



**ADENA LOCAL SCHOOL DISTRICT
ROSS COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
General Purpose Financial Statements:	
Combined Balance Sheet - All Fund Types and Account Groups	4
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Fund	6
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types and Expendable Trust Fund	8
Statement of Revenues, Expenses and Changes in Retained Earnings - Internal Service Fund	10
Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis) - Internal Service Fund	11
Statement of Cash Flows - Internal Service Fund	12
Notes to the General Purpose Financial Statements	13
Schedule of Federal Awards Receipts and Expenditures	39
Notes to the Schedule of Federal Awards Receipts and Expenditures	40
Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	41
Report on Compliance With Requirements Applicable to Each Major Federal Program And Internal Control Over Compliance in Accordance With OMB Circular A-133	43
Schedule of Findings	45

This Page Intentionally Left Blank



**STATE OF OHIO
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

35 North Fourth Street
Columbus, Ohio 43215
Telephone 614-466-3402
800-443-9275
Facsimile 614-728-7199
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

Board of Education
Adena Local School District
Ross County
119 West High Street
Adena, Ohio 45628

We have audited the accompanying general-purpose financial statements of the Adena Local School District, Ross County, Ohio (the District) as of and for the year ended June 30, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Adena Local School District, Ross County, Ohio as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

As described in Note 12 to the general-purpose financial statements, the District has changed its accounting for the deferred compensation plan.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 29, 2000 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the District, taken as a whole. The accompanying schedule of federal awards receipts and expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

JIM PETRO
Auditor of State

February 29, 2000

This Page Intentionally Left Blank

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1999**

	<u>GOVERNMENTAL FUND TYPES</u>				<u>PROPRIETARY</u>	<u>FIDUCIARY</u>	<u>ACCOUNT GROUPS</u>		<u>Totals</u> <u>(Memorandum</u> <u>Only)</u>
	<u>General</u>	<u>Special</u> <u>Revenue</u>	<u>Debt</u> <u>Service</u>	<u>Capital</u> <u>Projects</u>	<u>Internal</u> <u>Service</u>	<u>Trust and</u> <u>Agency</u>	<u>General</u> <u>Fixed</u> <u>Assets</u>	<u>General</u> <u>Long-Term</u> <u>Obligations</u>	
<u>Assets and Other Debits:</u>									
<u>Assets:</u>									
Equity in Pooled Cash and Cash Equivalents	\$1,773,890	\$99,844	\$122,143	\$3,441,405	\$14,131	\$23,442	\$0	\$0	\$5,474,855
Receivables:									
Taxes	1,261,147	0	208,368	27,417	0	0	0	0	1,496,932
Accounts	151	148	0	0	0	0	0	0	299
Intergovernmental	0	7,549	0	0	0	0	0	0	7,549
Accrued Interest	284	0	0	0	0	0	0	0	284
Due From Other Funds	8,451	0	0	0	0	0	0	0	8,451
Prepaid Items	18,483	147	0	0	0	0	0	0	18,630
Materials and Supplies Inventory	14,680	7,177	0	0	0	0	0	0	21,857
Restricted Assets:									
Cash and Cash Equivalents	154,772	0	0	0	0	0	0	0	154,772
Fixed Assets (Net of Accumulated Depreciation)	0	0	0	0	0	0	1,680,193	0	1,680,193
<u>Other Debits:</u>									
Amount to be Provided from General Government Resources	0	0	0	0	0	0	0	591,785	591,785
Total Assets and Other Debits	\$3,231,858	\$114,865	\$330,511	\$3,468,822	\$14,131	\$23,442	\$1,680,193	\$591,785	\$9,455,607

(continued)

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1999
(Continued)

	GOVERNMENTAL FUND TYPES				PROPRIETARY	FIDUCIARY	ACCOUNT GROUPS		Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	FUND TYPE Internal Service	FUND TYPES Trust and Agency	General Fixed Assets	General Long-Term Obligations	
<i>Liabilities,</i>									
<i>Fund Equity and Other Credits:</i>									
<i>Liabilities:</i>									
Accounts Payable	\$13,073	\$1,320	\$0	\$3,647	\$800	\$0	\$0	\$0	\$18,840
Accrued Wages and Benefits	406,301	46,108	0	0	0	0	0	0	452,409
Compensated Absences Payable	22,889	0	0	0	0	0	0	479,731	502,620
Due to Other Funds	0	8,451	0	0	0	0	0	0	8,451
Intergovernmental Payable	123,635	8,540	0	0	0	0	0	52,885	185,060
Deferred Revenue	1,158,279	0	190,243	25,032	0	0	0	0	1,373,554
Undistributed Monies	0	0	0	0	0	22,682	0	0	22,682
Accrued Interest Payable	0	0	0	36,162	0	0	0	0	36,162
Notes Payable	0	0	0	2,878,000	0	0	0	0	2,878,000
Claims Payable	0	0	0	0	65,338	0	0	0	65,338
Claims Payments -									
Due to Other Governments	0	0	0	0	162,419	0	0	0	162,419
Capital Leases Payable	0	0	0	0	0	0	0	59,169	59,169
Total Liabilities	1,724,177	64,419	190,243	2,942,841	228,557	22,682	0	591,785	5,764,704
<i>Fund Equity and Other Credits:</i>									
Investment in General Fixed Assets	0	0	0	0	0	0	1,680,193	0	1,680,193
Retained Earnings:									
Unreserved (Deficit)	0	0	0	0	(214,426)	0	0	0	(214,426)
Fund Balance:									
Reserved for Encumbrances	228,244	6,365	0	42,696	0	0	0	0	277,305
Reserved for Inventory	14,680	7,177	0	0	0	0	0	0	21,857
Reserved for Property Taxes	102,868	0	18,125	2,385	0	0	0	0	123,378
Reserved for Capital Improvements	44,700	0	0	0	0	0	0	0	44,700
Reserved for School Bus Purchases	33,594	0	0	0	0	0	0	0	33,594
Reserved for Budget Stabilization	76,478	0	0	0	0	0	0	0	76,478
Unreserved:									
Undesignated	1,007,117	36,904	122,143	480,900	0	760	0	0	1,647,824
Total Fund Equity (Deficit) and Other Credits	1,507,681	50,446	140,268	525,981	(214,426)	760	1,680,193	0	3,690,903
Total Liabilities, Fund Equity and Other Credits	\$3,231,858	\$114,865	\$330,511	\$3,468,822	\$14,131	\$23,442	\$1,680,193	\$591,785	\$9,455,607

See accompanying notes to the general purpose financial statements

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
<u>Revenues:</u>						
Property Taxes	\$1,382,332	\$14,638	\$129,374	\$2,385	\$0	\$1,528,729
Intergovernmental	4,073,771	420,774	13,348	1,051,055	0	5,558,948
Interest	139,224	47	0	51,517	0	190,788
Tuition and Fees	22,864	0	0	0	0	22,864
Rent	220	0	0	0	0	220
Extracurricular Activities	56,062	72,703	0	0	0	128,765
Gifts and Donations	900	10,028	0	0	760	11,688
Customer Services	1,725	147,297	0	0	0	149,022
Miscellaneous	14,179	0	0	0	0	14,179
Total Revenues	5,691,277	665,487	142,722	1,104,957	760	7,605,203
<u>Expenditures:</u>						
Current:						
Instruction:						
Regular	2,570,650	37,453	0	18,877	0	2,626,980
Special	342,656	230,942	0	0	0	573,598
Vocational	1,592	0	0	0	0	1,592
Other	175,475	0	0	0	0	175,475
Support Services:						
Pupils	174,536	550	0	0	2,749	177,835
Instructional Staff	245,345	109,616	0	5,211	0	360,172
Board of Education	93,985	0	0	0	0	93,985
Administration	625,834	12,348	0	0	0	638,182
Fiscal	152,502	323	2,454	0	0	155,279
Operation and Maintenance of Plant	478,571	0	0	128,275	0	606,846
Pupil Transportation	437,800	0	0	0	0	437,800
Central	4,513	640	0	66,391	0	71,544
Operation of Non-Instructional Services	0	225,822	0	0	0	225,822
Extracurricular Activities	83,617	79,648	0	0	0	163,265
Capital Outlay	635,502	0	0	459,521	0	1,095,023
Debt Service:						
Principal Retirement	831	0	0	0	0	831
Interest and Fiscal Charges	366	0	0	36,162	0	36,528
Total Expenditures	6,023,775	697,342	2,454	714,437	2,749	7,440,757
Excess of Revenues Over (Under) Expenditures	(332,498)	(31,855)	140,268	390,520	(1,989)	164,446
<u>Other Financing Sources (Uses):</u>						
Inception on Capital Lease	60,000	0	0	0	0	60,000
Proceeds from Sale of Fixed Assets	4,200	0	0	0	0	4,200
Operating Transfers In	0	6,329	0	0	0	6,329
Operating Transfers Out	(6,329)	0	0	0	0	(6,329)
Total Other Financing Sources (Uses)	57,871	6,329	0	0	0	64,200
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(274,627)	(25,526)	140,268	390,520	(1,989)	228,646
Fund Balances at Beginning of Year - Restated (See Note 21)	1,784,826	75,797	0	135,461	2,749	1,998,833
Increase (Decrease) in Reserve for Inventory	(2,518)	175	0	0	0	(2,343)
Fund Balances at End of Year	\$1,507,681	\$50,446	\$140,268	\$525,981	\$760	\$2,225,136

See accompanying notes to the general purpose financial statements

This Page Intentionally Left Blank

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 1999**

	GENERAL FUND			SPECIAL REVENUE FUNDS			DEBT SERVICE FUND		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:									
Property Taxes	\$1,364,077	\$1,364,077	\$0	\$14,638	\$14,638	\$0	\$111,249	\$111,249	\$0
Intergovernmental	4,084,113	4,084,113	0	421,406	421,406	0	13,348	13,348	0
Interest	139,138	139,138	0	47	47	0	0	0	0
Tuition and Fees	22,745	22,745	0	0	0	0	0	0	0
Rent	220	220	0	0	0	0	0	0	0
Extracurricular Activities	56,062	56,062	0	72,952	72,952	0	0	0	0
Gifts and Donations	900	900	0	10,028	10,028	0	0	0	0
Customer Services	1,725	1,725	0	147,149	147,149	0	0	0	0
Miscellaneous	5,485	5,485	0	0	0	0	0	0	0
Total Revenues	5,674,465	5,674,465	0	666,220	666,220	0	124,597	124,597	0
Expenditures:									
Current:									
Instruction:									
Regular	2,914,094	2,702,256	211,838	74,335	42,230	32,105	0	0	0
Special	389,842	339,294	50,548	230,314	226,784	3,530	0	0	0
Vocational	1,725	1,592	133	0	0	0	0	0	0
Other	254,220	245,005	9,215	0	0	0	0	0	0
Support Services:									
Pupils	199,052	179,829	19,223	0	0	0	0	0	0
Instructional Staff	281,875	244,803	37,072	102,719	102,667	52	0	0	0
Board of Education	151,160	104,793	46,367	0	0	0	0	0	0
Administration	647,101	621,155	25,946	17,292	12,349	4,943	0	0	0
Fiscal	189,460	150,215	39,245	323	323	0	2,454	2,454	0
Operation and Maintenance of Plant	727,119	523,557	203,562	0	0	0	0	0	0
Pupil Transportation	633,393	532,614	100,779	0	0	0	0	0	0
Central	8,343	4,513	3,830	640	640	0	0	0	0
Operation of Non-Instructional Services									
Services	1,000	0	1,000	226,582	226,582	0	0	0	0
Extracurricular Activities	142,906	98,147	44,759	88,273	87,564	709	0	0	0
Capital Outlay	982,580	578,777	403,803	0	0	0	0	0	0
Total Expenditures	7,523,870	6,326,550	1,197,320	740,478	699,139	41,339	2,454	2,454	0
Excess of Revenues Over (Under) Expenditures	(1,849,405)	(652,085)	(1,197,320)	(74,258)	(32,919)	41,339	122,143	122,143	0
Other Financing Sources (Uses):									
Proceeds of Notes	0	0	0	0	0	0	0	0	0
Proceeds from Sale of Fixed Assets	4,200	4,200	0	0	0	0	0	0	0
Refund of Prior Year Receipts	0	0	0	(4,467)	(4,467)	0	0	0	0
Refund of Prior Year Expenditures	8,760	8,760	0	91	91	0	0	0	0
Operating Transfers In	0	0	0	6,329	6,329	0	0	0	0
Operating Transfers Out	(6,329)	(6,329)	0	0	0	0	0	0	0
Advances In	7,300	7,300	0	8,451	8,451	0	0	0	0
Advances Out	(10,751)	(10,751)	0	(5,000)	(5,000)	0	0	0	0
Other Financing Sources	134	134	0	0	0	0	0	0	0
Total Other Financing Sources (Uses)	3,314	3,314	0	5,404	5,404	0	0	0	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,846,091)	(648,771)	(1,197,320)	(68,854)	(27,515)	41,339	122,143	122,143	0
Fund Balances at Beginning of Year	2,085,934	2,085,934	0	110,012	110,012	0	0	0	0
Prior Year Encumbrances Appropriated	242,504	242,504	0	9,651	9,651	0	0	0	0
Fund Balances at End of Year	\$482,347	\$1,679,667	\$1,197,320	\$50,809	\$92,148	\$41,339	\$122,143	\$122,143	\$0

See accompanying notes to the general purpose financial statements

CAPITAL PROJECTS FUND			EXPENDABLE TRUST FUNDS			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$0	\$0	\$0	\$1,489,964	\$1,489,964	0
1,051,055	1,051,055	0	0	0	0	5,569,922	5,569,922	0
51,517	51,517	0	0	0	0	190,702	190,702	0
0	0	0	0	0	0	22,745	22,745	0
0	0	0	0	0	0	220	220	0
0	0	0	0	0	0	129,014	129,014	0
0	0	0	1,760	1,760	0	12,688	12,688	0
0	0	0	0	0	0	148,874	148,874	0
0	0	0	0	0	0	5,485	5,485	0
<u>1,102,572</u>	<u>1,102,572</u>	<u>0</u>	<u>1,760</u>	<u>1,760</u>	<u>0</u>	<u>7,569,614</u>	<u>7,569,614</u>	<u>0</u>
21,448	20,545	903	0	0	0	3,009,877	2,765,031	244,846
0	0	0	0	0	0	620,156	566,078	54,078
0	0	0	0	0	0	1,725	1,592	133
0	0	0	0	0	0	254,220	245,005	9,215
0	0	0	2,750	2,749	1	201,802	182,578	19,224
5,211	5,211	0	0	0	0	389,805	352,681	37,124
0	0	0	0	0	0	151,160	104,793	46,367
0	0	0	0	0	0	664,393	633,504	30,889
0	0	0	0	0	0	192,237	152,992	39,245
156,923	156,923	0	0	0	0	884,042	680,480	203,562
0	0	0	0	0	0	633,393	532,614	100,779
107,242	66,392	40,850	0	0	0	116,225	71,545	44,680
0	0	0	0	0	0	227,582	226,582	1,000
0	0	0	0	0	0	231,179	185,711	45,468
<u>471,900</u>	<u>471,900</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,454,480</u>	<u>1,050,677</u>	<u>403,803</u>
<u>762,724</u>	<u>720,971</u>	<u>41,753</u>	<u>2,750</u>	<u>2,749</u>	<u>1</u>	<u>9,032,276</u>	<u>7,751,863</u>	<u>1,280,413</u>
<u>339,848</u>	<u>381,601</u>	<u>41,753</u>	<u>(990)</u>	<u>(989)</u>	<u>1</u>	<u>(1,462,662)</u>	<u>(182,249)</u>	<u>1,280,413</u>
2,878,000	2,878,000	0	0	0	0	2,878,000	2,878,000	0
0	0	0	0	0	0	4,200	4,200	0
0	0	0	0	0	0	(4,467)	(4,467)	0
0	0	0	0	0	0	8,851	8,851	0
0	0	0	0	0	0	6,329	6,329	0
0	0	0	0	0	0	(6,329)	(6,329)	0
0	0	0	0	0	0	15,751	15,751	0
0	0	0	0	0	0	(15,751)	(15,751)	0
0	0	0	0	0	0	134	134	0
<u>2,878,000</u>	<u>2,878,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,886,718</u>	<u>2,886,718</u>	<u>0</u>
3,217,848	3,259,601	41,753	(990)	(989)	1	1,424,056	2,704,469	1,280,413
134,299	134,299	0	1,749	1,749	0	2,331,994	2,331,994	0
1,162	1,162	0	0	0	0	253,317	253,317	0
<u>\$3,353,309</u>	<u>\$3,395,062</u>	<u>\$41,753</u>	<u>\$759</u>	<u>\$760</u>	<u>\$1</u>	<u>\$4,009,367</u>	<u>\$5,289,780</u>	<u>\$1,280,413</u>

**STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
INTERNAL SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

<u>Operating Revenues:</u>	
Charges for Services	<u>\$390,410</u>
<u>Operating Expenses:</u>	
Purchased Services	3,940
Claims	<u>413,698</u>
<i>Total Operating Expenses</i>	<u>417,638</u>
Operating Loss	(27,228)
<u>Non-Operating Revenues:</u>	
Interest	<u>942</u>
Net Loss	(26,286)
Retained Earnings (Deficit) at Beginning of Year	<u>(188,140)</u>
Retained Earnings (Deficit) at End of Year	<u><u>(\$214,426)</u></u>

See accompanying notes to the general purpose financial statements

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND EQUITY - BUDGET AND ACTUAL (BUDGET BASIS)
INTERNAL SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	<i>SELF-INSURANCE FUND</i>		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Charges for Services	\$40,023	\$40,023	\$0
<u>Expenses:</u>			
Purchased Services	49,032	49,032	0
Excess of Revenues Under Expenses	(9,009)	(9,009)	0
Fund Equity at Beginning of Year	16,876	16,876	0
Prior Year Encumbrances Appropriated	3,933	3,933	0
Fund Equity at End of Year	\$11,800	\$11,800	\$0

See accompanying notes to the general purpose financial statements

**STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

Increase (Decrease) in Cash and Cash Equivalents:

<u>Cash Flows from Operating Activities:</u>	<u>Self-Insurance</u>
Cash Received from Quasi-External Transactions with Other Funds	\$390,410
Cash Payments to Suppliers for Goods and Services	(3,140)
Cash Payments for Claims	<u>(375,093)</u>
Net Cash Provided By Operating Activities	<u>12,177</u>
<u>Cash Flows from Noncapital Financing Activities:</u>	
Repayment of Short-term Borrowing From Another Government	(182,217)
Short-term Borrowing From Another Government	<u>162,419</u>
Net Cash Used For Noncapital Financing Activities	<u>(19,798)</u>
<u>Cash Flows from Investing Activities:</u>	
Interest	<u>942</u>
Net Decrease in Cash and Cash Equivalents	(6,679)
Cash and Cash Equivalents at Beginning of Year	<u>20,810</u>
Cash and Cash Equivalents at End of Year	<u><u>\$14,131</u></u>

Reconciliation of Operating Loss to Net

<u>Cash Provided By Operating Activities:</u>	
Operating Loss	(28,372)

Adjustments to Reconcile Operating Loss to

<u>Net Cash Provided By Operating Activities:</u>	
Changes in Assets and Liabilities:	
Increase in Claims Payments - Due to Other Governments	1,144
Increase in Accounts Payable	800
Increase in Claims Payable	<u>38,605</u>
Net Cash Provided By Operating Activities	<u><u>\$12,177</u></u>

See accompanying notes to the general purpose financial statements

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1965 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 123 square miles. It is located in Ross County, and includes all of the Villages of Clarksburg and Frankfort, and portions of Concord, Deerfield and Union Townships. The School District is the 428th largest in the State of Ohio (among 611 school districts) in terms of enrollment. It is staffed by 47 non-certificated employees, 75 certificated full-time teaching personnel and 5 administrative employees who provide services to 1,239 students and other community members. The School District currently operates 5 instructional buildings.

Reporting Entity:

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

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

The following entities which perform activities within the District's boundaries for the benefit of its residents are excluded from the accompanying financial statements because the District is not financially accountable for these entities nor are they fiscally dependent on the District.

- Parent Teacher Organization
- Ross County Educational Service Center
- Villages of Frankfort and Clarksburg

The School District is associated with three jointly governed organizations: South Central Ohio Computer Association, Pickaway-Ross County Joint Vocational School, and Great Seal Education Network of Tomorrow. The School District is also associated with a claims servicing pool and an insurance purchasing pool: the Ross County School Employees Insurance Consortium and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Note 18 to the general purpose financial statements.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Adena Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

A. Basis Of Presentation - Fund Accounting

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

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

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

Governmental Fund Types:

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

General Fund

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

Special Revenue Funds

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis Of Presentation - Fund Accounting (Continued)

Debt Service Fund

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

Capital Projects Funds

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

Proprietary Fund Type:

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

Internal Service Fund

The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis.

Fiduciary Fund Types:

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

Account Groups:

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

General Fixed Assets Account Group

This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary or trust funds.

General Long-Term Obligations Account Group

This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary or trust funds.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting

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

The proprietary fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund is included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

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

The modified accrual basis of accounting is followed for the governmental, expendable trust, and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: taxes available as an advance, interest, tuition, grants, and student fees.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2000 operations, have been recorded as deferred revenue.

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

The accrual basis of accounting is utilized for reporting purposes by the internal service fund. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process

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

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

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Ross County Budget Commission for rate determination.

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 School 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 School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 1999. At year-end, the School District requested and received an amended certificate of estimated resources that reflected actual revenue for the fiscal year.

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 is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School 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.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process (Continued)

Appropriations: (Continued)

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, one supplemental appropriation was legally enacted; however, it was not significant.

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

Encumbrances:

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

Lapsing of Appropriations:

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

D. Cash and Cash Equivalents

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

The School District participates in a claims servicing pool that pays employee health insurance claims on the School District's behalf.

During fiscal year 1999, the District's investments were limited to STAR Ohio and money market mutual funds. Investments are reported at fair value which is based on quoted market prices.

The District has invested funds in the State Treasury Assets Reserve of Ohio (STAR Ohio) during fiscal year 1999. 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 the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 1999.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Cash and Cash Equivalents (Continued)

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest credited to the general fund during fiscal year 1999 amounted to \$139,244, which includes \$20,185 assigned from other School District funds. The special revenue, capital projects funds, and internal service fund received \$47, and \$51,517, and \$942 respectively.

For purposes of the statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents.

E. Inventory

Inventories of governmental funds are stated at cost. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption, donated food and purchased food held for resale. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 1999, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

G. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not have any infrastructure or proprietary fixed assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized.

Assets in the general fixed assets account group are depreciated and computed using the straight-line method over the estimated useful life of the assets as follows:

Buildings	50 years
Improvements other than buildings	30 years
Furniture, fixtures and equipment	20 years
Vehicles	8 years

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Intergovernmental Revenues

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

The School District currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund

State Foundation Program
State Property Tax Relief
School Bus Purchase Reimbursement

Non-Reimbursable Grants

Special Revenue Funds

Professional Development in Technology
Venture Capital
Education Management Information Systems
Disadvantaged Pupil Impact Aid
Emergency Building Repair
Title I
Title VI
Title VI-B
Professional Development Block Grant
Drug Free
Telecommunications Grant

Capital Projects Funds

School Net Plus
School Net Professional
Technology Equity

Reimbursable Grants

General Fund

Driver Education

Special Revenue Funds

National School Lunch Program
Government Donated Commodities

Grants and entitlements amounted to approximately seventy-three percent of the School District's governmental operating revenue during the 1999 fiscal year.

I. Interfund Assets/Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Compensated Absences

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

For governmental funds, the School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The School District records a liability for accumulated unused sick leave for classified and certified employees and administrators after fifteen years of service. The current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

K. Accrued Liabilities and Long-Term Obligations

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

Obligations financed by the proprietary fund are reported as liabilities within that fund. At year-end, the self-insurance internal service fund has a deficit cash balance held with the fiscal agent of the claims servicing pool (Note 9). The School District is temporarily using surplus funds of other members of the pool. The balance held with the fiscal agent is reviewed every three years, at which time one-half of any deficit balance is paid. The negative balance of \$162,419 held with the fiscal agent at June 30, 1999 is shown as Claims Payments - Due to Other Governments on the combined balance sheet.

L. Interfund Transactions

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses, and amounts required by statute to be set-aside by the School District for the acquisition or construction of capital assets and to create a reserve for budget stabilization. See Note 17 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

N. Fund Balance Reserves

The School District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, inventories of supplies and materials, property taxes, capital improvements, school bus purchases, and budget stabilization.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

O. Estimates

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

P. Total Columns on General Purpose Financial Statements

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

3. ACCOUNTABILITY

At June 30, 1999, the Lunchroom, Disadvantaged Pupil Impact Aid, Title VI-B, and Title I Special Revenue Funds have deficit fund balances of \$11,077, \$101, \$4,921, and \$21,444, respectively, which were created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

4. BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).
4. Advances In and Advances Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
5. Proceeds from and principal payments on bond and revenue anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

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

Excess of Revenues and Other Financing Sources
Over(Under) Expenditures and Other Financing Uses
All Governmental Fund Types and Expendable Trust Funds

	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
GAAP Basis	(\$274,627)	(\$25,526)	\$140,268	\$390,520	(\$1,989)
Revenue Accruals	(67,918)	824	(18,125)	(2,385)	1,000
Expenditure Accruals	(53,780)	1,432	0	39,809	0
Proceeds of Notes	0	0	0	2,878,000	0
Advances	(3,451)	3,451	0	0	0
Encumbrances	(248,995)	(7,696)	0	(46,343)	0
Budget Basis	<u>(\$648,771)</u>	<u>(\$27,515)</u>	<u>\$122,143</u>	<u>\$3,259,601</u>	<u>(\$989)</u>

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

4. BUDGETARY BASIS OF ACCOUNTING (Continued)

Net Loss/Excess of Revenues Under Expenses Internal Service Fund	
GAAP Basis	(\$26,286)
Expense Accruals	19,608
Encumbrances	<u>(2,331)</u>
Budget Basis	<u><u>(\$9,009)</u></u>

5. DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

1. United States treasury notes, bills, bonds, or any 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 any other obligations or securities issued by the federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

5. DEPOSITS AND INVESTMENTS (Continued)

4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including, Repurchase Agreements) and Reverse Repurchase Agreements".

Deposits: At fiscal year end, the carrying amount of the School District's deposits was \$252,503, and the bank balance was \$326,145. Of the bank balance, \$216,331 was covered by federal depository insurance and \$109,785 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

Investments: The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The School District's investments in STAR Ohio, an investment pool operated by the Ohio State Treasurer, are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

5. DEPOSITS AND INVESTMENTS (Continued)

	Fair Value
STAR Ohio	5,377,124
Totals	\$5,377,124

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that use Proprietary Fund Accounting." A reconciliation between the classifications of cash and investments on the combined financial statements and the classification of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$5,629,627	\$0
Investments:		
STAR Ohio	(5,377,124)	5,377,124
GASB Statement No. 3	\$252,503	\$5,377,124

6. PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 1999 for real and public utility property taxes represents collections of calendar 1998 taxes. Property tax payments received during calendar 1999 for tangible personal property (other than public utility property) is for calendar 1999 taxes.

1999 real property taxes are levied after April 1, 1999, on the assessed value as of January 1, 1999, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 1999 public utility property taxes became a lien December 31, 1998, are levied after April 1, 1999 and are collected in 2000 with real property taxes.

1999 tangible personal property taxes are levied after April 1, 1998, on the value as of December 31, 1998. Collections are made in 1999. Tangible personal property assessments are twenty-five percent of true value.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

6. PROPERTY TAXES (Continued)

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 later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1999, was \$102,868, \$18,125 and \$2,385 in the General Fund, Debt Service fund, and Capital Projects funds, respectively.

The assessed values upon which fiscal year 1999 taxes were collected are:

	1998 Second- Half Collections		1999 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$45,789,730	81.46%	\$54,351,020	84.28%
Public Utility	4,404,220	7.83%	4,875,640	7.56%
Tangible Personal Property	6,020,190	10.71%	5,260,230	8.16%
Total Assessed Value	<u>\$56,214,140</u>	<u>100.00%</u>	<u>\$64,486,890</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$33.80		\$33.80	

7. RECEIVABLES

Receivables at June 30, 1999, consisted of property taxes, accounts (tuition and student fees), accrued interest, interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

	Amounts
Lunchroom Special Revenue Fund	
Federal and State commodities	<u>\$7,549</u>

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

8. FIXED ASSETS

A summary of the changes in general fixed assets during fiscal year 1999 follows:

Asset Category	Balance at 6/30/98	Additions	Deletions	Balance at 6/30/99
Land and Improvements	\$328,838	\$500,000	\$975	\$827,863
Buildings and Improvements	1,043,717	45,772	0	1,089,489
Furniture, Fixtures and Equipment	1,206,142	191,029	23,699	1,373,472
Vehicles	940,652	56,112	97,235	899,529
Totals	<u><u>3,519,349</u></u>	<u><u>\$792,913</u></u>	<u><u>\$121,909</u></u>	4,190,353
Less Accumulated Depreciation				(2,510,160)
Net General Fixed Assets				<u><u>\$1,680,193</u></u>

9. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 1999, the School District contracted with Nationwide Insurance for fleet insurance, liability insurance, and inland marine coverage, and with Indiana Insurance Company for property insurance. Coverages provided by the insurance companies are as follows:

Building and Contents-replacement cost (\$250 deductible)	\$10,223,023
Inland Marine Coverage	
Athletics (\$50 deductible)	15,000
Video Equipment (\$100 deductible)	4,520
Band Equipment (\$100 deductible)	118,466
EDP Equipment (\$250 deductible)	350,709
Boiler and Machinery (\$1,000 deductible)	6,838,462
Crime Insurance	
Frankfort Schools	5,000
Clarksburg Schools	5,000
Automobile Liability-Comprehensive	2,000,000
Uninsured Motorists (\$500 deductible)	
Each Person	100,000
Each Accident	300,000
General Liability	
Per occurrence	1,000,000
Total per year	5,000,000

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

9. RISK MANAGEMENT (Continued)

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

For fiscal year 1999, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 19). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

Medical/surgical, dental and life insurance is offered to employees through a self-insurance internal service fund. The School District is a member the Ross County School Employees Insurance Consortium, a claims servicing pool, consisting of fourteen school districts within Ross County and its surrounding area, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. The claims liability of \$65,338 reported in the internal service fund at June 30, 1999 is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claims adjustments expenses and does not include other allocated or unallocated claims adjustment expenses. Changes in claims activity for the past two fiscal years are as follows:

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
1998	\$86,401	\$322,379	\$382,047	\$26,733
1999	26,733	413,698	375,093	65,338

10. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (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, 45 N. Fourth Street, Columbus, Ohio 43215-3634.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

10. DEFINED BENEFIT PENSION PLANS (Continued)

A. School Employees Retirement System (Continued)

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 1999, 7.7 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1998, 9.02 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$58,158, \$92,666 and \$129,576, respectively; 39 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$35,191 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

For the fiscal year ended June 30, 1999, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. For fiscal year 1998, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$160,919, \$334,724 and \$403,704, respectively; 81 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$30,422 represents the unpaid contribution for fiscal year 1999 and is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 1999, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

11. POSTEMPLOYMENT BENEFITS

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the School District, this amount equaled \$214,558 for fiscal year 1999.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1998, (the latest information available) the balance in the Fund was \$2,156 million. For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000 and STRS had 91,999 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 1999, employer contributions to fund health care benefits were 6.30 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 1999 fiscal year equaled \$57,813.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 125 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1998 (the latest information available), were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

12. EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 230 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 47 days for classified and certified employees.

B. Life Insurance

The School District provides life insurance to most employees through Safeco.

C. Deferred Compensation

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

GASB Statement No. 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans" provides accounting for deferred compensation plans. The School District participates in the Ohio Public Employees Deferred Compensation Program. During 1998, the Ohio Public Employees Deferred Compensation Program created a trust for the assets of the plan for which the School District has no fiduciary responsibility. Therefore, plan assets are no longer presented on the balance sheet.

13. CAPITAL LEASES - LESSEE DISCLOSURE

During fiscal year 1999, the School District entered into a capitalized lease for copiers and equipment. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

General fixed assets consisting of copiers and equipment have been capitalized in the general fixed assets account group in the amount of \$60,000. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 1999 totaled \$831 in the general fund.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

13. CAPITAL LEASES - LESSEE DISCLOSURE (Continued)

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 1999.

Fiscal Year Ending June 30,	GLTOAG
2000	\$14,364
2001	14,364
2002	14,364
2003	14,364
2004	13,167
Total	70,623
Less: Amount Representing Interest	(11,454)
Present Value of Net Minimum Lease Payments	\$59,169

14. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 1999 were as follows:

	Outstanding 6/30/98	Additions	Deductions	Outstanding 6/30/99
Pension Obligation	\$69,082	\$52,885	\$69,082	\$52,885
Judgment Payable	6,262	0	6,262	0
Capital Lease Payable	0	60,000	831	59,169
Compensated Absences	466,830	12,901	0	479,731
Total General Long-Term Obligations	\$542,174	\$125,786	\$76,175	\$591,785

Compensated absences and the pension obligation will be paid from the fund from which the employees' salaries are paid. Capital leases will be paid from the general fund.

A judgment of \$411,000 was awarded to a former employee in 1994, requiring the School District to place the former employee on an authorized paid leave, with payments representing salary and fringes. An amount not to exceed \$21,000 will be paid to the State Teachers Retirement System for the District's share of the former employee's pension when billed by STRS. The judgment is being paid from general fund revenues. The judgment was paid as of June 30, 1999.

Normally for GAAP reporting purposes, the fund balance of the debt service fund is shown on the balance sheet as "amount available in debt service fund for retirement of general obligation bonds." Due to the fact that the School District had not issued debt as of June 30, 1999, this amount is not shown on the balance sheet.

The School District's overall legal debt margin was \$4,033,409 with an unvoted debt margin of \$644,869 at June 30, 1999.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

15. SHORT-TERM OBLIGATIONS

As of June 30, 1999, the School District had outstanding short-term obligations in the amount of \$2,878,000 in anticipation of the issuance of long-term bonds as a result of the School District being approved for a \$21,313,018 school facilities loan through the State Department of Education for the construction on a education complex. The 3.59% notes will be retired on September 16, 1999. The School District will issue general obligation bonds to provide a partial cash match for the school facilities loan. As a requirement of the loans, the School District was required to pass a 4.3 mill levy. The 4.3 mill levy, of which .5 mill was to be used for the retirement of the loan, with the balance of 3.8 mills to be used for the retirement of the long-term bonds to be issued, will be in effect for twenty-three years.

The Adena Local School District has been notified by the Ohio School Facilities Commission that they will not be responsible for repaying the \$21,313,018 classroom facilities loan to the State because the School District's adjusted valuation per pupil (currently 539 out of 611 schools) was less than the state-wide median adjusted valuation per pupil. In lieu of the repayment, the School District must set aside the funds that would have been used for repayment for facilities maintenance. As part of this process, the School District must submit a maintenance plan to the Ohio School Facilities Commission every five years until the twenty-three year period expires. If the School District's adjusted valuation per pupil increases above the state-wide median adjusted valuation during the twenty-three year period, the School District may become responsible for repayment of a portion of the State's contribution. During fiscal year 1999, the School District received \$767,846 from the Ohio School Facilities Commission.

16. INTERFUND ACTIVITY

As of June 30, 1999, receivables and payables that resulted from various interfund transactions were as follows:

Fund Type/Fund	Due From Other Funds	Due To Other Funds
General	\$8,451	\$0
Special Revenue:		
Lunchroom	0	7,548
Student Activities	0	903
Total Special Revenue	0	8,451
Total All Funds	\$8,451	\$8,451

17. SET-ASIDE CALCULATIONS

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. The School District is also required to set aside money for budget stabilization. The School District also receives monies for school bus purchases. This amount is shown as a reserve for school bus purchases.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

17. SET-ASIDE CALCULATIONS (Continued)

The following cash basis information describes the change in the year-end set-aside amounts for textbooks, capital acquisition, bus purchases, and budget stabilization. Disclosure of this information is required by State statute.

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside Cash Balance as of June 30, 1998	\$0	\$0	\$34,402	\$34,402
Current Year Set-aside Requirement	84,152	84,152	42,076	210,380
Current Year Offsets	(18,091)	0	0	(18,091)
Qualifying Disbursements	(66,970)	(39,452)	0	(106,422)
Total	<u>(909)</u>	<u>44,700</u>	<u>76,478</u>	<u>\$120,269</u>
Cash Balance Carried Forward to FY 1999	<u>\$0</u>	<u>\$44,700</u>	<u>\$76,478</u>	<u>\$121,278</u>
Amount restricted for School Bus Purchase Allowance				<u>33,594</u>
Total Restricted Assets				<u>\$154,772</u>

Although the School District had offsets and qualifying disbursements during the year that reduced the set-aside amounts to below zero, these extra amounts may not be used to reduce the set-aside requirements of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year.

18. JOINTLY GOVERNED ORGANIZATIONS

South Central Ohio Computer Association - The School District is a participant in the South Central Ohio Computer Association (SCOCA) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Highland, Adams, Pike, Scioto, Brown, Ross and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representative from each county elected by majority vote of all charter member school districts within each county, two school treasurers, plus one representative from the fiscal agent. The School District paid \$6,765 for services provided during the year. Financial information can be obtained from their fiscal agent, the Pike County Joint Vocational School District, Tonya Cooper, who serves as Treasurer, at P. O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

Pickaway-Ross County Joint Vocational School - The Pickaway-Ross County Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of eleven representatives from the various City and County Boards within Pickaway and Ross Counties, each of which possesses its own budgeting and taxing authority. The School District paid \$4,012 for services provided during the year. To obtain financial information write to the Pickaway-Ross County Joint Vocational School, Ben Van Horn who serves as Treasurer, at 895 Crouse Chapel Road, Chillicothe, Ohio 45601.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

18. JOINTLY GOVERNED ORGANIZATIONS (Continued)

Great Seal Education Network of Tomorrow - The Great Seal Education Network of Tomorrow is a regional council of governments (the "Council") consisting of twelve city, local, and joint vocational school districts, two educational service centers and the Ohio University-Chillicothe Campus for the purpose of promoting the use of advanced telecommunications and technology to provide enhanced educational opportunities to the communities of Ross and Pickaway Counties. The Council is operated under the direction of a Board of Directors consisting of one representative (the superintendent or another person appointed by the board of education) of each of the members, each of which possess its own budgeting and taxing authority. The School District paid \$2,144 for services provided during the year. To obtain financial information, write to the Ohio University-Chillicothe Campus, who acts as fiscal agent, at 571 West Fifth Street, Chillicothe, Ohio 45601.

Ross County School Employees Insurance Consortium - The School District is a member of the Ross County School Employees Insurance Consortium (the "Consortium"), a claims servicing pool consisting of fourteen school districts within Ross County and its surrounding area. The Consortium provides medical/surgical, dental, vision, or life insurance through a third party administrator, Professional Risk Management Co., depending on which coverages the individual member district chooses. The Consortium's business and affairs are managed by a Council consisting of one representative for each participating school. The participating school districts pay an administrative fee to the fiscal agent to cover the costs of administering the Consortium. The School District paid \$1,073 for services provided during the year. To obtain financial information, write to the Union Scioto Local School District, who serves as Treasurer, at 19463 Pherson Pike, Williamsport, Ohio 43164.

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

19. SCHOOL FUNDING COURT DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's school foundation program, which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 1999, the School District received \$3,652,285 of school foundation support for its general fund.

In addition, the Court declared the classroom facilities program unconstitutional, because, in the Court's opinion, the program had not been sufficiently funded by the State. The classroom facilities program provided money to build schools and furnish classrooms. As of June 30, 1999, the School District is approved to receive a grant total of \$21,313,018 under this program.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

19. SCHOOL FUNDING COURT DECISION (Continued)

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of the date of this report, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under these programs and on its financial operations.

20. PRIOR YEAR RESTATEMENT AND CHANGE IN ACCOUNTING PRINCIPLE

In the previous year, the Technology Equity Capital Projects Fund was classified as a special revenue fund. For 1999, because the School District does not have accurate balances of amounts held with the fiscal agent of the Ross County School Employees Insurance Consortium, activity off the School District's books are not being recorded, and the prior year end balance and the accrual for estimated medical claims payable at year end have been eliminated. These changes had the following effect on fund balance/retained earnings as it was previously reported as of June 30, 1998.

	Special Revenue	Capital Projects	Internal Service
Fund Balance/Retained Earnings at June 30, 1998	\$83,587	\$127,671	(\$207,167)
Insurance Consortium	0	0	19,027
Fund Reclassification	(7,790)	7,790	0
Restated Fund Balance/Retained Earnings at June 30, 1998	<u>\$75,797</u>	<u>\$135,461</u>	<u>(\$188,140)</u>

For fiscal year 1999, the School District implemented *GASB Statement No. 32, "Deferred Compensation Plans"*. This statement eliminates the requirement that the School District report plan assets in an agency fund if the plan has established a trust fund whose assets are not held by the School District in a fiduciary capacity. The Ohio Public Employees Deferred Compensation Plan has established a trust fund and the amounts are no longer reported on the School District's balance sheet as of June 30, 1999.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

21. CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 1999.

B. Litigation

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

22. SUBSEQUENT EVENTS

On September 16, 1999, the School District retired \$2,878,000 of short term notes payable by issuing \$2,878,000 school improvement bonds that will mature on December 1, 2021.

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 1999**

Federal Grantor/ Pass-Through Grantor/ Program Grant Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. Department of Agriculture</u>						
<i>Passed through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution (See Note "B")		10.550	\$ 0	\$ 15,859	\$ 0	\$ 15,076
National School Lunch Program	04-PU 98/99	10.555	61,436	-	61,436	-
Total U.S. Department of Agriculture			61,436	15,859	61,436	15,076
<u>U.S. Department of Education</u>						
<i>Passed through Ohio Department of Education</i>						
Title I	C1-S1 98/99	84.010	223,208	-	239,502	-
Eisenhower Professional	MS-S1 99	84.281	6,973	-	6,973	-
Title VI	C2-S1 98/99	84.298	4,518	-	4,863	-
Drug Free Federal Subsidy	DR-S1 99	84.186	6,484	-	6,484	-
<i>Special Education Cluster:</i>						
Handicapped Pre-school	PG-S1 99 P	84.173	2,028	-	2,028	-
Title VI B	6B-SF 98/99	84.027	49,826	-	54,869	-
<i>Total Special Education Cluster:</i>			51,854	-	56,897	-
Total Department of Education			307,305	-	314,719	-
Total Federal Assistance			\$368,741	\$ 15,859	\$376,155	\$15,076

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

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards receipts and expenditures is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 1999, the District had no significant food commodities in inventory.

NOTE C - ROSS COUNTY EDUCATIONAL SERVICE CENTER

The Eisenhower Professional, Drug Free Federal Subsidy and Handicapped Pre-School programs were administered by the Ross County Educational Service Center.



**STATE OF OHIO
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

35 North Fourth Street
Columbus, Ohio 43215
Telephone 614-466-3402
800-443-9275
Facsimile 614-728-7199
www.auditor.state.oh.us

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

Board of Education
Adena Local School District
Ross County
119 West High Street
Frankfort, Ohio 45628

We have audited the financial statements of Adena Local School District as of and for the year ended June 30, 1999, and have issued our report thereon dated February 29, 2000 wherein we noted the District changed its accounting for the deferred compensation plan. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 1999-10771-001.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness.

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

JIM PETRO
Auditor of State

February 29, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

35 North Fourth Street
Columbus, Ohio 43215
Telephone 614-466-3402
800-443-9275
Facsimile 614-728-7199
www.auditor.state.oh.us

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Education
Adena Local School District
Ross County
119 West High Street
Frankfort, Ohio 45628

Compliance

We have audited the compliance of Adena Local School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 1999. Adena Local School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Adena Local School District's management. Our responsibility is to express an opinion on Adena Local School District's compliance based on our audit.

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

In our opinion, Adena Local School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 1999.

Internal Control Over Compliance

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

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

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

JIM PETRO
Auditor of State

February 29, 2000

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505**

JUNE 30, 1999

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weakness conditions reported at the financial statement level?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</i>	Yes
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any other reportable internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under § .510?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs:</i>	Title I, CFDA # 84.010
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: > \$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes

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

FINDING NUMBER 1999-10771-001

Monitoring Self-Insurance Activity

The District is a member of the Ross County School Employees Insurance Consortium (RCSEIC) for health self-insurance purposes. The District pays premiums monthly to the RCSEIC who then pays the third party administrator (TPA) for District claims. The District receives summary reports and a listing of claims payments from the TPA that are utilized to post activity to the District's financial statements. The District receives no reports from the consortium. Appropriate monitoring controls were not in place at the District over the claims payment activity and the summary reports received from the TPA.

Lack of proper monitoring controls allowed erroneous summary reports, presented by the TPA, to be posted to the District's financial statements. (Material) adjustments have been posted to the accompanying financial statements to correct these errors.

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505**

**JUNE 30, 1999
(Continued)**

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

FINDING NUMBER 1999-10771-001 (Continued)

Monitoring Self-Insurance Activity (Continued)

The District should obtain from the RCSEIC a summary report and reconciliation of the District's activity with the RCSEIC. The District should monitor these reports and compare them with the TPA summary reports to insure accuracy prior to posting activity to the financial statements. The District should also review listings of claims the TPA has approved to help assure the beneficiary is eligible for the benefits (i.e., is a District employee or family member).

3. FINDINGS RELATED AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

ADENA LOCAL SCHOOL DISTRICT

ROSS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 11, 2000**