324,006	301,339	22,667
Central	49,335	49,335	44,031	5,304
Operation of Non-Instructional Services:				
Shared Services	17,447	17,447	14,231	3,216
Extracurricular Activities	222,801	226,876	201,971	24,905
Facilities Acquisition and Construction	13,200	13,725	13,725	
Total Disbursements	<u>7,863,120</u>	<u>8,024,009</u>	<u>7,628,011</u>	<u>395,998</u>
Excess of Receipts Over Disbursements	(126,285)	(289,174)	374,715	663,889
Other Financing Sources (Uses):				
Insurance Proceeds			5,814	5,814
Transfers-In	12,340	12,340	12,340	
Transfers-Out	(12,340)	(12,340)	(12,340)	
Total Other Financing Sources (Uses)			<u>5,814</u>	<u>5,814</u>
Net Change in Fund Balances	(126,285)	(289,174)	380,529	669,703
Fund Balance - Beginning of Year	1,131,618	1,131,618	1,131,618	
Prior Year Encumbrances Appropriated	16,733	16,733	16,733	
Fund Balance - End of Year	<u>\$1,022,066</u>	<u>\$859,177</u>	<u>\$1,528,880</u>	<u>\$669,703</u>

See accompanying notes to the basic financial statements.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2014**

	Private Purpose Trust	Agency
Assets:		
Equity Pooled in Cash and Cash Equivalents	\$58,357	\$47,423
Total Assets	58,357	47,423
 Net Position:		
Endowments	49,701	
Held in Trust for Scholarships	8,656	
Held for Student Activities		\$47,423
Total Net Position	\$58,357	\$47,423

See accompanying notes to the basic financial statements.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**STATEMENT OF CHANGE IN FIDUCIARY NET POSITION
CASH BASIS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Private Purpose Trust</u>
Additions:	
Investment Income	\$123
Gifts and Contributions	<u>2,461</u>
Total Additions	<u>2,584</u>
Deductions:	
Payments in Accordance with Trust Agreements	<u>4,600</u>
Total Deductions	<u>4,600</u>
Change in Net Assets	(2,016)
Net Position - Beginning of Year	<u>60,373</u>
Net Position - End of Year	<u><u>\$58,357</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, 2014**

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 497th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by 35 non-certified employees, 63 certificated teaching personnel and 4 administrative employees to provide services to 914 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 seven organizations of which two are defined as jointly governed organizations, one a related organization, and four insurance purchasing pools. These organizations include the Northwest Ohio Area Computer Services Cooperative, Apollo Career Center, Ada Public Library, Hardin County School Employees' Health and Welfare Benefit Plan and Trust, the Sheakley/Better Business Bureau of Central Ohio, Inc. Workers' Compensation Group Rating Program, Metropolitan Education Council and the Ohio School Plan. These organizations are presented in Notes 11, 12, and 13 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, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

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

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

B. Basis of Presentation

1. Government-wide Financial Statements

The Statement of Net Position 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 position 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, 2014
(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 through 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, 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, 2014
(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 31st. 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, three 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.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(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 a money market mutual fund and 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, 2014. The District also has deposited funds in the STAR Ohio Plus program, which allows Ohio's political subdivisions to deposit monies in a network of Federal Deposit Insurance Corporation-insured banks via a single account.

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 2014 amounted to \$7,265, which includes \$2,792 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.

Cash and cash equivalents with escrow agent represents money held in a retainage account.

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.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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:

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, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Net Position

Restricted net position (cash-basis) consists of resources 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 position 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 position consists of all other resources 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. 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 position/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.

4. DEPOSITS AND INVESTMENTS

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

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

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

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

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

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

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

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

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

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

A. Deposits

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

At fiscal year end, the carrying amount of the District's deposits was \$2,900,360 and the bank balance was \$2,997,973. Of the bank balance, \$964,701 was covered by federal depository insurance and \$2,033,272 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, 2014, the District has the following investments:

	Investment Maturities (in months)	
	Cost	0 – 6
Fifth Third Money Market Mutual Fund	\$ 243,721	\$243,721
STAR Ohio	61,538	61,538
STAR Ohio – CFAP, Building Project	125,410	125,410
Total Investments	\$430,669	\$430,669

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 money market mutual fund has a rating of Aaa by Moody's. STAR Ohio carries a rating of AAA by Standard and Poor's. The School District has no investment policy dealing with credit risk beyond the requirements of State statute. Ohio law requires that no-load money market mutual funds must be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service and STAR Ohio must maintain the highest rating provided by at least one nationally recognized standard rating service.

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, 2014
(Continued)**

5. 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 property and public utility property located in the District. Real property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Public utility real and personal property taxes received in calendar year 2014 became a lien on December 31, 2012, were levied after April 1, 2013, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

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, 2014 are available to finance fiscal year 2014 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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

	2013 Second- Half Collections		2014 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$89,063,310	96.57%	\$91,312,030	96.49%
Public Utility Personal Property	3,166,450	3.43	3,324,020	3.51
Total Assessed Value	<u>\$92,229,760</u>	<u>100.00%</u>	<u>\$94,636,050</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation		\$47.30		\$47.20

6. INCOME TAX

The District levies a voted tax of 1.50% for general operations on the income of residents and of estates. One-half of the tax, .75%, was effective on January 1, 2008, renewed to be effective January 1, 2013, and will continue for five years. The other one-half of the tax, .75%, was effective on January 1, 2014 and will continue for seven 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, 2014
(Continued)**

7. RISK MANAGEMENT

For fiscal year 2014, the School District participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

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 2014, the District contracted with Hylant Administrative Services, Inc. (Ohio School Plan) for fleet, liability insurance and property and inland marine coverage. Coverages include:

Building and Contents	(\$1,000 deductible)	\$35,852,097
Inland Marine Coverage:	(\$1,000 deductible)	
Electronic Data Processing		- included above
Musical Instruments Coverage		- included above
Boiler and Machinery		35,852,097
Automobile Liability		2,000,000
General Liability		
Per occurrence		2,000,000
Total per year		4,000,000
Umbrella		1,000,000

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

Public officials' bond insurance is provided by the Travelers Casualty and Surety Company of America.

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

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. 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.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

8. 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, under Employers/Audit Resources.

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 2014, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. 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, 2014, 2013, and 2012, were \$118,641, \$119,558, and \$120,683 respectively; which equaled the required contributions for the year. 100% has been contributed for fiscal years 2014, 2013, and 2012.

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.

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 taken 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.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

8. DEFINED BENEFIT PENSION PLANS (Continued)

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, 2014, plan members were required to contribute 11 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 11 percent for members and 14 percent for employers. The statutory maximum employee contribution rate will be increased 1 percent each year beginning July 1, 2013, until it reaches 14 percent on July 1, 2016. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013, and 2012 were \$492,459, \$490,506 and \$481,337, respectively; 83.2% has been contributed for fiscal year 2014 and 100% for fiscal years 2013 and 2012.

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, 2014, four of the five members of the Board of Education have elected social security, while the remaining board member has elected School Employees Retirement System. The Board's liability is 6.2 percent of wages paid for social security.

9. POST-EMPLOYMENT BENEFITS

A. School Employee Retirement System

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

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 2014, .14 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 2013, this amount was \$15,627, for 2014 the amount is \$15,710.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

9. POST-EMPLOYMENT BENEFITS (Continued)

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, 2014, 2013, and 2012 were \$1,268, \$1,460, and \$12,353 respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2014, 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, 2014, 2013, and 2012 were \$6,883, \$6,754, and \$7,222 respectively; which equaled the required contributions for the year.

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 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 2014, 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, 2014, 2013, and 2012 were \$37,881, \$37,731, and \$37,026 respectively; 83.2 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

10. LONG-TERM OBLIGATIONS

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

	<u>Interest Rate</u>	<u>Principal Outstanding 6/30/2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding 6/30/2014</u>
Long-Term Obligations:					
2002 School Facilities and Improvement Bonds:					
Capital Appreciation Bonds	9.40%	\$379,975		\$132,536	\$247,439
2012 General Obligation Refunding Bonds:	Various	4,645,000		155,000	4,490,000
Capital Appreciation Bonds		394,997			394,997
Total Long-Term Debt		<u>\$5,419,972</u>	<u>\$0</u>	<u>\$287,536</u>	<u>\$5,132,436</u>

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

10. LONG-TERM OBLIGATIONS (Continued)

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 original bond issue consisted 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%. During fiscal year 2012, the remaining outstanding serial and term bonds were refinanced (see below). However, the capital appreciation bonds with maturing dates of 2012 through 2015 remain.

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 mature in fiscal years 2013 through 2016. The maturity amount of the bonds is \$1,565,000.

2012 General Obligation Refunding Bonds: During fiscal year 2012, the District issued \$5,229,997 in refunding bonds for the purpose of repaying the classroom facilities improvement bonds issued in 2002. The new bond issue consists of \$4,835,000 in serial bonds and \$394,997 in capital appreciation bonds. The serial bonds have interest rates from 1% to 2.50% and yield rates of .5% to 2.55%, maturing each fiscal year beginning 2012 through 2017 and in 2019 through 2022. The capital appreciation bonds have a stated yield rate of 2.35%. The bonds were issued for a ten year period with final maturity of December 1, 2022. The bonds will be retired from the debt service fund.

The difference between the cash flows required to service the old debt and the cash flows required to service the new debt and complete refunding was \$1,331,441. The economic gain resulting from the refunding was \$1,019,764.

The District's total voted legal debt margin was \$8,517,245 with an unvoted debt margin of \$94,636 at June 30, 2014. 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 outstanding at June 30, 2014 are as follows:

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

10. LONG-TERM OBLIGATIONS (Continued)

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$279,086	\$359,856	\$638,942
2016	283,352	393,228	676,580
2017	600,000	84,380	684,380
2018	625,001	72,130	697,131
2019	394,997	345,883	740,880
2020-2023	2,950,000	141,230	3,091,230
Total	<u>\$5,132,436</u>	<u>\$1,396,707</u>	<u>\$6,529,143</u>

11. 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, Auglaize, Hancock, Hardin, Lucas, Mercer, Paulding, Putnam, Seneca, Van Wert, and Wood counties, 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. The degree of control exercised by an participating educational entity is limited to representation on the board.

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

Apollo Career Center - The Apollo Career Center 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 Career Center, Greg Bukowski, who serves as Treasurer, at 3325 Shawnee Road, Lima, Ohio 45806.

12. 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.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

13. 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 similar benefits to the employees of the participants. Each participant's superintendent is appointed to an Administrative Committee which advises the Trustee, Ohio Bank, concerning aspects of the administration of the Trust.

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

Sheakley/Better Business Bureau of Central Ohio, Inc. Workers' Compensation Group Rating Program - The District participates in the Sheakley/Better Business Bureau of Central Ohio Inc. Workers' Compensation Group Rating Program ("Program"), an insurance purchasing pool. Each year, the participating school districts pay an enrollment fee to the Program to cover the costs of administering the program. The firm of Sheakley Inc. provides administrative, cost control and actuarial services to the Program.

Metropolitan Education Council - The Metropolitan Education Council (MEC) is a purchasing cooperative made up of two hundred ten (210) school districts, libraries, and related agencies in fifty-three counties. The purpose of the MEC is to obtain prices for quality merchandise and services commonly used by the participants. The governing board of the MEC consists of one representative from each participant. All participants must pay all fees, charges, or other assessments as established by the MEC. Financial information for both the purchasing cooperative can be obtained from the Metropolitan Education Council, 2100 Citygate Drive, Columbus, Ohio 43219.

Ohio School Plan - The School District participates in the Ohio School Plan (Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a twelve member board consisting of individual representatives from Plan members. Hylant Administrative Services, LLC is the Plan's administrator and is responsible for processing claims, underwriting, risk management, accounting, system support, sales and marketing for the Plan. Financial information can be obtained from the Hylant Administrative Services, LLC, 811 Madison Avenue, Toledo, Ohio 43624.

14. SET ASIDE DISCLOSURE

As stated in House Bill 412, revised in Senate Bill 345 and House Bill 30, school districts are required to maintain a reserve for capital acquisition and maintenance. A reserve represents resources whose use is limited because of contractual or statutory restrictions.

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

14. SET ASIDE DISCLOSURE (Continued)

The following demonstrates the District's compliance with set-aside requirement in House Bill 30:

	Capital Improvements
Set Aside Reserve Balance as of June 30, 2013	\$0
Current Year Set Aside Requirement	151,076
Current Year Qualifying Expenditures	(20,131)
Current Year Offsets	(130,945)
Prior Year Offset from Bond Proceeds or Expenditures	0
Set Aside Balance at June 30, 2014	\$0

Proceeds from the sale of bonds or bond expenditures can be used to offset future years set aside requirements. The District is responsible for tracking the unused bond proceeds or expenditures.

15. FUND BALANCE

Fund balance is classified as non-spendable, 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:

Fund Balance	General	Debt Service	Permanent Improvement	Other Governmental	Total
Non-spendable				\$ 3,433	\$ 3,433
Restricted for:					
Debt Service		\$478,368			478,368
Capital Improvements			\$453,047	178,026	631,073
Food Service				129,910	129,910
Band Supplies				6,020	6,020
Athletics				48,598	48,598
Library Supplies/Equip.				35,999	35,999
Facilities Maintenance				296,312	296,312
Extracurricular Activities				26,554	26,554
Instructional Improvement				289	289
Special Needs Students				3,833	3,833
Disadvantaged Students				5,623	5,623
Total Restricted		478,368	453,047	734,597	1,666,012
Assigned for:					
Instructional Materials	18,541				18,541
Extracurricular Activities	28,908				28,908
Unpaid Obligations	30,356				30,356
Total Assigned	77,805				77,805
Unassigned	1,481,431				1,481,431
Total Fund Balance	\$1,559,236	\$478,368	\$453,047	\$734,597	\$3,225,248

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

16. SIGNIFICANT CONTRACTS

The District has the following significant contracts outstanding as of June 30, 2014:

<u>Contractor</u>	<u>Services</u>	<u>Contract Remaining</u>
Smith Boughan Inc.	HVAC upgrades for K-12 building	\$53,991
Smith Boughan Inc.	Preventative Maintenance, Mechanical Agreement, effective June 1, 2014	\$56,563

17. BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – (Budget Basis) presented for the General Fund is prepared on the budget basis to provide a meaningful comparison of actual results with the budget. The difference between the budget basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budget basis) rather than as part of the assigned fund balance (cash basis). The adjustments necessary to reconcile the cash and budget basis statements for the General Fund are as follows:

<u>Difference in Fund Balance</u>	<u>General Fund</u>
Cash Basis	\$1,559,236
Increase (Decrease) Due To:	
Encumbrances Outstanding at Fiscal Year End	(30,356)
Budget Basis	<u><u>\$1,528,880</u></u>

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**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

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

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
United States Department of Agriculture					
(Passed through Ohio Department of Education)					
Child Nutrition Cluster:					
Non-Cash Assistance (Food Distribution)					
School Breakfast Program	10.553		\$1,133		\$1,133
National School Lunch Program	10.555		21,532		21,532
Cash Assistance:					
School Breakfast Program	10.553	\$11,923		\$11,923	
National School Lunch Program	10.555	131,122		131,122	
Total Nutrition Cluster		<u>143,045</u>	<u>22,665</u>	<u>143,045</u>	<u>22,665</u>
State Administrative Expenses for Child Nutrition	10.560	1,352		1,352	
Total United States Department of Agriculture		<u>144,397</u>	<u>22,665</u>	<u>144,397</u>	<u>22,665</u>
United States Department of Education					
(Passed through Ohio Department of Education)					
Title I Grants to Local Educational Agencies	84.010	136,756		133,966	
Special Education Grants to States	84.027	145,530		148,352	
Improving Teacher Quality State Grants	84.367	35,036		35,677	
ARRA - Race-to-the-Top Incentive Grants, Recovery Act	84.395	61,898		63,187	
Total United States Department of Education		<u>379,220</u>		<u>381,182</u>	
Total Federal Financial Assistance		<u>\$523,617</u>	<u>\$22,665</u>	<u>\$525,579</u>	<u>\$22,665</u>

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
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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 entitlement 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 AUDITOR'S 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ada Exempted Village School District, Hardin County, (the District) as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 19, 2014, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed 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 2014-001.

Purpose of this Report

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

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

Dave Yost
Auditor of State
Columbus, Ohio

December 19, 2014



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE 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:

Report on Compliance for the Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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



Dave Yost
Auditor of State
Columbus, Ohio

December 19, 2014

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2014**

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

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

FINDING NUMBER 2014-001

Noncompliance Citation

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

Ohio Admin. Code § 117-2-03 (B) requires all school districts to file annual financial reports in accordance with generally accepted accounting principles (GAAP). 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 § 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 the financial statements according to generally accepted accounting principles to provide the users with more complete and meaningful financial statements.

OFFICIALS' RESPONSE:

We did not receive a response from Officials to this finding

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

ADA EXEMPTED VILLAGE SCHOOL DISTRICT
HARDIN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2014

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03 (B) – Failure to file GAAP financial statements	No	Repeated as Finding 2014-001

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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
JANUARY 22, 2015**