



**JIM PETRO**  
**AUDITOR OF STATE**  
STATE OF OHIO



## TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Report of Independent Accountants .....	1
Combined Balance Sheet - All Fund Types and Account Groups June 30, 1999 .....	4
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Fund For the Year Ended June 30, 1999 .....	8
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) - All Governmental Fund Types For The Year Ended June 30, 1999 .....	10
Combined Statement of Revenues, Expenses, and Changes in Retained Earnings/ Fund Balance - Proprietary Fund Type and Non Expendable Trust Fund - For the Year Ended June 30, 1999 .....	12
Combined Statement of Cash Flows - Proprietary Fund Type and Non Expendable Trust Fund For The Year Ended June 30, 1999 .....	13
Notes to the General-Purpose Financial Statements .....	15
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	39

**This Page Intentionally Left Blank**



**STATE OF OHIO**  
**OFFICE OF THE AUDITOR**  
\_\_\_\_\_  
JIM PETRO, AUDITOR OF STATE

One First National Plaza  
130 West Second Street  
Suite 2040  
Dayton, Ohio 45402  
Telephone 937-285-6677  
800-443-9274  
Facsimile 937-285-6688  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

**REPORT OF INDEPENDENT ACCOUNTANTS**

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

We have audited the accompanying general-purpose financial statements of the Ada Exempted Village School District, Hardin County, (the District) as of and for the year ended June 30, 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 Ada Exempted Village School District, Hardin County, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund type and non-expendable trust fund for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 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.

**JIM PETRO**  
Auditor of State

January 7, 2000



**THIS PAGE LEFT BLANK INTENTIONALLY**

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

	<b>Governmental Fund Types</b>			
	<b>General Fund</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>
<b><u>ASSETS AND OTHER DEBITS</u></b>				
<b>ASSETS:</b>				
Equity in pooled cash and cash equivalents	\$1,173,834	\$75,241	\$0	\$294,238
Equity in pooled cash and cash equivalents - non-expendable trust fund	0	0	0	0
Receivables (net of allowances of uncollectibles):				
Taxes - current	1,493,485	0	0	131,318
Taxes - delinquent	7,523	0	0	843
Accounts	0	432	0	0
Intergovernmental - State	1,250	0	0	0
Intergovernmental - Federal	0	16,347	0	0
Prepayments	11,562	0	0	0
Materials and supplies inventory	8,986	0	0	0
Restricted Assets				
' Equity in pooled cash and cash equivalents	65,191	0	0	0
Property, plant and equipment (net of accumulated depreciation where applicable)	0	0	0	0
<b>OTHER DEBITS:</b>				
Amount available in Debt Service Fund	0	0	0	0
Amount to be provided for retirement of General Long-Term Obligations	0	0	0	0
<b>Total assets and other debits</b>	<b><u>\$2,761,831</u></b>	<b><u>\$92,020</u></b>	<b><u>\$0</u></b>	<b><u>\$426,399</u></b>

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

Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$41,556	\$59,157	\$0	\$0	\$1,644,026
0	62,772	0	0	62,772
0	0	0	0	1,624,803
0	0	0	0	8,366
138	0	0	0	570
0	0	0	0	1,250
0	0	0	0	16,347
0	0	0	0	11,562
5,315	0	0	0	14,301
0	0	0	0	65,191
21,838	0	4,033,345	0	4,055,183
0	0	0	0	0
0	0	0	612,288	612,288
\$68,847	\$121,929	\$4,033,345	\$612,288	\$8,116,659

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

	<b>Governmental Fund Types</b>			
	<b>General Fund</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>				
<b>LIABILITIES:</b>				
Accounts payable	\$10,676	\$494	\$0	\$6,000
Accrued wages and benefits	382,755	26,319	0	0
Compensated absences payable	13,946	0	0	0
Pension obligation payable	67,108	3,468	0	0
Deferred revenue	1,197,690	0	0	120,706
Due to students	0	0	0	0
General obligation bonds payable	0	0	0	0
EPA Asbestos loan payable	0	0	0	0
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	<u>1,672,175</u>	<u>30,281</u>	<u>0</u>	<u>126,706</u>
<b>EQUITY AND OTHER CREDITS:</b>				
Investment in general fixed assets	0	0	0	0
Contributed capital	0	0	0	0
Retained earnings: unreserved	0	0	0	0
Fund balances:				
Reserved for:				
Encumbrances	23,832	7,924	0	151,920
Supplies inventory	8,986	0	0	0
Prepayments	11,562	0	0	0
Debt service	0	0	0	0
Budget stabilization	65,191	0	0	0
Tax revenue unavailable for appropriation	109,660	0	0	11,455
Principal endowment	0	0	0	0
Designated for:				
Capital Projects or Improvements	400,000	0	0	0
Unreserved, Undesignated	<u>470,425</u>	<u>53,815</u>	<u>0</u>	<u>136,318</u>
Total equity and other credits	<u>1,089,656</u>	<u>61,739</u>	<u>0</u>	<u>299,693</u>
<b>Total liabilities, equity and other credits</b>	<b><u>\$2,761,831</u></b>	<b><u>\$92,020</u></b>	<b><u>\$0</u></b>	<b><u>\$426,399</u></b>

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

Proprietary Fund Types	Fiduciary Fund Types	Account Groups			Total (Memorandum Only)
		General Enterprise	General Fixed Assets	General Long-Term Obligations	
Trust and Agency					
\$0	\$0	\$0	\$0	\$0	\$17,170
18,800	0	0	0	0	427,874
5,636	0	0	323,994	343,576	
6,571	0	0	31,362	108,509	
2,066	0	0	0	1,320,462	
0	17,732	0	0	0	17,732
0	0	0	195,000	195,000	
0	0	0	61,932	61,932	
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
33,073	17,732	0	612,288	2,492,255	
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
0	0	4,033,345	0	4,033,345	
2,769	0	0	0	2,769	
33,005	0	0	0	33,005	
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
0	0	0	0	183,676	
0	0	0	0	8,986	
0	0	0	0	11,562	
0	0	0	0	0	
0	0	0	0	65,191	
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
0	0	0	0	121,115	
0	47,211	0	0	47,211	
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
0	0	0	0	400,000	
0	56,986	0	0	717,544	
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
35,774	104,197	4,033,345	0	5,624,404	
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$68,847	\$121,929	\$4,033,345	\$612,288	\$8,116,659	

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

	Governmental Fund Types				Fiduciary Fund Type	Total (Memorandum Only)
	General Fund	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
<b>Revenues:</b>						
From local sources:						
Taxes. . . . .	\$1,851,323	\$0	\$0	\$135,650	\$0	\$1,986,973
Tuition . . . . .	3,864	0	0	0	0	3,864
Earnings on investments. . . . .	59,687	2,287	0	15,197	1,787	78,958
Other local revenues. . . . .	8,061	64,819	0	0	22,414	95,294
Intergovernmental - State. . . . .	2,802,889	17,864	0	118,881	0	2,939,634
Intergovernmental - Federal . . . . .	0	222,047	0	0	0	222,047
Total revenue . . . . .	4,725,824	307,017	0	269,728	24,201	5,326,770
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular. . . . .	2,292,576	22,662	0	99,802	0	2,415,040
Special . . . . .	183,849	168,366	0	0	100	352,315
Vocational . . . . .	100,184	0	0	0	0	100,184
Other . . . . .	45,390	0	0	0	0	45,390
Support services:						
Pupil . . . . .	228,184	4,147	0	0	0	232,331
Instructional staff. . . . .	181,090	44,542	0	0	1,816	227,448
Board of Education. . . . .	40,937	0	0	0	0	40,937
Administration . . . . .	448,445	17,077	0	0	0	465,522
Fiscal . . . . .	163,817	0	0	4,217	0	168,034
Operations and maintenance. . . . .	378,622	0	0	61,336	0	439,958
Pupil transportation. . . . .	160,626	14,060	0	53,407	0	228,093
Central . . . . .	0	0	0	0	0	0
Extracurricular activities . . . . .	139,050	80,606	0	0	11,061	230,717
Facilities services . . . . .	8,668	0	0	73,530	0	82,198
Debt service:						
Principal retirement . . . . .	0	0	94,528	0	0	94,528
Interest and fiscal charges. . . . .	0	0	15,120	0	0	15,120
Total expenditures. . . . .	4,371,438	351,460	109,648	292,292	12,977	5,137,815
Excess (deficiency) of revenues over (under) expenditures . . . . .	354,386	(44,443)	(109,648)	(22,564)	11,224	188,955
<b>Other financing sources (uses):</b>						
Operating transfers in . . . . .	39,900	1,000	109,648	15,594	0	166,142
Operating transfers out . . . . .	(209,642)	0	0	0	0	(209,642)
Other financing sources	116	0	0	0	0	116
Total other financing sources (uses). . . . .	(169,626)	1,000	109,648	15,594	0	(43,384)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other uses . . . . .	184,760	(43,443)	0	(6,970)	11,224	145,571
Fund balance, July 1 . . . . .	899,698	105,182	0	306,663	30,201	1,341,744
Decrease in reserve for inventory. . . . .	5,198	0	0	0	0	5,198
<b>Fund balance, June 30 . . . . .</b>	<b>\$1,089,656</b>	<b>\$61,739</b>	<b>\$0</b>	<b>\$299,693</b>	<b>\$41,425</b>	<b>\$1,492,513</b>

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

**THIS PAGE LEFT BLANK INTENTIONALLY**

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

	<b>General Fund</b>			<b>Special Revenue</b>				
	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance:</b>		<b>Revised Budget</b>	<b>Actual</b>	<b>Variance:</b>	
			<b>Favorable</b>	<b>(Unfavorable)</b>			<b>Favorable</b>	<b>(Unfavorable)</b>
<b>Revenues:</b>								
From local sources:								
Taxes	\$1,685,700	\$1,812,497	\$126,797	\$0	\$0	\$0		
Tuition	3,000	3,864	864	0	0	0		
Earnings on investments	58,800	59,687	887	2,640	2,287	(353)		
Other local revenues	800	8,061	7,261	76,000	65,036	(10,964)		
Intergovernmental - State	2,715,736	2,801,939	86,203	19,750	17,863	(1,887)		
Intergovernmental - Federal	0	0	0	239,696	229,215	(10,481)		
Total revenues	4,464,036	4,686,048	222,012	338,086	314,401	(23,685)		
<b>Expenditures:</b>								
Current:								
Instruction:								
Regular	2,380,968	2,303,958	77,010	24,169	23,863	306		
Special	196,874	182,763	14,111	192,245	166,812	25,433		
Vocational	106,716	100,902	5,814	0	0	0		
Other	47,000	46,980	20	0	0	0		
Support services:								
Pupil	237,090	227,367	9,723	4,810	4,147	663		
Instructional staff	193,720	177,010	16,710	52,992	42,160	10,832		
General administration	48,437	42,122	6,315	0	0	0		
School administration	516,690	447,046	69,644	18,330	16,651	1,679		
Fiscal	186,542	162,025	24,517	0	0	0		
Operations and maintenance	434,509	383,829	50,680	0	0	0		
Pupil transportation	208,516	157,333	51,183	14,727	13,997	730		
Central	0	0	0	0	0	0		
Extracurricular activities	144,910	141,787	3,123	126,722	90,805	35,917		
Facilities acquisition and construction	9,000	8,668	332	0	0	0		
Debt service:								
Principal retirement	0	0	0	0	0	0		
Interest and fiscal charges	0	0	0	0	0	0		
Total expenditures	4,710,972	4,381,790	329,182	433,995	358,435	75,560		
Excess (deficiency) of revenues over (under) expenditures	(246,936)	304,258	551,194	(95,909)	(44,034)	51,875		
<b>Other financing sources (uses):</b>								
Refund of prior year's expenditures	0	116	116	0	0	0		
Operating transfers in	0	39,900	39,900	4,000	1,000	(3,000)		
Operating transfers (out)	(210,000)	(209,642)	358	0	0	0		
Other financing uses	(37,900)	0	37,900	0	0	0		
Total other financing sources (uses)	(247,900)	(169,626)	78,274	4,000	1,000	(3,000)		
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other uses	(494,836)	134,632	629,468	(91,909)	(43,034)	48,875		
Fund balance, July 1	1,038,194	1,038,194	0	94,317	94,317	0		
Prior year encumbrances appropriated	38,102	38,102	0	15,566	15,566	0		
<b>Fund balance, June 30</b>	<b>\$581,460</b>	<b>\$1,210,928</b>	<b>\$629,468</b>	<b>\$17,974</b>	<b>\$66,849</b>	<b>\$48,875</b>		

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

Debt Service			Capital Projects			Total (Memorandum only)		
Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
\$0	\$0	\$0	\$125,554	\$132,874	\$7,320	\$1,811,254	\$1,945,371	\$134,117
0	0	0	0	0	0	3,000	3,864	864
0	0	0	6,600	15,198	8,598	68,040	77,172	9,132
0	0	0	0	0	0	76,800	73,097	(3,703)
0	0	0	129,790	119,519	(10,271)	2,865,276	2,939,321	74,045
0	0	0	0	0	0	239,696	229,215	(10,481)
0	0	0	261,944	267,591	5,647	5,064,066	5,268,040	203,974
0	0	0	117,333	99,802	17,531	2,522,470	2,427,623	94,847
0	0	0	0	0	0	389,119	349,575	39,544
0	0	0	700	638	62	107,416	101,540	5,876
0	0	0	0	0	0	47,000	46,980	20
0	0	0	0	0	0	241,900	231,514	10,386
0	0	0	0	0	0	246,712	219,170	27,542
0	0	0	0	0	0	48,437	42,122	6,315
0	0	0	0	0	0	535,020	463,697	71,323
0	0	0	4,300	4,217	83	190,842	166,242	24,600
0	0	0	107,657	106,942	715	542,166	490,771	51,395
0	0	0	55,500	53,407	2,093	278,743	224,737	54,006
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	271,632	232,592	39,040
0	0	0	279,561	211,825	67,736	288,561	220,493	68,068
94,528	94,528	0	0	0	0	94,528	94,528	0
15,120	15,120	0	0	0	0	15,120	15,120	0
109,648	109,648	0	565,051	476,831	88,220	5,819,666	5,326,704	492,962
(109,648)	(109,648)	0	(303,107)	(209,240)	93,867	(755,600)	(58,664)	696,936
0	0	0	0	0	0	0	116	116
109,648	109,648	0	100,000	15,594	(84,406)	213,648	166,142	(47,506)
0	0	0	0	0	0	(210,000)	(209,642)	358
0	0	0	0	0	0	(37,900)	0	37,900
109,648	109,648	0	100,000	15,594	(84,406)	(34,252)	(43,384)	(9,132)
0	0	0	(203,107)	(193,646)	9,461	(789,852)	(102,048)	687,804
0	0	0	251,747	251,747	0	1,384,258	1,384,258	0
		0	78,218	78,218	0	131,886	131,886	0
\$0	\$0	\$0	\$126,858	\$136,319	\$9,461	\$726,292	\$1,414,096	\$687,804

**COMBINED STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN RETAINED EARNINGS/FUND BALANCE  
PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND  
FOR THE YEAR ENDED JUNE 30, 1999**

	<b>Proprietary Fund Type</b>	<b>Fiduciary Fund Type</b>	<b>Total (Memorandum Only)</b>
	<b>Enterprise Funds</b>	<b>Nonexpendable Trust</b>	
<b>Operating revenues:</b>			
Tuition and fees	\$23,605	\$0	\$23,605
Sales/charges for services	165,317	0	165,317
Investment earnings	0	5,314	5,314
Other operating revenues	4,824	11,011	15,835
Total operating revenues	193,746	16,325	210,071
<b>Operating expenses:</b>			
Personal services	147,549	0	147,549
Contract services	269	0	269
Materials and supplies	136,145	0	136,145
Depreciation	2,161	0	2,161
Other operating expenses	0	3,550	3,550
Total operating expenses	286,124	3,550	289,674
Operating income (loss)	(92,378)	12,775	(79,603)
<b>Nonoperating revenues (expenses):</b>			
Operating grants	38,688	0	38,688
Interest revenue	47	0	47
Federal commodities	14,559	0	14,559
Total nonoperating revenues(expenses)	53,294	0	53,294
Net income before operating transfers	(39,084)	12,775	(26,309)
Operating transfers in	39,000	0	39,000
Net income	(84)	12,775	12,691
Retained earnings/fund balance at July 1	33,089	49,997	83,086
Contributed Capital	2,769	0	2,769
<b>Retained earnings/fund balance at June 30</b>	<b>\$35,774</b>	<b>\$62,772</b>	<b>\$98,546</b>

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

**COMBINED STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND**  
**FOR THE YEAR ENDED JUNE 30, 1999**

	<b>Proprietary Fund Type</b>	<b>Fiduciary Fund Type</b>	<b>Total (Memorandum Only)</b>
	<b>Enterprise Funds</b>	<b>Nonexpendable Trust</b>	
<b>Cash flows from operating activities:</b>			
Cash received from tuition and fees	\$23,547	\$0	\$23,547
Cash received from sales/service charges	170,175	0	170,175
Cash received from contributions and donations	0	11,011	11,011
Cash payments for personal services	(147,158)	0	(147,158)
Cash payments for contract services	(269)	0	(269)
Cash payments for scholarships	0	(3,550)	(3,550)
Cash payments supplies and materials	(121,301)	0	(121,301)
Net cash provided by (used in) operating activities	(75,006)	7,461	(67,545)
<b>Cash flows from noncapital financing activities:</b>			
Cash received from operating grants	38,688	0	38,688
Transfers in from other funds	39,000	0	39,000
Net cash provided by noncapital financing activities	77,688	0	77,688
<b>Cash flows from capital and related financing activities:</b>			
Acquisition of capital assets	0	0	0
Net cash used in noncapital financing activities	0	0	0
<b>Cash flows from investing activities:</b>			
financing activities:			
Interest received	47	5,314	5,361
Net cash provided by investing activities	47	5,314	5,361
Net increase (decrease) in cash and cash equivalents	2,729	12,775	15,504
Cash at beginning of year	38,827	49,997	88,824
<b>Cash at end of year</b>	<b>\$41,556</b>	<b>\$62,772</b>	<b>\$104,328</b>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>			
Operating income (loss)	(92,378)	\$12,775	(79,603)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	2,161	0	2,161
Federal donated commodities	14,559	0	14,559
Changes in assets and liabilities:			
Decrease in supplies inventory	(76)	0	(76)
Decrease in accounts receivable	(24)	0	(24)
Interest reported as operating income	0	(5,314)	(5,314)
Increase in accrued wages and benefits	49	0	49
Increase in compensated absences payable	884	0	884
Decrease in pension obligation payable	(542)	0	(542)
Decrease in deferred revenue	361	0	361
<b>Net cash provided by (used in) operating activities</b>	<b>(75,006)</b>	<b>\$7,461</b>	<b>(67,545)</b>

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

**THIS PAGE LEFT BLANK INTENTIONALLY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

**1. DESCRIPTION OF THE SCHOOL DISTRICT**

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

The District was established in 1862 through the consolidation of existing land areas and districts. The District serves an area of approximately 42 square miles. It is located in Hardin and Hancock Counties, including all of the Village of Ada, Ohio, and portions of Liberty and Orange Townships. The District is the 526th largest in the State of Ohio (among 611 school districts) in terms of enrollment. It is staffed by 31 non-certified employees, 70 certificated full time teaching personnel and 5 administrative employees to provide services to 878 students and other community members. The District currently operates three instructional buildings, one administrative building, and one garage.

**Reporting Entity:**

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support, to the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes.

There are no component units of the Ada Exempted Village School District.

The District is associated with five organizations of which two are defined as jointly governed organizations, one a related organization, and two insurance purchasing pools. These organizations include the North West Ohio Area Computer Services Cooperative, Apollo Joint Vocational School, the Ada Public Library, the Hardin County School Employees' Health and Welfare Benefit Plan and Trust, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 16, 17, and 18 to the general purpose financial statements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Ada Exempted Village 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.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

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

The District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to the proprietary activities provided they do not conflict with or contradict GASB pronouncements.

The significant portions of the District's accounting policies are described below.

**A. Basis Of Presentation - Fund Accounting**

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

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

**Governmental Fund Types:**

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

**General Fund**

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

**Special Revenue Funds**

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

**Debt Service Fund**

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

**Capital Projects Funds**

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

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

**A. Basis Of Presentation - Fund Accounting (Continued)**

**Proprietary Fund Type:**

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

**Enterprise Funds**

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

**Fiduciary Fund Types:**

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

**Account Groups:**

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

**General Fixed Assets Account Group**

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

**General Long-Term Obligations Account Group**

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

**B. Measurement Focus and Basis of Accounting**

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

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

**B. Measurement Focus and Basis of Accounting (Continued)**

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

The modified accrual basis of accounting is followed for governmental, expendable trust, and agency funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year-end. Revenues accrued at the end of the year include interest, tuition, grants and entitlements (to the extent such grants and entitlements relate to the current fiscal year), and accounts (student fees and rent). Current property taxes measurable as of June 30, 1999, and which are intended to finance 2000 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year-end.

Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 1999, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

The 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 enterprise and non-expendable trust funds. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

**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.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**  
**(Continued)**

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

**C. Budgetary Process (Continued)**

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

Transfers in and out did not balance on the combined operating statements. This is due to transfers made from the General fund to agency funds which do no present operating activity.

**Tax Budget:**

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

**Estimated Resources:**

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered cash balances from the preceding year. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 1999.

**Appropriations:**

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

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**  
**(Continued)**

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

**C. Budgetary Process (Continued)**

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

**Encumbrances:**

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

**Lapsing of Appropriations:**

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

**D. Cash and Cash Equivalents**

To improve cash management, all cash received by the District is pooled in a central bank account. Monies for all funds, including enterprise funds, are maintained in this account or temporarily used to purchase short term investments. Individual fund integrity is maintained through District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet. During fiscal year 1999, investments were limited to certificates of deposit and STAR Ohio. All investments of the District had a maturity of two years or less. Investments are stated at cost or amortized cost.

The District has invested funds in the State Treasury Asset 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 with 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.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 1999 amounted to \$59,687 which includes \$5,969 assigned to other School District funds.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

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

**E. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State Department of Education. During fiscal year 1999, the District set aside \$65,191. A fund balance reserve has also been established.

**F. Estimates**

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

**G. Inventory**

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

**H. 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.

**I. Fixed Assets and Depreciation**

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

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

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

**J. Intergovernmental Revenues**

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable. The District currently participates in several State and Federal programs, categorized as follows:

**Entitlements**

**General Fund**

State Foundation Program

**Non-Reimbursable Grants**

**Special Revenue Funds**

State Property Tax Relief

School Bus Allocation

Education Management Information Systems

Disadvantaged Pupil Impact Aid

Title VI-B

Drug-Free Schools

Title I

Title VI

Local Professional Development Block Grant

Library Automation Grant

Ohio School Net Training

Teacher Development

Financial Literacy Grant

Textbooks/Instructional Materials

Eisenhower Grant

School to Work Grant

**Capital Projects Funds**

School Net

School Net Technology Equity

Vocational Educational Equipment

**Reimbursable Grants**

**General Fund**

Driver Education

**Enterprise Funds**

National School Lunch Program

Government Donated Commodities

Grants and entitlements amounted to approximately fifty-six percent of the District's governmental revenue during the 1999 fiscal year.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

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

**K. Compensated Absences**

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

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

**L. Accrued Liabilities and Long-Term Obligations**

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

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

**M. Interfund Transactions**

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

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

**N. Fund Balance Reserves and Designations**

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

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

**O. Contributed Capital**

Contributed capital represents resources from other funds, other governments, and private sources provided to enterprise funds that is not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end. There was no change in contributed capital during this fiscal year.

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

**P. Total Columns on General Purpose Financial Statements**

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

**3. BUDGETARY BASIS OF ACCOUNTING**

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

**3. BUDGETARY BASIS OF ACCOUNTING (Continued)**

2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types.

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

<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses Governmental Fund Types</b>				
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>
Budget Basis	\$134,632	\$(43,034)	\$0	\$(193,646)
Net adjustment for Revenue Accruals	39,776	(7,384)	0	2,137
Net adjustment for Expenditure Accruals	(17,744)	(1,044)	0	26,620
Net Adjustment for Other Sources/(Uses)	0	0	0	0
Encumbrances (Budget Basis)	<u>28,096</u>	<u>8,019</u>	<u>0</u>	<u>157,919</u>
GAAP Basis	<u>\$184,760</u>	<u>\$ (43,443)</u>	<u>\$0</u>	<u>\$ (6,970)</u>

**4. DEPOSITS AND INVESTMENTS**

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

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current 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 or deposit accounts including passbook accounts.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

**4. DEPOSITS AND INVESTMENTS (Continued)**

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

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

Investments in stripped principal or interest obligations, reverse purchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the 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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

**Deposits:**

At fiscal year end, the carrying amount of the District's deposits was \$994,780 (including \$1,000 petty cash) and the bank balance was \$1,120,620. Of the bank balance, \$254,021 was covered by federal depository insurance and \$866,599 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

**4. DEPOSITS AND INVESTMENTS (Continued)**

**Investments:**

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

	<b>Carrying Value</b>	<b>Market Value</b>
State Treasurer's Investment Pool	<u>\$ 777,209</u>	<u>\$ 777,209</u>

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

	<b>Pooled Cash and Cash Equivalents</b>	<b>Investments</b>
Combined Balance Sheet	\$1,771,989	\$ 0
Reclassifications:		
Investments:		
State Treasurer's Investment Pool	<u>(777,209)</u>	<u>777,209</u>
Per GASB Statement No. 3	<u>\$ 994,780</u>	<u>\$ 777,209</u>

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of pledging specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure the repayment of all public monies deposited in the financial institution, provided that at all times the total value of the securities so pledged is at least equal to 110% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance. Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of pledging specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure the repayment of all public monies deposited in the financial institution, provided that at all times the total value of the securities so pledged is at least equal to 110% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

**5. PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located in the District. Real property taxes are levied April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior fiscal year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true value.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits earlier or later payment dates to be established.

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

The District receives property taxes from Hardin and Hancock Counties. The Counties' Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 1999 are available to finance fiscal year 1999 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represent 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 \$109,660 in the General Fund and \$11,455 in the Permanent Improvement Capital Projects Fund. The amount available as an advance at June 30, 1998 was \$78,456 in the General Fund and \$8,679 in the Permanent Improvement Capital Projects Fund.

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

	<b>1998 Second-Half Collections</b>		<b>1999 First-Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential and Other Real Estate	\$44,018,930	85.96%	\$46,209,260	84.71%
Public Utility	4,159,680	8.12	4,409,450	8.08
Tangible Personal Property	3,028,882	5.92	3,933,130	7.21
Total Assessed Value	<u><u>\$51,207,492</u></u>	<u><u>100.00%</u></u>	<u><u>\$54,551,840</u></u>	<u><u>100.00%</u></u>
Tax rate per \$1,000 of assessed valuation	\$39.70		\$39.70	

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

**6. INCOME TAX**

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

**7. RECEIVABLES**

Receivables at June 30, 1999, consisted of both property and income taxes, accounts (rent and student fees), and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. Student fees are also considered collectible in full due to the withholding of diplomas and grade cards. A summary of the principal items of receivables follows:

	<u>Amounts</u>
General Fund	
Real Taxes - Current and Delinquent	\$1,307,350
Income Taxes	193,658
Capital Projects Funds	
Taxes - Current and Delinquent	132,161
Special Revenue Funds	
Intergovernmental revenue - federal	16,347

**8. FIXED ASSETS**

A summary of the enterprise funds' fixed assets at June 30, 1999 follows:

Furniture and Equipment	\$50,548
Less: Accumulated Depreciation	<u>(28,710)</u>
Net Fixed Assets	<u><u>\$21,838</u></u>

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

<b>Asset Category</b>	<b>Balance at 6/30/98</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance at 6/30/99</b>
Land and Improvements	\$ 37,671	\$ 37,698	\$ 0	\$ 75,369
Buildings and Improvements	2,081,326	29,016	0	2,110,342
Furniture, Fixtures & Equipment	1,341,020	132,031	1,393	1,471,658
Vehicles	373,669	56,332	54,025	375,976
<b>Total General Fixed Assets</b>	<b>\$3,833,686</b>	<b>\$255,077</b>	<b>\$55,418</b>	<b>\$4,033,345</b>

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

**9. RISK MANAGEMENT**

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

Building and Contents - replacement cost (\$500 deductible)	\$11,709,100
Inland Marine Coverage (\$100 deductible)	154,720
Boiler and Machinery (\$1,000 deductible)	11,709,100
Automobile Liability	2,000,000
Uninsured Motorists	1,000,000
General Liability	
Per occurrence	1,000,000
Total per year	5,000,000
Umbrella	1,000,000
Electronic Data Processing (\$100 deductible)	250,205
Musical Instruments Coverage (\$100 deductible)	288,585

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

For fiscal year 1999, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (the Plan), an insurance purchasing pool (Note 18). The Plan is intended to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performances is compared to the overall savings percent of the Plan.

A participant will then either receive money from or be required to contribute to the "equity pooling fund". This "equity pooling fund" arrangement insures that each participant shares equally in the overall performance of the Plan. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria. The school districts apply for participation each year. The firm of Gates McDonald and Co. provides administrative, cost control, and actuarial services to the Plan. Each year, the District pays an enrollment fee to the Plan to cover the costs of administering the program.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

**10. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The Ada Exempted Village School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, cost of living adjustments and death benefits to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the Ada Exempted Village School District is required to contribute 14 percent: 7.7 percent was the portion to fund pension obligations for fiscal year 1999. For fiscal year 1998, 9.02 percent was the portion used to fund pension obligations. The contribution rates are determined actuarially, but are established by SERS's Retirement Board within the rates allowed by State statute. The District's required contribution for pension obligations to SERS for the fiscal years ending June 30, 1999, 1998, and 1997 were \$52,617, \$65,575, and \$57,873, respectively; 68.8 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$25,820, 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 Ada Exempted Village School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, cost of living adjustments and death benefits based to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the Ada Exempted Village School District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations for fiscal year 1999. For fiscal year 1998, 10.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contribution for pension obligations to STRS for the fiscal years ending June 30, 1999, 1998, and 1997 were \$144,036, \$272,736, and \$250,740, respectively; 82.8 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$57,848 representing the unpaid contribution for fiscal year 1999, 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  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

**11. POSTEMPLOYMENT BENEFITS**

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

For STRS, all benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The Board currently allocates employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid, an increase from 3.5 percent in 1998. The balance in the Fund was \$2,156 million as of June 30, 1998 (the latest information available). For the District, this amount equaled \$192,048 during the 1999 fiscal year. As of July 1, 1998, eligible benefit recipients totaled 91,999. For the fiscal year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000.

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

For this fiscal year, employer contributions to fund health care benefits were 6.3 percent of covered payroll. 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 has been established at \$12,400. For the District, the amount to fund health care benefits, including the surcharge, was \$43,050, during the 1999 fiscal year.

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

**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 50 days for certified and classified employees.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

**12. EMPLOYEE BENEFITS (Continued)**

**B. Health Care Benefits**

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

**C. Early Retirement Incentive**

The School District Board of Education approved an Early Retirement Incentive program. Participation is open to employees who qualify for retirement including the year purchased by the Board. The credit is for one year of service. The Board limits the number of employees participating to 8% of classified or certified staff in the plan in any one year. During fiscal year 1999, one District employee retired and elected to participate in the early retirement program.

**13. LONG-TERM OBLIGATIONS**

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

Long-term Obligations:	Interest Rate	Principal Outstanding 6/30/98	Additions	Deduction \$	Principal Outstanding 6/30/99
1988 EPA Asbestos Loan	0.00%	\$ 71,461	\$ 0	\$ 9,529	\$ 61,932
1996 School Energy Conservation Bond	5.40%	280,000	0	85,000	195,000
Total Long Term Debt		351,461	0	94,529	256,932
Pension Benefit Obligation		28,888	2,474	0	31,362
Compensated Absences		<u>331,617</u>	<u>0</u>	<u>7,623</u>	<u>323,994</u>
Total General Long-Term Obligation		<u>\$711,966</u>	<u>\$2,474</u>	<u>\$102,152</u>	<u>\$612,288</u>

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

**School Energy Conservation Bonds** - On September 1, 1995, the District issued \$515,169 in unvoted general obligation bonds to finance energy conservation measures. The bonds provided resources to retire the District's Energy Conservation Note. The bonds will be retired through the debt service fund.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

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

The District's voted legal debt margin was \$4,909,665 with an unvoted debt margin of \$54,552 at June 30, 1999.

Principal and interest requirements to retire general obligation debt, including the loan, outstanding at June 30, 1999 are as follows:

<b>Fiscal year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2000	\$104,528	\$10,530	\$115,058
2001	109,529	5,400	114,929
2002	9,529	0	9,529
2003	9,529	0	9,529
2004	9,529	0	9,529
2005 - 2006	14,288	0	14,288
<b>Total</b>	<b>\$256,932</b>	<b>\$15,930</b>	<b>\$272,862</b>

**14. SIGNIFICANT CONTRACTUAL OBLIGATIONS**

At June 30, 1999, the District had entered into several contracts, the most significant of which include the following:

Country Excavating	\$11,991
Steed-Hammond-Paul	16,427
Commercial Siding	8,800
5-C Roofing Professional	12,317
Bowling Green Equipment	37,444
Roby, Inc.	6,404
Capital Aluminum and Glass	8,921
Findlay Equipment	25,690
New Leaf Garden Center	1,550
Lima Fire Equipment	<u>2,096</u>
 Total	 <u>\$ 131,640</u>

The commitments noted above have been encumbered by the District, and as such, are reflected within the financial statements in the capital project fund type as a reserve for encumbrances.

**15. SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects the more significant financial data relating to the enterprise funds of the Ada Exempted Village School District as of and for the fiscal year ended June 30, 1999.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**  
**(Continued)**

**15. SEGMENT INFORMATION FOR ENTERPRISE FUNDS (Continued)**

	<b>Food Service</b>	<b>Uniform School Supplies</b>	<b>Total Enterprise Funds</b>
Operating Revenues	\$170,141	\$23,605	\$193,746
Operating Expenses	264,152	21,972	286,124
Less Depreciation	2,161	0	2,161
Operating Loss	(94,011)	1,633	(92,378)
Nonoperating Revenues:			
Donated Commodities	14,559	0	14,559
Operating Grants	38,688	0	38,688
Interest	47	0	47
Operating transfers In	39,000	0	39,000
Net Loss	(1,717)	1,633	(84)
Net Working Capital	(26,523)	40,460	13,937
Total Assets	28,387	40,460	68,847
Total Equity	(4686)	40,460	35,774

**16. JOINTLY GOVERNED ORGANIZATIONS**

*Northwest Ohio Area Computer Services Cooperative* - The District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC). NOACSC is an association of public school districts in within the boundaries of Allen, Hancock, Mercer, Pauilding, Putnam, and Van Wert Counties, and Wapakoneta City, and to any area established in future law, by the Ohio Department of Education. The cooperative was formed for the purpose of developing and implementing a computer system to improve administrative and instructional functions for the member school districts. The governing board of NOACSC consist of two representatives from each county elected by majority vote of all charter member school districts within each county plus one representative from the fiscal agent. Financial information can be obtained from Mr. Michael Wildermuth, who serves as director, at 645 South Main Street, Lima, Ohio 45804.

*Apollo Joint Vocational School* - The Apollo Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the eleven participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Apollo Joint Vocational School, Greg Bukowski, who serves as Treasurer, at 3325 Shawnee Road, Lima, Ohio 45806.

**17. RELATED ORGANIZATION**

*Ada Public Library* - The Ada Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Ada School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the District for operational subsidies. Although the District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Ada Library, Janet E. Klingler, Clerk/Treasurer, at 320 North Main, Ada, Ohio 45810.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

**18. INSURANCE PURCHASING POOLS**

*Hardin County School Employees' Health and Welfare Benefit and Trust* - The Hardin County Schools Health Benefit Fund and Trust (the Trust) is a public entity shared risk pool consisting of six school districts and the Hardin County Educational Service Center. The Trust is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides sick, accident and other benefits to the employees of the participating school districts. Each participating school district's superintendent is appointed to an Administrative Committee which advises the Trustee, Ohio Bank, concerning aspects of the administration of the Trust.

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

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

**19. STATE SCHOOL FUNDING 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 Ohio General Assembly to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program" which provides significant amounts of monetary support to the District. For the fiscal year ended June 30, 1999, the District received \$2,668,043 in school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the Ohio General Assembly 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. At this time, 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 this program and on its financial operations.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

**20. YEAR 2000**

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the District's operations as early as fiscal year 1999.

The District has completed an inventory of computer systems and other electronic equipment necessary to conducting District operations and has identified such systems as being financial reporting, payroll and employee benefits, and educational statistics reporting. The District's school building has an electronically controlled heating system.

The District uses the State of Ohio Uniform School Accounting System software for financial reporting, the Ohio Uniform Staff Payroll System for its payroll and employee benefits, and the State's Education Management and Information System for its educational statistics reporting. The District utilizes the Northwest Ohio Area Computer Services Cooperative, an external service organization to provide these services. The external service organization and the State are responsible for remediating these systems.

Hardin County and Hancock County collect property taxes for distribution to the District. Each of the Counties are responsible for remediating its tax collection systems.

The State of Ohio distributes a substantial sum of money to the District in the form of "Foundation" payments. The State is responsible for remediating this system.

The manufacturer for the controls for the heating system has released a Year 2000 policy dated January 1998. This policy states that all current systems are year 2000 compliant with the software version available at the end of the calendar year 1997.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the District is or will be Year 2000 ready, that the District's remediation efforts will be successful in whole or in part, or that parties with whom the District does business will be year 2000 ready.

**21. CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

There are currently no matters of litigation with the School District as defendant.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

**22. SET ASIDE DISCLOSURE**

As stated in H.B. 412, school districts are required to maintain three reserves; one for capital acquisition and maintenance, one for textbooks and other instructional materials, and one for budget stabilization. A reserve represents resources whose use is limited because of contractual or statutory restrictions.

The following demonstrates the District's compliance with set-aside requirement in H.B. 412:

	<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	25,176	25,176
Current year set-aside requirement	79,711	79,711	40,015	199,437
Current year Offsets	(12,925)	(132,874)	0	(145,799)
Qualifying Disbursements	(103,021)	(51,977)	0	(154,998)
<b>Total</b>	<b>(36,235)</b>	<b>(105,140)</b>	<b>65,191</b>	<b>(76,184)</b>
 Cash Balance Carried Forward to FY 1999	 0	 0	 65,191	 65,191
Amount restricted	0	0	65,191	65,191
 Total Restricted Assets	 0	 0	 65,191	 65,191

Although the District had offsets and qualifying disbursements that reduced the set-aside amounts below zero for the textbooks and capital acquisition reserves, 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 fiscal year 1999. The amount set-aside to satisfy statutory requirements for budget stabilization is represented by cash and is presented as "reserve for budget stabilization" on the balance sheet.



**STATE OF OHIO  
OFFICE OF THE AUDITOR**  
\_\_\_\_\_  
JIM PETRO, AUDITOR OF STATE

One First National Plaza  
130 West Second Street  
Suite 2040  
Dayton, Ohio 45402  
Telephone 937-285-6677  
800-443-9274  
Facsimile 937-285-6688  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

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

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

We have audited the financial statements of Ada Exempted Village School District (the District) as of and for the year ended June 30, 1999, and have issued our report thereon dated January 7, 2000. 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the District in a separate letter dated January 7, 2000.

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

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

**JIM PETRO**  
Auditor of State

January 7, 2000



**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

**ADA EXEMPTED VILLAGE SCHOOL DISTRICT  
HARDIN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 8, 2000**